

NEWS RELEASE

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## What's JOE Worth?

The following is our response comments made by Greenlight Capital concerning JOE's accounting and claiming the company is overstating profits by not more aggressively writing down real estate investments. Today's WSJ is reporting JOE is volunteering to an informal SEC inquiry into its accounting practices concerning impairment of investment in real estate assets:

### **Consider the facts before selling or buying JOE shares:**

Since 2003, just as the real estate market began to bubble, JOE has recorded a total of \$175 mm in depreciation expenses and \$222 mm in impairment, restructuring and write-offs. Compare this to the company's \$210 in real estate investments made and discover JOE has written off assets at a 2:1 rate versus investing in them over the bubble/collapse period.

Also since 2003, JOE sold \$544 mm in real estate investments. Again compare to the company's \$210 in real estate investments and see JOE has been net selling real estate at a 2.5:1 rate versus investing over the boom/bust. Also consider JOE made peak asset dispositions in 2007 (accounting for 64% of the total since 2003), close to the market top. In 2007 asset dispositions were \$347 mm on which JOE recorded a \$55 mm gain. Their profit equated to a 16% margin. In our view, this is a conservative level given the money made by market speculators who did not have JOE's low-cost real estate advantage.

In 2008, 2009 and through the first three Qs 2010, JOE reported a combined \$200 mm in net operating losses. Compare this to the \$220 in profits over three years preceding 2008 and see JOE's profits made during bubble have been almost entirely consumed by losses since it burst..

JOE was incorporated in 1936. The company owns approximately 580,000 of land, mostly concentrated in Northwest Florida. Most of the land was acquired decades ago at a very low cost basis. Approximately 400,000 acres are within 15 miles of the Gulf of Mexico coast. The recorded book value of JOE's real estate is \$750 mm, which equates to \$1,300 per acre. Go ahead and assume the 180,000 acres outside 15 miles from the Gulf Coast are worthless and the book value jumps to a still conservative \$1,900 per acre. To put \$1,900 per acre in some prospective, realize that recreational Midwest farmland -which is in the tank - currently sells for around \$2,500 per acre. Productive Midwest farms are currently going for between \$5,000 and \$8,000 per acre. The point being, even if JOE's management was monkeying with the numbers –and it doesn't appear as if they were – any write down in capitalized real estate development costs would be offset many times by the write up in value of the land portfolio.

KPMG has been JOE's auditor since at least 1993.

Finally JOE's current market cap is \$2.0 billion. Divide \$2.0 billion by the company's 580,000 acres of Florida real estate and you get \$3,500. If you think Florida real estate is worth more, have a long-term investment horizon and a high risk tolerance, then there appears to be a money making opportunity buying the shares. If you think Florida real estate is worth less and unlikely to appreciate as the U.S. population ages then stay away. I know where we stand.

Please call or write with your questions.

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