UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2019

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to .

Commission file number: 1-10466

The St. Joe Company
(Exact name of registrant as specified in its charter)

Florida **(State or other jurisdiction of incorporation or organization)**	**59-0432511** **(I.R.S. Employer Identification No.)**
133 South Watersound Parkway **Watersound, Florida** **(Address of principal executive offices)**	**32461** **(Zip Code)**

(850) 231-6400
(Registrant's telephone number, including area code)
Securities Registered Pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbol(s)	Name of Exchange on Which Registered
Common Stock, no par value	JOE	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES NO ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). YES NO ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES ☐ NO

As of October 28, 2019, there were 59,414,583 shares of common stock, no par value, outstanding.

THE ST. JOE COMPANY
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PART I - FINANCIAL INFORMATION

Item 1. ***Financial Statements***

THE ST. JOE COMPANY
CONDENSED CONSOLIDATED BALANCE SHEETS
(Dollars in thousands)
(Unaudited)

	September 30, 2019	December 31, 2018
ASSETS		
Investment in real estate, net	$ 410,176	$ 350,994
Cash and cash equivalents	165,311	195,155
Investments - debt securities	35	8,958
Investments - equity securities	37,074	36,132
Other assets	59,953	60,308
Property and equipment, net of accumulated depreciation of $62,462 and $60,271 at September 30, 2019 and December 31, 2018, respectively	18,749	12,031
Investments held by special purpose entities	206,728	207,384
Total assets	$ 898,026	$ 870,962
LIABILITIES AND EQUITY		
Liabilities:		
Debt, net	$ 85,581	$ 69,374
Other liabilities	60,850	47,387
Deferred tax liabilities, net	52,083	44,315
Senior Notes held by special purpose entity	176,962	176,775
Total liabilities	375,476	337,851
Commitments and contingencies (Note 18)		
Equity:		
Common stock, no par value; 180,000,000 shares authorized; 60,677,742 and 60,672,034 issued at September 30, 2019 and December 31, 2018, respectively; and 59,536,213 and 60,672,034 outstanding at September 30, 2019 and December 31, 2018, respectively	326,449	331,395
Retained earnings	205,537	187,450
Accumulated other comprehensive loss	(490)	(674)
Treasury stock at cost, 1,141,529 shares held at September 30, 2019	(18,794)	—
Total stockholders' equity	512,702	518,171
Non-controlling interest	9,848	14,940
Total equity	522,550	533,111
Total liabilities and equity	$ 898,026	$ 870,962

See accompanying notes to the condensed consolidated financial statements.

THE ST. JOE COMPANY
CONDENSED CONSOLIDATED BALANCE SHEETS
(Dollars in thousands)
(Unaudited)

The following presents the portion of the condensed consolidated balances attributable to the Company's consolidated variable interest entities, which, as of September 30, 2019 and December 31, 2018, include the Pier Park North joint venture ("Pier Park North JV"), Pier Park Crossings LLC ("Pier Park Crossings JV"), Panama City Timber Finance Company, LLC and Northwest Florida Timber Finance, LLC as discussed in Note 2. *Summary of Significant Accounting Policies. Basis of Presentation and Principles of Consolidation*. As of September 30, 2019, the consolidated balances attributable to the Company's consolidated variable interest entities also include Origins Crossings, LLC ("Origins Crossings JV") and SJWCSL, LLC ("Watercrest JV"). As of December 31, 2018 the consolidated balances attributable to the Company's consolidated variable interest entities also include Windmark JV, LLC ("Windmark JV"). The following assets may only be used to settle obligations of the consolidated variable interest entities and the following liabilities are only obligations of the variable interest entities and do not have recourse to the general credit of the Company, except for covenants and limited guarantees discussed in Note 10. *Debt, Net*.

	September 30, 2019	December 31, 2018
ASSETS		
Investment in real estate	$ 84,241	$ 70,124
Cash and cash equivalents	1,993	2,113
Other assets	11,360	16,165
Investments held by special purpose entities	206,728	207,384
Total assets	$ 304,322	$ 295,786
LIABILITIES		
Debt, net	$ 73,972	$ 60,262
Other liabilities	3,458	5,773
Senior Notes held by special purpose entity	176,962	176,775
Total liabilities	$ 254,392	$ 242,810

See accompanying notes to the condensed consolidated financial statements.

THE ST. JOE COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Dollars in thousands except per share amounts)
(Unaudited)

	Three Months Ended September 30, 2019	Three Months Ended September 30, 2018	Nine Months Ended September 30, 2019	Nine Months Ended September 30, 2018
Revenue:				
Real estate revenue	$ 13,490	$ 6,200	$ 33,634	$ 46,061
Hospitality revenue	14,003	12,130	36,994	32,056
Leasing revenue	4,037	3,573	11,218	10,507
Timber revenue	1,326	1,773	2,580	5,350
Total revenue	32,856	23,676	84,426	93,974
Expenses:				
Cost of real estate revenue	6,036	3,709	14,715	10,831
Cost of hospitality revenue	10,191	9,269	26,384	25,427
Cost of leasing revenue	1,351	1,184	3,411	3,511
Cost of timber revenue	175	148	509	554
Other operating and corporate expenses	5,054	5,113	16,116	16,068
Depreciation, depletion and amortization	2,629	2,309	7,162	6,836
Total expenses	25,436	21,732	68,297	63,227
Operating income	7,420	1,944	16,129	30,747
Other income (expense):				
Investment income, net	2,371	2,575	10,952	12,221
Interest expense	(3,109)	(2,926)	(9,075)	(8,905)
Other income, net	2,147	268	7,126	787
Total other income (expense), net	1,409	(83)	9,003	4,103
Income before income taxes	8,829	1,861	25,132	34,850
Income tax (expense) benefit	(3,003)	3,483	(7,098)	(2,815)
Net income	5,826	5,344	18,034	32,035
Net (income) loss attributable to non-controlling interest	(109)	139	53	400
Net income attributable to the Company	$ 5,717	$ 5,483	$ 18,087	$ 32,435
NET INCOME PER SHARE				
Basic and Diluted				
Weighted average shares outstanding	60,043,427	61,066,731	60,187,313	63,418,118
Net income per share attributable to the Company	$ 0.10	$ 0.09	$ 0.30	$ 0.51

See accompanying notes to the condensed consolidated financial statements.

THE ST. JOE COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Dollars in thousands)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Net income:	$ 5,826	$ 5,344	$ 18,034	$ 32,035
Other comprehensive (loss) income:				
Net unrealized gain (loss) on available-for-sale investments	34	(1,244)	824	(1,726)
Net unrealized gain (loss) on restricted investments	—	—	18	(9)
Interest rate swap	(509)	—	(509)	—
Reclassification of net realized (gain) loss included in earnings	(80)	—	(78)	1,050
Reclassification into retained earnings [1]	—	—	—	932
Reclassification of other-than-temporary impairment loss included in earnings	—	1,660	—	1,723
Total before income taxes	(555)	416	255	1,970
Income tax benefit (expense) [2]	135	(105)	(71)	(811)
Total other comprehensive (loss) income, net of tax	(420)	311	184	1,159
Total comprehensive income, net of tax	$ 5,406	$ 5,655	$ 18,218	$ 33,194

(1) The reclassification into retained earnings for the nine months ended September 30, 2018 relates to the adoption of Accounting Standards Update ("ASU") 2016-01 *Financial Instruments - Overall*, as amended ("ASU 2016-01"). The new guidance was effective January 1, 2018, and required equity investments to be measured at fair value with changes in fair value recognized in results of operations rather than the condensed consolidated statements of comprehensive income.

(2) Income tax expense for the nine months ended September 30, 2018 includes $0.3 million of income tax expense related to the adoption of ASU 2018-02 *Income Statement - Reporting Comprehensive Income* ("ASU 2018-02"). The new guidance was effective January 1, 2018, and allowed a reclassification from accumulated other comprehensive loss to retained earnings for stranded tax effects resulting from the Tax Cuts and Jobs Act (the "Tax Act").

See accompanying notes to the condensed consolidated financial statements.

THE ST. JOE COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(Dollars in thousands)
(Unaudited)

	Common Stock			Accumulated Other			
	Outstanding Shares	Amount	Retained Earnings	Comprehensive Loss	Treasury Stock	Non-controlling Interest	Total
Balance at June 30, 2019	**60,200,534**	**$ 330,209**	**$ 199,820**	**$ (70)**	**$ (7,073)**	**$ 19,254**	**$ 542,140**
Additional ownership interest in Windmark	—	(3,787)	—	—	—	(7,832)	(11,619)
Capital contribution from non-controlling interest	—	—	—	—	—	(1,683)	(1,683)
Stock based compensation expense	5,708	27	—	—	—	—	27
Repurchase of common shares	(670,029)	—	—	—	(11,721)	—	(11,721)
Other comprehensive loss, net of tax	—	—	—	(420)	—	—	(420)
Net income	—	—	5,717	—	—	109	5,826
Balance at September 30, 2019	**59,536,213**	**$ 326,449**	**$ 205,537**	**$ (490)**	**$ (18,794)**	**$ 9,848**	**$ 522,550**

	Common Stock			Accumulated Other			
	Outstanding Shares	Amount	Retained Earnings	Comprehensive (Loss) Income	Treasury Stock	Non-controlling Interest	Total
Balance at June 30, 2018	**61,842,662**	**$ 424,736**	**$ 182,033**	**$ (613)**	**$ (72,463)**	**$ 15,847**	**$ 549,540**
Capital distribution to non-controlling interest	—	—	—	—	—	(201)	(201)
Stock based compensation expense	2,778	14	—	—	—	—	14
Repurchase of common shares	(1,173,406)	—	—	—	(20,906)	—	(20,906)
Retirement of treasury stock	—	(93,369)	—	—	93,369	—	—
Other comprehensive income, net of tax	—	—	—	311	—	—	311
Net income	—	—	5,483	—	—	(139)	5,344
Balance at September 30, 2018	**60,672,034**	**$ 331,381**	**$ 187,516**	**$ (302)**	**$ —**	**$ 15,507**	**$ 534,102**

See accompanying notes to the condensed consolidated financial statements.

THE ST. JOE COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(Dollars in thousands)
(Unaudited)

	Common Stock			Accumulated Other			
	Outstanding Shares	Amount	Retained Earnings	Comprehensive (Loss) Income	Treasury Stock	Non-controlling Interest	Total
Balance at December 31, 2018	**60,672,034**	**$ 331,395**	**$ 187,450**	**$ (674)**	**$ —**	**$ 14,940**	**$ 533,111**
Allocation of ownership interest in Watercrest JV	—	(1,209)	—	—	—	1,209	—
Additional ownership interest in Windmark	—	(3,787)	—	—	—	(7,832)	(11,619)
Capital contribution from non-controlling interest	—	—	—	—	—	1,784	1,784
Capital distribution to non-controlling interest	—	—	—	—	—	(200)	(200)
Stock based compensation expense	5,708	50	—	—	—	—	50
Repurchase of common shares	(1,141,529)	—	—	—	(18,794)	—	(18,794)
Other comprehensive income, net of tax	—	—	—	184	—	—	184
Net income	—	—	18,087	—	—	(53)	18,034
Balance at September 30, 2019	**59,536,213**	**$ 326,449**	**$ 205,537**	**$ (490)**	**$ (18,794)**	**$ 9,848**	**$ 522,550**

See accompanying notes to the condensed consolidated financial statements.

THE ST. JOE COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(Dollars in thousands)
(Unaudited)

	Common Stock			Accumulated Other			
	Outstanding Shares	Amount	Retained Earnings	Comprehensive (Loss) Income	Treasury Stock	Non-controlling Interest	Total
Balance at December 31, 2017	**65,897,866**	**$ 424,694**	**$ 154,324**	**$ (1,461)**	**$ —**	**$ 15,027**	**$ 592,584**
Allocation of ownership interest in Pier Park Crossings JV	—	(490)	—	—	—	490	—
Additional ownership interest acquired in Artisan Park, LLC	—	297	—	—	—	(297)	—
Capital contribution from non-controlling interest	—	—	—	—	—	887	887
Capital distribution to non-controlling interest	—	—	—	—	—	(200)	(200)
Stock based compensation expense	2,778	57	—	—	—	—	57
Issuance of common stock for officer compensation, net of tax withholding	9,956	192	—	—	—	—	192
Repurchase of common shares	(5,238,566)	—	—	—	(93,369)	—	(93,369)
Retirement of treasury stock	—	(93,369)	—	—	93,369	—	—
Adoption of ASU 2014-09 *Revenue From Contracts with Customers*, as amended, net of tax	—	—	1,140	—	—	—	1,140
Adoption of ASU 2016-01 *Financial Instruments - Overall*, as amended, net of tax	—	—	(696)	696	—	—	—
Adoption of ASU 2018-02 *Income Statement - Reporting Comprehensive Income*	—	—	313	(313)	—	—	—
Other comprehensive income, net of tax	—	—	—	776	—	—	776
Net income	—	—	32,435	—	—	(400)	32,035
Balance at September 30, 2018	**60,672,034**	**$ 331,381**	**$ 187,516**	**$ (302)**	**$ —**	**$ 15,507**	**$ 534,102**

See accompanying notes to the condensed consolidated financial statements.

THE ST. JOE COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in thousands)
(Unaudited)

	Nine Months Ended September 30,	
	2019	**2018**
Cash flows from operating activities:		
Net income	$ 18,034	$ 32,035
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, depletion and amortization	7,162	6,836
Stock based compensation	50	249
(Gain) loss on sale of investments	(26)	961
Unrealized loss (gain) on investments, net	1,305	(641)
Other-than-temporary impairment loss	—	1,723
Deferred income tax expense (benefit)	7,697	(1,795)
Impairment loss on investment in real estate	—	99
Cost of real estate sold	13,763	9,839
Expenditures for and acquisition of real estate to be sold	(25,810)	(13,580)
Accretion income and other	(967)	(1,571)
Loss on disposal of property and equipment	—	13
Gain on land contribution to equity method investment	(2,317)	—
Gain on insurance for damage to property and equipment	(5,347)	—
Changes in operating assets and liabilities:		
Other assets	(871)	6,030
Other liabilities	2,655	1,096
Income taxes receivable	(599)	4,976
Net cash provided by operating activities	**14,729**	**46,270**
Cash flows from investing activities:		
Expenditures for operating property	(43,705)	(18,042)
Expenditures for property and equipment	(8,205)	(1,692)
Proceeds from the disposition of assets	—	5,000
Proceeds from insurance claims	13,378	—
Purchases of investments - equity securities	(4,608)	(10,442)
Purchases of restricted investments	(60)	(62)
Maturities of investments - debt securities	7,000	—
Sales of investments - debt securities	2,830	63,539
Sales of investments - equity securities	2,310	11,051
Sales of restricted investments	1,156	1,092
Maturities of assets held by special purpose entities	787	785
Net cash (used in) provided by investing activities	**(29,117)**	**51,229**
Cash flows from financing activities:		
Capital contribution from non-controlling interest	1,784	887
Capital distribution to non-controlling interest	(200)	(200)
Capital contribution to unconsolidated affiliate	(254)	(159)
Additional ownership interest in Windmark	(11,619)	—
Repurchase of common shares	(18,794)	(93,369)
Borrowings on debt	16,174	9,304
Principal payments for debt	(1,305)	(1,103)
Principal payments under finance lease obligation	(25)	—
Debt issuance costs	(889)	(1,159)
Net cash used in financing activities	**(15,128)**	**(85,799)**
Net (decrease) increase in cash, cash equivalents and restricted cash	**(29,516)**	**11,700**
Cash, cash equivalents and restricted cash at beginning of the period	**198,073**	**192,451**
Cash, cash equivalents and restricted cash at end of the period	**$ 168,557**	**$ 204,151**

See accompanying notes to the condensed consolidated financial statements.

THE ST. JOE COMPANY
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION
(Dollars in thousands)
(Unaudited)

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the condensed consolidated balance sheets that sum to the total of the same such amounts shown in the statements of cash flows.

	September 30, 2019	September 30, 2018
Cash and cash equivalents	$ 165,311	$ 200,884
Restricted cash included in other assets	3,246	3,267
Total cash, cash equivalents and restricted cash shown in the statement of cash flows	$ 168,557	$ 204,151

Restricted cash includes amounts set aside as a requirement of financing for certain of the Company’s developments.

	Nine Months Ended September 30,	
	2019	2018
Cash paid during the period for:		
Interest, net of amounts capitalized	$ 10,753	$ 10,787
Income taxes	$ —	$ 2,005
Non-cash financing and investment activities:		
Non-cash allocation of ownership interest in JV	$ 1,209	$ 490
Non-cash contribution to equity method investment	$ (2,108)	$ —
Increase (decrease) in Community Development District debt	$ 1,285	$ (409)
Decrease in expenditures for operating properties and property and equipment financed through accounts payable	$ (2,070)	$ (655)

See notes to the condensed consolidated financial statements.

THE ST. JOE COMPANY
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands, unless otherwise stated)
(Unaudited)

1. Nature of Operations

The St. Joe Company together with its consolidated subsidiaries ("St. Joe" or the "Company") is a Florida real estate development, asset management and operating company with real estate assets and operations concentrated in Northwest Florida. Approximately 90% of the Company's real estate land holdings are located within fifteen miles of the Gulf of Mexico.

The Company conducts primarily all of its business in the following four reportable operating segments: 1) residential real estate, 2) hospitality, 3) commercial leasing and sales and 4) forestry. Commencing in the fourth quarter of 2018, the Company's previously titled "resorts and leisure" segment was retitled "hospitality," with no effect on the condensed consolidated balance sheets, statements of income, statements of comprehensive income or statements of cash flows for the periods presented.

2. Summary of Significant Accounting Policies

Basis of Presentation and Principles of Consolidation

The accompanying unaudited interim condensed consolidated financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC") for reporting on Form 10-Q. Accordingly, certain information and footnotes required by United States generally accepted accounting principles ("GAAP") for complete financial statements are not included herein. The unaudited interim condensed consolidated financial statements include the accounts of the Company and all of its majority-owned and controlled subsidiaries and variable interest entities where the Company deems itself the primary beneficiary. Investments in joint ventures ("JV") and limited partnerships in which the Company is not the primary beneficiary are accounted for by the equity method. All significant intercompany transactions and balances have been eliminated in consolidation. The December 31, 2018 condensed consolidated balance sheet amounts have been derived from the Company's December 31, 2018 audited consolidated financial statements. Certain prior period amounts in the accompanying condensed consolidated financial statements have been reclassified to conform to the current year presentation. These reclassifications had no effect on the Company's previously reported total assets and liabilities, stockholders' equity or net income. Operating results for the nine months ended September 30, 2019 are not necessarily indicative of the results that may be expected for the full year ending December 31, 2019.

A variable interest entity ("VIE") is an entity in which a controlling financial interest may be achieved through arrangements that do not involve voting interests. A VIE is required to be consolidated by its primary beneficiary, which is the entity that possesses the power to direct the activities of the VIE that most significantly impact the VIE's economic performance and has the obligation to absorb losses or the right to receive benefits from the VIE that are significant to the entity. The Company consolidates VIEs when it is the primary beneficiary of the VIE, including real estate JVs determined to be VIEs. See Note 9. *Real Estate Joint Ventures*.

The interim condensed consolidated financial statements reflect all normal recurring adjustments that, in the opinion of management, are necessary for fair presentation of the information contained herein. The interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2018. The Company adheres to the same accounting policies in preparation of its unaudited interim condensed consolidated financial statements as the Company's December 31, 2018 annual financial statements, except for recently adopted accounting pronouncements detailed below. As required under GAAP, interim accounting for certain expenses, including income taxes, are based on full year assumptions. For interim financial reporting purposes, income taxes are recorded based upon estimated annual income tax rates.

Concentration of Risks and Uncertainties

The Company's real estate investments are concentrated in Northwest Florida in a number of specific development projects. Uncertain economic conditions could have an adverse impact on the Company's real estate values and could cause the Company to sell assets at depressed values in order to pay ongoing obligations.

Financial instruments that potentially subject the Company to a concentration of credit risk consist of cash, cash equivalents, investments, other receivables, investments held by special purpose entity or entities ("SPE"), and investments in retained interests. The Company deposits and invests cash with local and regional financial institutions, and as of September 30, 2019, these balances exceeded the amount of F.D.I.C. insurance provided on such deposits. In addition, as of September 30, 2019 the company had $35.2 million invested in seven issuers of preferred stock that are non-investment grade and one issuer of preferred stock that is investment grade, $1.9 million invested in one issuer of common stock, as well as investments of $138.4 million in short term commercial paper from twenty-two issuers and short term U.S. Treasury securities of $7.0 million.

Earnings Per Share

Basic and diluted earnings per share are calculated by dividing net income attributable to the Company by the average number of common shares outstanding for the period. For the three and nine months ended September 30, 2019 and 2018, basic and diluted average shares outstanding were the same. There were no outstanding common stock equivalents as of September 30, 2019 or September 30, 2018. Non-vested restricted stock is included in outstanding shares at the time of grant.

Recently Adopted Accounting Pronouncements

Leases

In February 2016, the FASB issued ASU 2016-02,*Leases* ("ASU 2016-02") that amended the existing accounting standards for lease accounting, including requiring lessees to recognize both finance and operating leases with terms of more than 12 months on the balance sheet. The accounting applied by a lessor is largely unchanged by this amendment. This amendment also required certain quantitative and qualitative disclosures about leasing arrangements. In January 2018, the FASB issued ASU 2018-01, which provided an optional transition practical expedient to not evaluate under the new lease standard, existing or expired land easements that were not previously accounted for as leases. In July 2018, the FASB issued ASU 2018-10 that provided clarifications and improvements to ASU 2016-02. In July 2018, the FASB issued ASU 2018-11 that provided entities with an additional and optional transition method to apply the new standard at the adoption date and recognize a cumulative-effect adjustment to the beginning balance of retained earnings in the period of adoption. In December 2018, the FASB issued ASU 2018-20 that provided an accounting policy election for certain narrow-scope improvements for lessors. In March 2019, the FASB issued ASU 2019-01 that provided clarifications and improvements to ASU 2016-02. During the Company's evaluation of ASU 2016-02, as amended, ("Topic 842") the following practical expedients and accounting policies with respect to Topic 842 have been elected and/or adopted effective January 1, 2019:

- The Company, as lessee and as lessor, did not reassess (i) whether any expired or existing contracts are or contain leases, (ii) lease classification for any expired or existing leases or (iii) initial direct costs for any expired or existing leases.

- The Company, as lessee, did not apply the recognition requirements of Topic 842 to short-term (twelve months or less) leases. Instead, the Company, as lessee, will recognize the lease payments in profit or loss on a straight-line basis over the lease term and variable lease payments in the period in which the obligation for those payments is incurred.

- The Company, as lessor, did not separate nonlease components from lease components and, instead, will account for each separate lease component and the nonlease components associated with that lease as a single component if the nonlease components otherwise would be accounted for under Accounting Standards

Codification Topic 606, *Revenue from Contracts with Customers.* The primary reason for this election is related to instances where common area maintenance is, or may be, a component of base rent within a lease agreement.

The Company adopted the new guidance, including amendments, as of January 1, 2019 and has elected to implement Topic 842 retrospectively using the cumulative-effect adjustment transition method as of the date of adoption. As a result, prior periods have not been restated. As of the date of adoption, a cumulative-effect adjustment was not necessary and the Company recognized an operating lease right-of use assets of $0.4 million and corresponding operating lease liabilities of $0.4 million based on the present value of minimum rental payments related to leases for which the Company is the lessee. The operating lease right-of-use assets and corresponding operating lease liabilities are included within other assets and other liabilities, respectively, on the condensed consolidated balance sheets. There were no adjustments related to the leases for which the Company is the lessor. The adoption of this guidance did not materially impact results of operations or cash flows.

Codification Updates

In July 2019, the FASB issued ASU 2019-07,*Codification Updates to SEC Sections—Amendments to SEC Paragraphs Pursuant to SEC Final Rule Releases No. 33-10532, Disclosure Update and Simplification, and Nos. 33-10231 and 33-10442, Investment Company Reporting Modernization, and Miscellaneous Updates* (“ASU 2019-07”) that aligns SEC paragraphs in the codification with changes made in the above-referenced SEC rules to simplify disclosures, modernize the reporting and disclosure of information by registered investment companies and other items. This new guidance was effective upon issuance and did not have a material impact on the Company’s financial condition, results of operations and cash flows.

Recently Issued Accounting Pronouncements

Financial Instruments - Credit Losses

In June 2016, the FASB issued ASU 2016-13,*Financial Instruments – Credit Losses* (Topic 326) (“ASU 2016-13”), that requires a financial asset measured at amortized cost to be presented at the net amount expected to be collected and requires that credit losses from available-for-sale debt securities be presented as an allowance for credit loss. In November 2018, the FASB issued ASU 2018-19, which clarifies that impairment of receivables from operating leases should be accounted for using lease guidance. In April 2019, the FASB issued ASU 2019-04, which clarifies and improves ASU 2016-13. In May 2019, the FASB issued ASU 2019-05, which provides an option to irrevocably elect the fair value option for certain financial assets previously measured at amortized cost basis. This new guidance will be effective for annual and interim periods beginning after December 15, 2019, with early adoption permitted for annual and interim periods beginning after December 15, 2018. The Company is currently evaluating the impact that the adoption of this guidance will have on its financial condition, results of operations and cash flows.

3. Investment in Real Estate

Real estate by property type and segment includes the following:

	September 30, 2019	December 31, 2018
Development property:		
Residential real estate	$ 116,810	$ 105,323
Hospitality	2,664	3,726
Commercial leasing and sales	99,506	73,128
Forestry	1,884	2,144
Corporate	2,540	2,497
Total development property	**223,404**	**186,818**
Operating property:		
Residential real estate	7,344	7,344
Hospitality	98,961	93,046
Commercial leasing and sales	131,778	111,471
Forestry	20,811	19,765
Other	50	50
Total operating property	258,944	231,676
Less: Accumulated depreciation	72,172	67,500
Total operating property, net	**186,772**	**164,176**
Investment in real estate, net	**$ 410,176**	**$ 350,994**

Development property consists of land the Company is developing or intends to develop for sale or future operations and includes direct costs associated with the land, development and construction costs and indirect costs. Residential real estate includes residential communities. Hospitality development property consists of construction and development costs and improvements primarily related to the Camp Creek Lifestyle Village amenity center as well as other properties. Commercial leasing and sales development property primarily consists of land and development costs for commercial and industrial uses, including the Pier Park Crossings JV, Origins Crossings JV, Watercrest JV, Beckrich Office Park, land holdings near the Northwest Florida Beaches International Airport and Port of Port St. Joe. Development property in the hospitality and commercial leasing and sales segments will be reclassified as operating property as it is placed into service.

Operating property includes property that the Company uses for operations and activities. Residential real estate operating property consists primarily of residential utility assets. The hospitality operating property includes the WaterColor Inn, WaterSound Inn, golf courses, a beach club, marinas and certain vacation rental properties. Commercial leasing and sales operating property includes property developed or purchased by the Company and used for retail and commercial rental purposes, including property in the Pier Park North JV, VentureCrossings, Pier Park Crossings JV and Beckrich Office Park, as well as other properties. Forestry operating property includes the Company's timberlands. Operating property may be sold in the future as part of the Company's principal real estate business.

4. Investments

Available-For-Sale Investments

Investments classified as available-for-sale securities were as follows:

	September 30, 2019			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Fair Value
Investments - debt securities:				
Corporate debt securities	$ 178	$ —	$ (143)	$ 35
	178	**—**	**(143)**	**35**
Restricted investments:				
Short-term bond	2,229	11	—	2,240
Money market fund	113	—	—	113
	2,342	**11**	**—**	**2,353**
	$ 2,520	**$ 11**	**$ (143)**	**$ 2,388**

	December 31, 2018			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Fair Value
Investments - debt securities:				
U.S. Treasury securities	$ 6,936	$ 1	$ —	$ 6,937
Corporate debt securities	2,908	—	(887)	2,021
	9,844	**1**	**(887)**	**8,958**
Restricted investments:				
Short-term bond	3,274	—	(9)	3,265
Money market fund	167	—	—	167
	3,441	**—**	**(9)**	**3,432**
	$ 13,285	**$ 1**	**$ (896)**	**$ 12,390**

During the three and nine months ended September 30, 2019 net realized gains from the sale of available-for-sale securities were $0.1 million. During the nine months ended September 30, 2019 proceeds from the sale of available-for-sale securities were $4.0 million and purchases of available-for-sale securities were less than $0.1 million.

During the three months ended September 30, 2018 there were no realized gains or losses from the sale of available-for-sale securities. During the nine months ended September 30, 2018 net realized losses from the sale of available for-sale securities were $1.0 million. During the nine months ended September 30, 2018 proceeds from the sale of available-for-sale securities were $64.6 million and purchases of available-for sale securities were less than $0.1 million.

The following table provides the available-for-sale investments unrealized loss position and related fair values:

	September 30, 2019			
	Less Than 12 Months		12 Months or Greater	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Investments - debt securities:				
Corporate debt securities	$ —	$ —	$ 35	$ 143

	December 31, 2018			
	Less Than 12 Months		12 Months or Greater	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Investments - debt securities:				
Corporate debt securities	$ —	$ —	$ 1,843	$ 887
Restricted investments:				
Short-term bond	—	—	3,265	9
	$ —	$ —	$ 5,108	$ 896

As of September 30, 2019, the Company had unrealized losses of $0.1 million related to corporate debt securities. The Company had unrealized losses of $0.9 million as of December 31, 2018 related to corporate debt securities and restricted investments. As of September 30, 2019 and December 31, 2018, the Company did not intend to sell the investments with a material unrealized loss and it is more likely than not that the Company will not be required to sell any of these securities prior to their anticipated recovery, which could be maturity. During the nine months ended September 30, 2018, the Company determined unrealized losses related to its corporate debt securities were other-than-temporarily impaired and recorded an impairment of $1.7 million for credit-related loss in investment income, net in the Company's condensed consolidated statements of income.

The amortized cost and estimated fair value of investments - debt securities and restricted investments classified as available-for-sale, by contractual maturity are shown in the following table. Actual maturities may differ from contractual maturities since certain borrowers have the right to call or prepay obligations.

	September 30, 2019	
	Amortized Cost	Fair Value
Due in one year or less	$ 178	$ 35
Restricted investments	2,342	2,353
	$ 2,520	$ 2,388

Investments - Equity Securities

As of September 30, 2019 and December 31, 2018 investments - equity securities included $35.2 million and $36.1 million, respectively, of preferred stock investments recorded at fair value. As of September 30, 2019 investments – equity securities also included $1.9 million of common stock investments recorded at fair value. During the three and nine months ended September 30, 2019 the Company had an unrealized loss on investments - equity securities of $1.4 million and $1.3 million, respectively. During the three and nine months ended September 30, 2018 the Company had an unrealized loss on investments – equity securities of $0.1 million and an unrealized gain on investments – equity securities of $0.6 million, respectively. These amounts were included within investment income, net on the condensed consolidated statements of income.

Investment Management Agreement

Mr. Bruce R. Berkowitz is the Chairman of the Company's Board of Directors (the "Board"). He is the Manager of, and controls entities that own and control, Fairholme Holdings, LLC ("Fairholme"), which wholly owns Fairholme Capital Management, L.L.C. ("FCM", an investment advisor registered with the SEC). Mr. Berkowitz is the Chief

Investment Officer of FCM. FCM has provided investment advisory services to the Company since April 2013. FCM does not receive any compensation for services as the Company's investment advisor. As of September 30, 2019, clients of FCM, including Mr. Berkowitz, beneficially owned approximately 44.24% of the Company's common stock. FCM and its client, The Fairholme Fund, a series of the Fairholme Funds, Inc., may be deemed affiliates of the Company.

Both Mr. Cesar Alvarez and Mr. Howard Frank are members of the Company's Board and also serve as directors of Fairholme Funds, Inc.

Pursuant to the terms of an Investment Management Agreement, as amended, with the Company (the "Investment Management Agreement"), FCM agreed to supervise and direct the investments of investment accounts established by the Company in accordance with the investment guidelines and restrictions approved by the Investment Committee of the Company's Board. The investment guidelines are set forth in the Investment Management Agreement and require that, as of the date of any investment: (i) no more than 15% of the investment account may be invested in securities of any one issuer (excluding the U.S. Government), (ii) any investment in any one issuer (excluding the U.S. Government) that exceeds 10% of the investment account, but not 15%, requires the consent of at least two members of the Investment Committee, (iii) 25% of the investment account must be held in cash or cash equivalents, (iv) the investment account is permitted to be invested in common equity securities; however, common stock investments shall be limited to exchange-traded common equities, shall not exceed 5% ownership of a single issuer and, cumulatively, the common stock held in the Company's investment portfolio shall not exceed $100.0 million market value, and (v) the aggregate market value of investments in common stock, preferred stock or other equity investments cannot exceed 25% of the market value of the Company's investment portfolio at the time of purchase.

5. Financial Instruments and Fair Value Measurements

Fair Value Measurements

The financial instruments measured at fair value on a recurring basis are as follows:

	September 30, 2019			
	Level 1	Level 2	Level 3	Total Fair Value
Cash equivalents:				
Money market funds	$ 6,916	$ —	$ —	$ 6,916
Commercial paper	138,357	—	—	138,357
U.S. Treasury securities	6,998	—	—	6,998
	152,271	**—**	**—**	**152,271**
Investments - debt securities:				
Corporate debt securities	—	35	—	35
	—	**35**	**—**	**35**
Investments - equity securities:				
Preferred stock	10,825	24,349	—	35,174
Common stock	1,900	—	—	1,900
	12,725	**24,349**	**—**	**37,074**
Restricted investments:				
Short-term bond	2,240	—	—	2,240
Money market fund	113	—	—	113
	2,353	**—**	**—**	**2,353**
	$ 167,349	**$ 24,384**	**$ —**	**$ 191,733**

	December 31, 2018			
	Level 1	Level 2	Level 3	Total Fair Value
Cash equivalents:				
Money market funds	$ 43,346	$ —	$ —	$ 43,346
Commercial paper	107,586	—	—	107,586
U.S. Treasury securities	29,998	—	—	29,998
	180,930	**—**	**—**	**180,930**
Investments - debt securities:				
U.S. Treasury securities	6,937	—	—	6,937
Corporate debt securities	—	2,021	—	2,021
	6,937	**2,021**	**—**	**8,958**
Investments - equity securities:				
Preferred stock	**10,470**	**25,662**	—	**36,132**
Restricted investments:				
Short-term bond	3,265	—	—	3,265
Money market fund	167	—	—	167
	3,432	**—**	**—**	**3,432**
	$ 201,769	**$ 27,683**	**$ —**	**$ 229,452**

Money market funds, commercial paper, U.S. Treasury securities, certain preferred stock investments, common stock and short-term bonds are measured based on quoted market prices in an active market and categorized within Level 1 of the fair value hierarchy. Money market funds, commercial paper and short term U.S. Treasury securities with a maturity date of 90 days or less from the date of purchase are classified as cash equivalents in the Company's condensed consolidated balance sheets.

The Company's corporate debt securities and certain preferred stock investments are not traded on a nationally recognized exchange, but are traded in the U.S. over-the-counter market where there is less trading activity and the investments are measured primarily using pricing data from external pricing services that report prices observed for recently executed market transactions. For these reasons, the Company has determined that corporate debt securities and certain preferred stock investments are categorized as Level 2 financial instruments since their fair values were determined from market inputs in an inactive market.

Restricted investments are included within other assets on the condensed consolidated balance sheets and include certain of the surplus assets that were transferred from the Company's Pension Plan to a suspense account in the Company's 401(k) Plan in December 2014. The Company has retained the risks and rewards of ownership of these assets; therefore, the assets held in the suspense account are included in the Company's condensed consolidated financial statements until they are allocated to participants. As of September 30, 2019 and December 31, 2018, the assets held in the suspense account were invested in Vanguard Money Market Funds, which invest in short-term, high quality securities or short-term U.S. government securities and seek to provide current income and preserve shareholders' principal investment and a Vanguard Short-Term Bond Fund, which invests in money market instruments and short-term high quality bonds, including asset-backed, government, and investment grade corporate securities with an expected maturity of 0-3 years. The Vanguard Money Market Funds and Vanguard Short-Term Bond Fund are measured based on quoted market prices in an active market and categorized within Level 1 of the fair value hierarchy. The Company's Retirement Plan Investment Committee is responsible for investing decisions and allocation decisions of the suspense account. Refer to Note 8. *Other Assets.*

Liabilities measured at fair value on a recurring basis are as follows:

		September 30, 2019			
	Location in Balance Sheet	**Level 1**	**Level 2**	**Level 3**	**Total Fair Value**
Derivative Liabilities:					
Interest rate swap	Other liabilities	$ —	$ 509	$ —	$ 509
		$ —	**$ 509**	**$ —**	**$ 509**

In June 2019 the Company entered into an interest rate swap agreement designated as a cash flow hedge to manage the interest rate risk associated with variable rate debt. The interest rate swap is effective June 1, 2021 and matures on June 1, 2024 and fixed the variable rate debt on the notional amount of related debt of $20.0 million. As of September 30, 2019, the interest rate swap was recorded at its estimated fair value, based on level 2 measurements, of $0.5 million and is included within other liabilities on the condensed consolidated balance sheet. The gain or loss on the derivative instrument is reported as a component of other comprehensive income and reclassified into earnings in the period during which the hedged transaction affects earnings. The Company did not reclassify any amounts out of other comprehensive income into interest expense during the nine months ended September 30, 2019. See Note 10. *Debt* for additional information.

Fair Value of Financial Instruments

The Company uses the following methods and assumptions in estimating fair value for financial instruments:

- The fair value of the investments held by SPEs - time deposit is based on the present value of future cash flows at the current market rate.
- The fair value of the investments held by SPEs - U.S. Treasury securities are measured based on quoted market prices in an active market.

- The fair value of the senior notes held by SPE is based on the present value of future cash flows at the current market rate.

The carrying amount and fair value, measured on a nonrecurring basis, of the Company's financial instruments were as follows:

	September 30, 2019			December 31, 2018		
	Carrying value	Fair value	Level	Carrying value	Fair value	Level
Assets						
Investments held by SPEs:						
Time deposit	$ 200,000	$ 200,000	3	$ 200,000	$ 200,000	3
U.S. Treasury securities and cash	$ 6,728	$ 6,736	1	$ 7,384	$ 7,092	1
Liabilities						
Senior Notes held by SPE	$ 176,962	$ 208,957	3	$ 176,775	$ 193,293	3

Investments and Senior Notes Held by Special Purpose Entities

In connection with a real estate sale in 2014, the Company received consideration including a $200.0 million fifteen-year installment note (the "Timber Note") issued by Panama City Timber Finance Company, LLC. The Company contributed the Timber Note and assigned its rights as a beneficiary under a letter of credit to Northwest Florida Timber Finance, LLC. Northwest Florida Timber Finance, LLC monetized the Timber Note by issuing $180.0 million aggregate principal amount of its 4.8% Senior Secured Notes due in 2029 (the "Senior Notes") at an issue price of 98.5% of face value to third party investors. The investments held by Panama City Timber Finance Company, LLC as of September 30, 2019, consist of a $200.0 million time deposit that, subsequent to April 2, 2014, pays interest at 4.0% and matures in March 2029, U.S. Treasuries of $6.3 million and cash of $0.4 million. The Senior Notes held by Northwest Florida Timber Finance, LLC as of September 30, 2019 consist of $177.0 million, net of the $3.0 million discount and debt issuance costs. Panama City Timber Finance Company, LLC and Northwest Florida Timber Finance, LLC are VIEs, which the Company consolidates as the primary beneficiary of each entity.

6. Hurricane Michael

On October 10, 2018, Hurricane Michael made landfall in the Florida Panhandle, which resulted in widespread damage to the area. The majority of the Company's properties incurred minimal or no damage; however the Company's Bay Point Marina in Bay County and Port St. Joe Marina in Gulf County, as well as certain timber and commercial leasing assets were impacted. The marinas suffered significant damage requiring long-term restoration and will remain closed during the reconstruction of significant portions of these assets, which is currently underway.

The Company maintains property and business interruption insurance, subject to certain deductibles, and is continuing to assess claims under such policies; however, the timing and amount of insurance proceeds are uncertain and may not be sufficient to cover all losses. Timing differences are likely to exist between the impairment losses, capital expenditures made to repair or restore properties and recognition and receipt of insurance proceeds reflected in the Company's financial statements.

GAAP guidance provides that property damaged by a natural disaster be evaluated for impairment loss in the period the loss occurs, recording an insurance receivable for the lesser of the expected net insurance recovery or the net book value of damaged assets that are planned to be replaced. Insurance recoveries for business interruption, clean-up and demolition costs, post-event costs or property damage in excess of net book value will be recognized in income in the period received or when all contingencies associated with the recoveries are resolved and the insurance companies have committed to a recovery amount. During the three months ended September 30, 2019, no insurance proceeds were received related to business interruption insurance. During the nine months ended September 30, 2019, $1.3 million of insurance proceeds were received related to business interruption insurance, included within cost of hospitality revenue on the condensed consolidated statements of income. Costs incurred due to business interruption, primarily at the marinas, are continuing to be evaluated. The Company does not expect revenue at these locations until the properties have been rebuilt, but will incur costs for employee retention and property maintenance.

During the fourth quarter of 2018, the Company recorded a loss on disposal of assets related to the net book value of the marinas and certain forestry and commercial leasing assets. During the three and nine months ended September 30, 2019, the Company recognized $1.2 million and $5.3 million, respectively, of insurance proceeds, included in other income, net on the condensed consolidated statements of income.

During the three and nine months ended September 30, 2019, the Company has incurred costs of $0.6 million and $1.7 million, respectively for additional hurricane expenses for repairs, clean-up costs, landscape repairs, demolition costs, professional fees and temporary housing for employees included in other income, net on the condensed consolidated statements of income.

The Company expects that its results of operations related to the marinas and timber assets will be impacted in the near term.

7. Leases

Leasing revenue consists of rental revenue from multi-family, retail, office and commercial property, cell towers and other assets, which is recognized as earned, using the straight-line method over the life of each lease. The Company's leases have remaining lease terms up to the year 2036, some of which include options to terminate or extend.

The components of leasing revenue are as follows:

	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2019
Leasing revenue		
Lease payments	$ 3,107	$ 8,511
Variable lease payments	930	2,707
Total leasing revenue	$ 4,037	$ 11,218

Minimum future base rental revenue on non-cancelable leases subsequent to September 30, 2019, for the years ending December 31 are:

2019	$ 3,950
2020	13,520
2021	10,025
2022	9,115
2023	7,138
Thereafter	19,089
	$ 62,837

As of September 30, 2019, the Company leased certain office equipment under a finance lease and had operating leases for property and equipment used in corporate and hospitality operations with remaining lease terms up to the year 2049. Certain leases include options to purchase, terminate or renew for one or more years, which are included in the lease term used to establish right-of-use assets and lease liabilities when it is reasonably certain that the option will be exercised. Finance lease right-of-use assets are included within property, plant and equipment and operating lease right-of-use assets are included within other assets on the condensed consolidated balance sheets, which represent the Company's right to use an underlying asset during a lease term for leases in excess of one year. Corresponding finance lease liability and operating lease liabilities are included within other liabilities on the condensed consolidated balance sheets and are related to the Company's obligation to make lease payments for leases in excess of one year. Prior to the adoption ASU 2016-02 on January 1, 2019 lease assets and liabilities for operating leases were not recognized. The Company uses its incremental borrowing rate to determine the present value of the lease payments since the rate implicit in each lease is not readily determinable.

The components of lease expense are as follows:

	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2019
Lease cost		
Finance lease cost:		
Amortization of right-of-use assets	$ 12	$ 28
Interest on lease liability	3	7
Operating lease cost	71	176
Short-term lease cost	332	633
Total lease cost	$ 418	$ 844
Other information		
Weighted-average remaining lease term - finance lease (in years)		4.4
Weighted-average remaining lease term - operating leases (in years)		3.4
Weighted-average discount rate - finance lease		5.0%
Weighted-average discount rate - operating leases		5.0%

The aggregate payments of finance lease liability subsequent to September 30, 2019, for the years ending December 31 are:

2019	$ 14
2020	54
2021	54
2022	54
2023	54
Thereafter	10
Total	240
Less imputed interest	(25)
Total finance lease liability	$ 215

The aggregate payments of operating lease liabilities subsequent to September 30, 2019, for the years ending December 31 are:

2019	$ 62
2020	246
2021	180
2022	102
2023	63
Thereafter	305
Total	958
Less imputed interest	(214)
Total operating lease liabilities	$ 744

8. Other Assets

Other assets consist of the following:

	September 30, 2019	December 31, 2018
Restricted investments	$ 2,353	$ 3,432
Accounts receivable, net	8,537	14,061
Homesite sales receivable	3,760	2,977
Claim settlement receivable	2,741	2,679
Notes receivable	2,724	2,265
Income tax receivable	4,513	3,914
Prepaid expenses	7,012	6,751
Straight-line rent	3,399	3,581
Operating lease right-of-use assets	744	—
Investment in unconsolidated joint venture	4,299	1,105
Other assets	6,883	5,069
Retained interest investments	12,053	11,536
Accrued interest receivable for Senior Notes held by SPE	935	2,938
Total other assets	**$ 59,953**	**$ 60,308**

Restricted Investments

Restricted investments include certain of the surplus assets that were transferred from the Company's Pension Plan to a suspense account in the Company's 401(k) Plan in December 2014. The Company has retained the risks and rewards of ownership of these assets; therefore, the assets held in the suspense account are included in the Company's condensed consolidated financial statements until they are allocated to participants. The Company expenses the fair value of the assets at the time the assets are allocated to participants, which is expected to be allocated up to the next two years. During both the nine months ended September 30, 2019 and 2018, the Company recorded an expense of $1.1 million, for the fair value of the assets, less expenses that were allocated to participants. Any gain or loss on these assets is reflected in the Company's condensed consolidated statements of income and was less than a $0.1 million loss for the three and nine months ended September 30, 2019 and 2018. Refer to Note 5. *Financial Instruments and Fair Value Measurements.*

Accounts Receivable, Net

As of December 31, 2018, accounts receivable, net included $6.7 million of insurance proceeds receivable from the Company's insurance carriers for property damage related to Hurricane Michael, which were received during the nine months ended September 30, 2019. See Note 6. *Hurricane Michael* for additional information.

Homesite Sales Receivable

Homesite sales receivable from contracts with customers include estimated homesite residuals and certain estimated fees that are recognized as revenue at the time of sale to homebuilders, subject to constraints. Any change in circumstances from the estimated amounts will be updated at each reporting period. The receivable will be collected as the homebuilders build the homes and sell to retail consumers, which can occur over multiple years. The following table presents the changes in homesite sales receivable:

	Balance January 1, 2019	Increases Due To Revenue Recognized for Homesites Sold	Decreases Due to Amounts Received/Transferred	Balance September 30, 2019
Homesite sales receivable	$ 2,977	$ 2,663	$ (1,880)	$ 3,760

	Balance January 1, 2018	Increases Due To Revenue Recognized for Homesites Sold	Decreases Due to Amounts Received/Transferred	Balance September 30, 2018
Homesite sales receivable	$ 2,585	$ 1,162	$ (1,385)	$ 2,362

Claim Settlement Receivable

The remaining settlement amount of $2.7 million related to the Deepwater Horizon oil spill was received in October 2019.

Notes Receivable

Notes receivable consists of the following:

	September 30, 2019	December 31, 2018
Interest bearing homebuilder note, secured by the real estate sold — 5.5% interest rate, due June 2021	$ 1,514	$ —
Interest bearing note with a JV partner, secured by the partner's membership interest in the JV - 8.0% interest rate, due May 2039	363	—
Interest bearing note with a JV partner, secured by the partner's membership interest in the JV - 8.0% interest rate, due July 2039	210	—
Interest bearing homebuilder note, secured by the real estate sold — 5.5% interest rate, due June 2020	253	422
Interest bearing homebuilder note, secured by the real estate sold — 5.5% interest rate, due January 2020	166	749
Interest bearing homebuilder note, secured by the real estate sold — 6.3% interest rate, due March 2020	128	150
Various mortgage notes, secured by certain real estate, bearing interest at various rates	90	141
Pier Park Community Development District notes, non-interest bearing, paid in full in August 2019	—	803
Total notes receivable	**$ 2,724**	**$ 2,265**

The Company evaluates the carrying value of the notes receivable and the need for an allowance for doubtful notes receivable at each reporting date. As of September 30, 2019 and December 31, 2018, there was no allowance for doubtful notes receivable.

Retained Interest Investments

The Company has a beneficial interest in certain bankruptcy-remote qualified SPEs used in the installment sale monetization of certain sales of timberlands in 2007 and 2008. The SPEs' assets are not available to satisfy the Company's liabilities or obligations and the liabilities of the SPEs are not the Company's liabilities or obligations. Therefore, the SPEs' assets and liabilities are not consolidated in the Company's condensed consolidated financial statements as of September 30, 2019 and December 31, 2018. The Company's continuing involvement with the SPEs is the receipt of the net interest payments and the remaining principal of approximately $16.7 million to be received at the end of the installment notes' fifteen year maturity period, in 2022 through 2024. The Company has a beneficial or retained interest investment related to these SPEs of $12.1 million and $11.5 million as of September 30, 2019 and December 31, 2018, respectively, recorded in other assets on the Company's condensed consolidated balance sheets.

9. Real Estate Joint Ventures

The Company enters into real estate JVs, from time to time, for the purpose of developing real estate in which the Company may or may not have a controlling financial interest. GAAP requires consolidation of VIEs in which an enterprise has a controlling financial interest and is the primary beneficiary. A controlling financial interest will have both of the following characteristics: (a) the power to direct the VIE activities that most significantly impact economic performance and (b) the obligation to absorb losses of the VIE that could potentially be significant to the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE. The Company examines specific criteria and uses judgment when determining whether the Company is the primary beneficiary and must consolidate a VIE. The Company continues to assess whether it is the primary beneficiary on an ongoing basis.

Latitude Margaritaville Watersound JV

LMWS, LLC ("Latitude Margaritaville Watersound JV") was created in June 2019, when the Company entered into a JV agreement to develop a 55+ active adult residential community in Bay County, Florida. The JV parties are working together to develop the first phase of the community, which is anticipated to include 3,500 homes. The community will be located on land that will be contributed to the JV by the Company. As of September 30, 2019, the Company owned a 50.0% voting interest in the JV. Each JV member will initially contribute an equal amount of cash and the Company's additional land contribution will be returned as each residential unit is sold by the JV until the cumulative distributions equal the land contribution value. The day-to-day activities of the JV will be managed through a board of managers, with each JV partner having equal voting rights. As of September 30, 2019, Latitude Margaritaville Watersound JV did not have any material activity and the Company is currently evaluating whether it is the VIE's primary beneficiary.

Consolidated Real Estate Joint Ventures

Watercrest JV

Watercrest JV was created in May 2019, when the Company entered into a JV agreement to develop and operate a new assisted living and memory care community in Santa Rosa Beach, Florida. The JV parties are working together to develop and construct a 107 unit community. The community will be located on land that was contributed to the JV by the Company. As of September 30, 2019, the Company owned an 87.0% interest in the consolidated JV. The Company's partner is responsible for the day-to-day activities of the JV. However, the Company has significant involvement in the design of the development and approves all major decisions, including project development, annual budgets and financing. The Company determined Watercrest JV is a VIE and that the Company is the VIE's primary beneficiary as of September 30, 2019.

Origins Crossings JV

Origins Crossings JV was created in January 2019, when the Company entered into a JV agreement to develop, manage and lease apartments in Watersound, Florida. The JV parties are working together to develop and construct a 217 unit apartment community. The community will be located on land near the entrance to the Watersound Origins community, which was contributed to the JV by the Company. As of September 30, 2019, the Company owned a 75.0% interest in the consolidated JV. The Company's partner is responsible for the day-to-day activities of the JV. However, the Company has significant involvement in the design of the development and approves all major decisions, including project development, annual budgets and financing. The Company determined Origins Crossings JV is a VIE and that the Company is the VIE's primary beneficiary as of September 30, 2019.

Pier Park Crossings JV

In April 2017, the Company entered into a JV agreement to develop, manage and lease apartments in Panama City Beach, Florida. The JV parties are working together to construct the remaining 120 units of the 240 unit apartment community. The community is located on land in the Pier Park area that was contributed to the JV by the Company. As of September 30, 2019 and December 31, 2018, the Company owned a 75.0% interest in the consolidated JV. The Company's partner is responsible for the day-to-day activities of the JV. However, the Company has significant involvement in the design of the development and approves all major decisions, including project development, annual budgets and financing. The Company determined Pier Park Crossings JV is a VIE and that the Company is the VIE's primary beneficiary as of September 30, 2019 and December 31, 2018.

Windmark JV

As of December 31, 2018, the Company owned a 49.0% interest in Windmark JV. A wholly owned subsidiary of the Company was the managing member of Windmark JV and ran its day-to-day operations. Windmark JV owned and its members made major decisions related to the management and development of the Windmark Beach project. The Company determined Windmark JV was a VIE and that the Company was the VIE's primary beneficiary as of December 31, 2018. During the third quarter 2019, the Windmark JV distributed property to the two other JV members and a wholly owned subsidiary of the Company purchased the property from the two other members for a total consideration of $11.6 million and, as a result, the Company now owns 100.0% of the Windmark project.

Pier Park North JV

During 2012, the Company entered into a JV agreement with a partner to develop a retail center at Pier Park North. As of September 30, 2019 and December 31, 2018, the Company owned a 60.0% interest in the consolidated JV. The Company's partner is responsible for the day-to-day activities of the JV. However, the Company has significant involvement in the design of the development and approves all major decisions, including project development, annual budgets and financing. The Company determined the Pier Park North JV is a VIE and that the Company is the VIE's primary beneficiary as of September 30, 2019 and December 31, 2018.

Unconsolidated Joint Ventures

Pier Park TPS, LLC

Pier Park TPS, LLC ("Pier Park TPS JV") was created in April 2018, when the Company entered into a JV agreement to develop and operate a 124 room hotel in Panama City Beach, Florida. The hotel will be located on land in the Pier Park area that the Company contributed to the JV on January 14, 2019 with a fair value of $1.7 million. In addition, during the nine months ended September 30, 2019, the Company contributed cash of $0.2 million and mitigation bank credits of $0.1 million. As of December 31, 2018, the Company had an investment in the JV project of $1.1 million that was contributed to the JV during the first quarter of 2019. As of September 30, 2019 and December 31, 2018, the investment in the unconsolidated JV was $3.1 million and $1.1 million, respectively, which is included in other assets on the condensed consolidated balance sheets. The hotel is currently under construction with no income or loss impacting the condensed consolidated statements of income for the three and nine months ended September 30, 2019. As of September 30, 2019 and December 31, 2018, the Company owned a 50.0% interest in the JV. The Company's partner is responsible for the day-to-day activities of the JV. The Company has determined that Pier Park TPS JV is a VIE, but that the Company is not the primary beneficiary since it does not have the power to direct the activities that most significantly impact the economic performance of the JV. The Company's investment in Pier Park TPS JV is accounted for using the equity method. See Note 18. *Commitments and Contingencies* for additional information related to debt guaranteed by the Company.

Summarized financial information for Pier Park TPS JV is as follows:

	September 30, 2019	December 31, 2018
BALANCE SHEETS:		
Investment in real estate	$ 10,905	$ 285
Cash and cash equivalents	86	64
Total assets	$ 10,991	$ 349
Debt, net	$ 2,787	$ —
Other liabilities	2,026	3
Equity	6,178	346
Total liabilities and equity	$ 10,991	$ 349

SJBB, LLC

SJBB, LLC ("Busy Bee JV") was created in July 2019, when the Company entered into a JV agreement to construct, own and manage a Busy Bee branded fuel station and convenience store in Panama City Beach, Florida. The fuel station and convenience store will be located on land that the Company contributed to the JV on July 5, 2019. As of September 30, 2019, the investment in the unconsolidated JV was $1.2 million, which is included in other assets on the condensed consolidated balance sheets. The investment in the unconsolidated JV as of September 30, 2019 includes$1.4 million for the fair value of land contributed by the Company, which was offset by a $0.2 million note receivable from the JV partner. The project is currently under construction with no income or loss impacting the condensed consolidated statements of income for the three and nine months ended September 30, 2019. As of September 30, 2019, the Company owned a 50.0% interest in the JV. The Company's partner is responsible for the day-to-day activities of the JV. The Company has determined that Busy Bee JV is a VIE, but that the Company is not the primary beneficiary since it does not have the power to direct the activities that most significantly impact the economic performance of the JV. The Company's investment in the Busy Bee JV is accounted for using the equity method.

Summarized financial information for Busy Bee JV is as follows:

	September 30, 2019
BALANCE SHEETS:	
Investment in real estate	$ 1,865
Cash and cash equivalents	554
Total assets	$ 2,419
Other liabilities	$ 39
Equity	2,380
Total liabilities and equity	$ 2,419

10. Debt, Net

Debt consists of the following:

	September 30, 2019			December 31, 2018		
	Principal	Unamortized Discount and Debt Issuance Costs	Net	Principal	Unamortized Discount and Debt Issuance Costs	Net
PPN JV Loan, due November 2025, bearing interest at 4.1%	$ 45,745	$ 396	$ 45,349	$ 46,423	$ 446	$ 45,977
Pier Park Crossings JV Loan, insured by HUD, due June 2060, bearing interest at 4.0%	29,717	1,094	28,623	15,399	1,114	14,285
Community Development District debt, secured by certain real estate or other collateral, due May 2023 through May 2039, bearing interest at 3.6% to 6.0%	7,079	—	7,079	6,324	—	6,324
Beach Homes Loan, due May 2029, bearing interest at LIBOR plus 1.7% (effective rate of 3.7% at September 30, 2019)	1,605	20	1,585	—	—	—
Pier Park Outparcel Construction Loan, due March 2027, bearing interest at LIBOR plus 1.7% (effective rate of 3.7% at September 30, 2019)	1,550	15	1,535	1,585	16	1,569
WaterColor Crossings Construction Loan, due February 2029, bearing interest at LIBOR plus 1.7% (effective rate of 3.7% at September 30, 2019)	1,434	24	1,410	1,245	26	1,219
Total debt	**$ 87,130**	**$ 1,549**	**$ 85,581**	**$ 70,976**	**$ 1,602**	**$ 69,374**

In October 2015, the Pier Park North JV entered into a $48.2 million loan (the “PPN JV Loan”), secured by a first lien on, and security interest in, a majority of the Pier Park North JV’s property. In connection with the PPN JV Loan, the Company entered into a limited guarantee in favor of the lender, based on its percentage ownership of the JV. In addition, the guarantee can become full recourse in the case of any fraud or intentional misrepresentation by the Pier Park North JV; any voluntary transfer or encumbrance of the property in violation of the due-on-sale clause in the security instrument; upon commencement of voluntary bankruptcy or insolvency proceedings and upon breach of covenants in the security instrument.

In May 2018, the Pier Park Crossings JV entered into a $36.6 million loan, insured by the U.S. Department of Housing and Urban Development (“HUD”), to finance the construction of apartments in Panama City Beach, Florida (the “PPC JV Loan”). The PPC JV Loan provides for interest only payments during the first twenty-four months and monthly principal and interest payments thereafter through maturity in June 2060. The PPC JV Loan may not be prepaid prior to July 1, 2020. From July 1, 2020 through June 30, 2030, a prepayment premium is due to the lender of 1.0% - 10.0% of any prepaid principal. The PPC JV Loan is secured by the Pier Park Crossings JV’s real property and the assignment of rents and leases.

Community Development District (“CDD”) bonds financed the construction of infrastructure improvements at some of the Company’s communities. The principal and interest payments on the bonds are paid by assessments on the properties benefited by the improvements financed by the bonds. The Company has recorded a liability for CDD debt that is associated with platted property, which is the point at which it becomes fixed or determinable. Additionally, the Company has recorded a liability for the portion of the CDD debt that is associated with unplatted property if it is probable and reasonably estimable that the Company will ultimately be responsible for repayment. The Company’s total CDD debt assigned to property it owns was $18.8 million and $19.9 million as of September 30, 2019 and December 31, 2018, respectively. The Company pays interest on this total outstanding CDD debt.

In March 2017, a wholly owned subsidiary of the Company entered into a $1.6 million construction loan to finance the construction of a commercial leasing property located in Panama City Beach, Florida (the "Pier Park Outparcel Construction Loan"). The Pier Park Outparcel Construction Loan provides for monthly principal and interest payments with a final balloon payment at maturity. The Pier Park Outparcel Construction Loan is secured by the real property, assignment of rents and the security interest in the rents and personal property.

In February 2018, a wholly owned subsidiary of the Company entered into a $1.9 million construction loan to finance the construction of a commercial leasing property located in Santa Rosa Beach, Florida (the "WaterColor Crossings Construction Loan"). The WaterColor Crossings Construction Loan provides for monthly principal and interest payments with a final balloon payment at maturity. The WaterColor Crossings Construction Loan is secured by the real property, assignment of rents and the security interest in the rents and personal property. In connection with the WaterColor Crossings Construction Loan, the Company executed a guarantee in favor of the lender to guarantee the payment and performance of the borrower under the WaterColor Crossings Construction Loan.

In May 2018, a wholly owned subsidiary of the Company entered into a $1.7 million construction loan to finance the construction of two beach homes located in Panama City Beach, Florida (the "Beach Homes Loan"). The Beach Homes Loan provides for monthly principal and interest payments with a final balloon payment at maturity. The Beach Homes Loan is secured by the real property, assignment of rents and the security interest in the rents and personal property. In connection with the Beach Homes Loan, the Company executed a guarantee in favor of the lender to guarantee the payment and performance of the borrower under the Beach Homes Loan.

In May 2019, the Origins Crossings JV entered into a $37.9 million loan (the "Origins Crossings JV Loan") to finance the construction of apartments in Watersound, Florida. The Origins Crossings JV Loan provides for interest only payments for the first thirty months and principal and interest payments thereafter through maturity in May 2024. The Origins Crossings JV Loan is secured by the real property, assignment of rents and the security interest in the rents and personal property. In connection with the Origins Crossings JV Loan, the Company executed a guarantee in favor of the lender to guarantee the payment and performance of the borrower under the Origins Crossings JV Loan. The Company is the sole guarantor and will receive a fee related to the guarantee from its JV partner based on the JV partner's ownership percentage. As of September 30, 2019, there was no principal balance and the JV incurred $0.5 million of loan costs related to the Origins Crossings JV Loan.

In June 2019, the Watercrest JV entered into a $22.5 million loan (the "Watercrest JV Loan") to finance the construction of a senior living facility in Santa Rosa Beach, Florida. The Watercrest JV Loan provides for interest only payments for the first thirty-six months and principal and interest payments thereafter through maturity in June 2047. The Watercrest JV Loan is secured by the real property, assignment of rents, leases and deposits and the security interest in the rents and personal property. In connection with the Watercrest JV Loan, the Company executed a guarantee in favor of the lender to guarantee the payment and performance of the borrower under the Watercrest JV Loan. The Company is the sole guarantor and will receive a fee related to the guarantee from its JV partner based on the JV partner's ownership percentage. The Company entered into an interest rate swap to hedge cash flows tied to changes in the underlying floating interest rate tied to LIBOR. The interest rate swap is effective June 1, 2021 and matures on June 1, 2024 and fixed the variable rate debt on the notional amount of related debt of $20.0 million to a rate of 4.37%. As of September 30, 2019, there was no principal balance and the JV incurred $0.3 million of loan costs related to the Watercrest JV Loan.

In August 2019, a wholly owned subsidiary of the Company entered into a $5.5 million loan (the "Beckrich Building III Loan") to finance the construction of an office building in Panama City Beach, Florida. The Beckrich Building III Loan provides for interest only payments for the first twelve months and principal and interest payments thereafter through maturity in August 2029. The Beckrich Building III Loan is secured by the real property, assignment of leases, rents and profits and the security interest in the rents and personal property. In connection with the Beckrich Building III Loan, the Company executed a guarantee in favor of the lender to guarantee the payment and performance of the borrower under the Beckrich Building III Loan. As of September 30, 2019, there was no principal balance and the Company incurred $0.1 million of loan costs related to the Beckrich Building III Loan.

The aggregate maturities of debt subsequent to September 30, 2019, for the years ending December 31 are:

	September 30, 2019
2019	$ 294
2020	2,013
2021	2,221
2022	2,235
2023	2,260
Thereafter	78,107
	$ 87,130

11. Other Liabilities

Other liabilities consist of the following:

	September 30, 2019	December 31, 2018
Accounts payable	$ 17,537	$ 10,148
Finance lease liability	215	—
Operating lease liabilities	744	—
Accrued compensation	2,793	3,112
Other accrued liabilities	7,083	2,560
Deferred revenue	19,525	17,478
Club initiation fees	6,845	5,676
Club membership deposits	4,097	4,286
Advance deposits	1,298	1,277
Accrued interest expense for Senior Notes held by SPE	713	2,850
Total other liabilities	**$ 60,850**	**$ 47,387**

Accounts payable increased to $17.5 million as of September 30, 2019, compared to $10.1 million as of December 31, 2018, due to the timing of payables related to new projects under development and construction.

Other accrued liabilities include $3.5 million of accrued property taxes as of September 30, 2019, which are generally paid annually in November. As of December 31, 2018 the Company had no accrued property taxes.

Deferred revenue as of September 30, 2019 and December 31, 2018 includes $12.5 million related to a 2006 agreement pursuant to which the Company agreed to sell land to the Florida Department of Transportation. Revenue is recognized when title to a specific parcel is legally transferred.

Club initiation fees are recognized as revenue over the estimated average duration of membership, which is evaluated periodically. The following table presents the changes in club initiation fees related to contracts with customers:

	Balance January 1, 2019	Increases Due To Cash Received	Decreases Due to Revenue Recognized	Balance September 30, 2019
Contract liabilities				
Club initiation fees	$ 5,676	$ 2,518	$ (1,349)	$ 6,845

	Balance January 1, 2018	Increases Due To Cash Received	Decreases Due to Revenue Recognized	Balance September 30, 2018
Contract liabilities				
Club initiation fees	$ 5,199	$ 1,395	$ (1,073)	$ 5,521

Advance deposits consist of deposits received on hotel rooms and lodging rentals. Advance deposits are recorded as other liabilities in the condensed consolidated balance sheets without regard to whether they are refundable and are recognized as income at the time the service is provided for the related deposit.

12. Income Taxes

Income tax expense (benefit) attributable to income from operations differed from the amount computed by applying the statutory federal income tax rate of 21% as of September 30, 2019 and 2018 to pre-tax income as a result of the following:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Tax at the federal statutory rate	$ 1,854	$ 420	$ 5,278	$ 7,402
State income taxes (net of federal benefit)	311	88	885	1,532
Change in state tax rate	1,187	—	1,187	—
2017 qualified timber gains at the federal statutory rate of 23.8%[(1)]	—	—	—	(524)
Decrease in valuation allowance	—	(3,480)	—	(4,931)
Change in federal AMT credit carryforward[(1)]	—	(511)	—	(511)
Other	(349)	—	(252)	(153)
Total income tax expense (benefit)	**$ 3,003**	**$ (3,483)**	**$ 7,098**	**$ 2,815**

(1) The Bipartisan Budget Act of 2018 was signed into law on February 9, 2018 (the “2018 Act”). The 2018 Act retroactively re-established the preferential 23.8% tax rate on C Corporation Qualified Timber Gains, extending its applicability from 2016 to include the 2017 tax year. The benefit of this retroactive tax rate reduction is included in 2018 income from continuing operations.

On September 12, 2019, the Florida Department of Revenue announced that the corporate income tax rate for tax years 2019, 2020, and 2021 is reduced from 5.5% to 4.458%. As a result, the Company has recorded $1.2 million of income tax expense during both the three and nine months ending September 30, 2019 to adjust its deferred tax balances due to the impact on the Company’s existing Florida net operating loss carried forward in addition to other temporary differences.

Significant judgment is required in evaluating the Company's uncertain tax positions and determining its provision for income taxes. The Company regularly assesses the likelihood of adverse outcomes resulting from potential examinations to determine the adequacy of its provision for income taxes and applies a “more-likely-than-not” in determining the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The Company has not identified any unrecognized tax benefits as of either September 30, 2019 or December 31, 2018.

13. Accumulated Other Comprehensive Loss

Following is a summary of the changes in the balances of accumulated other comprehensive loss, which is presented net of tax:

	Unrealized Gain on Available-for-Sale Securities	Unrealized Loss Cash Flow Hedge	Total
Accumulated other comprehensive loss at December 31, 2018	$ (674)	$ —	$ (674)
Other comprehensive income (loss) before reclassifications	628	(385)	243
Amounts reclassified from accumulated other comprehensive loss	(59)	—	(59)
Other comprehensive income (loss)	569	(385)	184
Accumulated other comprehensive loss at September 30, 2019	$ (105)	$ (385)	$ (490)

Following is a summary of the tax effects allocated to other comprehensive (loss) income:

	Three Months Ended September 30, 2019		
	Before-Tax Amount	Tax (Expense) or Benefit	Net-of-Tax Amount
Unrealized gain on available-for-sale investments	$ 34	$ (8)	$ 26
Interest rate swap	(509)	124	(385)
Reclassification adjustment for net gain included in earnings	(80)	19	(61)
Net unrealized loss	(555)	135	(420)
Other comprehensive loss	$ (555)	$ 135	$ (420)

	Three Months Ended September 30, 2018		
	Before-Tax Amount	Tax Benefit or (Expense)	Net-of-Tax Amount
Unrealized loss on available-for-sale investments	$ (1,244)	$ 316	$ (928)
Reclassification adjustment for other-than-temporary impairment loss included in earnings	1,660	(421)	1,239
Net unrealized gain	416	(105)	311
Other comprehensive income	$ 416	$ (105)	$ 311

	Nine Months Ended September 30, 2019		
	Before-Tax Amount	Tax (Expense) or Benefit	Net-of-Tax Amount
Unrealized gain on available-for-sale investments	$ 824	$ (210)	$ 614
Unrealized gain on restricted investments	18	(4)	14
Interest rate swap	(509)	124	(385)
Reclassification adjustment for net gain included in earnings	(78)	19	(59)
Net unrealized gain	255	(71)	184
Other comprehensive income	$ 255	$ (71)	$ 184

	Nine Months Ended September 30, 2018		
	Before-Tax Amount	Tax Benefit or (Expense)	Net-of-Tax Amount
Unrealized loss on available-for-sale investments	$ (1,726)	$ 438	$ (1,288)
Unrealized loss on restricted investments	(9)	2	(7)
Reclassification adjustment for net loss included in earnings	1,050	(266)	784
Reclassification adjustment for other-than-temporary impairment loss included in earnings	1,723	(436)	1,287
Reclassification into retained earnings for the adoption of ASU 2016-01[(1)]	932	(236)	696
Reclassification into retained earnings for the adoption of ASU 2018-02[(2)]	—	(313)	(313)
Net unrealized gain	1,970	(811)	1,159
Other comprehensive income	$ 1,970	$ (811)	$ 1,159

(1) The reclassification into retained earnings relates to the adoption of ASU 2016-01. The new guidance was effective January 1, 2018, and required equity investments to be measured at fair value with changes in fair value recognized in results of operations rather than the condensed consolidated statements of comprehensive income.

(2) The reclassification into retained earnings relates to the adoption of ASU 2018-02. The new guidance was effective January 1, 2018, and allowed a reclassification from accumulated other comprehensive loss to retained earnings for stranded tax effects resulting from the Tax Act.

14. Stockholders' Equity

Stock Repurchase Program

The Company's Board has approved a stock repurchase program (the "Stock Repurchase Program") pursuant to which the Company is authorized to repurchase shares of its common stock. The Stock Repurchase Program has no expiration date.

During the nine months ended September 30, 2019 and 2018, the Company repurchased 1,141,529 and 5,238,566 shares, respectively, of its common stock at an average purchase price of $16.55 and $17.82, per share, respectively, for an aggregate purchase price of $18.8 million and $93.4 million, respectively, pursuant to its Stock Repurchase Program. As of August 15, 2019, the Company had a total authority of $35.8 million available for purchase of shares of its common stock pursuant to its previously announced Stock Repurchase Program. On August 15, 2019, the Company's Board authorized additional repurchase authority of up to $64.2 million of the Company's shares of its common stock under the Stock Repurchase Program, bringing the total authorized repurchase authority to $100.0 million. As of September 30, 2019, the Company had a total authority of $88.3 million available for purchase of shares of its common stock pursuant to its Stock Repurchase Program. The Company may repurchase its common stock in open market purchases from time to time, in privately negotiated transactions or otherwise, pursuant to Rule 10b-18 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). The timing and amount of any additional shares to be repurchased will depend upon a variety of factors, including market and business conditions. Repurchases may be commenced or suspended at any time or from time to time without prior notice. The Stock Repurchase Program will continue until otherwise modified or terminated by the Company's Board at any time in its sole discretion.

Issuance of Common Stock for Director's Fees

On May 20, 2019, the Company's Board approved granting to each non-employee director an equity grant with an aggregate fair market value of $50,000 or, at the director's election, its cash equivalent. On July 1, 2019, 5,708 shares of restricted stock were granted to two of the Company's directors pursuant to the Board's May 20, 2019 approval and the Company's 2015 Performance and Equity Incentive Plan (the "2015 Plan"). This restricted stock will vest on the date of the Company's 2020 Annual Meeting of Shareholders. Two non-employee directors elected to receive cash in lieu of the stock, which was paid in July 2019.

On May 23, 2018, the Company's Board approved granting to each non-employee director an equity grant with an aggregate fair market value of $50,000 or, at the director's election, its cash equivalent. On July 2, 2018, 2,778 shares of restricted stock were granted to one of the Company's directors pursuant to the Board's May 23, 2018 approval and the Company's 2015 Plan. This restricted stock vested on May 20, 2019, the date of the Company's 2019 Annual Meeting of Shareholders. Three non-employee directors elected to receive cash in lieu of the stock.

On May 25, 2017, the Company's Board approved granting to each non-employee director an equity grant with an aggregate fair market value of $50,000 or, at the director's election, its cash equivalent. On July 3, 2017, 5,334 shares of restricted stock were granted to two of the Company's directors pursuant to the Board's May 25, 2017 approval and the Company's 2015 Plan. This restricted stock vested on May 23, 2018, the date of the Company's 2018 Annual Meeting of Shareholders. Four non-employee directors elected to receive cash in lieu of the stock.

For each of the three and nine months ended September 30, 2019 and 2018, the Company recorded expense of less than $0.1 million, related to restricted stock awards to the Company's directors.

Issuance of Common Stock for Officer Compensation

Pursuant to the Company's 2015 Plan, the Company's named executive officers ("NEOs") were provided with the opportunity to elect to receive up to 50% of their discretionary cash incentive award for 2017 performance in shares of Company stock and four of the Company's NEOs elected to do so. On March 15, 2018, 9,956 shares, net of shares withheld for taxes, of restricted stock were granted to four of the Company's NEOs. The restricted stock vested

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immediately. For the nine months ended September 30, 2018, the Company recorded expense of $0.2 million related to restricted stock awards to the Company's NEOs.

15. Revenue Recognition

Revenue consists primarily of real estate sales, hospitality operations, leasing operations, and timber sales. Taxes collected from customers and remitted to governmental authorities (e.g., sales tax) are excluded from revenue, costs and expenses. The following represents revenue disaggregated by segment, good or service and timing:

	Three Months Ended September 30, 2019					
	Residential Real Estate	Hospitality	Commercial Leasing and Sales	Forestry	Other	Total
Revenue by Major Good/Service:						
Real estate revenue	$ 10,963	$ —	$ 2,150	$ 42	$ 335	$ 13,490
Hospitality revenue	—	14,003	—	—	—	14,003
Leasing revenue	—	39	3,792	206	—	4,037
Timber revenue	—	—	—	1,326	—	1,326
Total revenue	$ 10,963	$ 14,042	$ 5,942	$ 1,574	$ 335	$ 32,856
Timing of Revenue Recognition:						
Recognized at a point in time	$ 10,963	$ 13,224	$ 2,150	$ 1,368	$ 335	$ 28,040
Recognized over time	—	779	—	—	—	779
Over lease term	—	39	3,792	206	—	4,037
Total revenue	$ 10,963	$ 14,042	$ 5,942	$ 1,574	$ 335	$ 32,856

	Three Months Ended September 30, 2018					
	Residential Real Estate	Hospitality	Commercial Leasing and Sales	Forestry	Other	Total
Revenue by Major Good/Service:						
Real estate revenue	$ 1,959	$ —	$ 3,275	$ 666	$ 300	$ 6,200
Hospitality revenue	—	12,130	—	—	—	12,130
Leasing revenue	—	435	2,950	188	—	3,573
Timber revenue	—	—	—	1,773	—	1,773
Total revenue	$ 1,959	$ 12,565	$ 6,225	$ 2,627	$ 300	$ 23,676
Timing of Revenue Recognition:						
Recognized at a point in time	$ 1,959	$ 11,416	$ 3,275	$ 2,439	$ 300	$ 19,389
Recognized over time	—	714	—	—	—	714
Over lease term	—	435	2,950	188	—	3,573
Total revenue	$ 1,959	$ 12,565	$ 6,225	$ 2,627	$ 300	$ 23,676

	Nine Months Ended September 30, 2019					
	Residential Real Estate	Hospitality	Commercial Leasing and Sales	Forestry	Other	Total
Revenue by Major Good/Service:						
Real estate revenue	$ 28,150	$ —	$ 3,176	$ 1,415	$ 893	$ 33,634
Hospitality revenue	—	36,994	—	—	—	36,994
Leasing revenue	—	113	10,518	587	—	11,218
Timber revenue	—	—	—	2,580	—	2,580
Total revenue	$ 28,150	$ 37,107	$ 13,694	$ 4,582	$ 893	$ 84,426
Timing of Revenue Recognition:						
Recognized at a point in time	$ 28,150	$ 34,923	$ 3,176	$ 3,995	$ 893	$ 71,137
Recognized over time	—	2,071	—	—	—	2,071
Over lease term	—	113	10,518	587	—	11,218
Total revenue	$ 28,150	$ 37,107	$ 13,694	$ 4,582	$ 893	$ 84,426

	Nine Months Ended September 30, 2018					
	Residential Real Estate	Hospitality	Commercial Leasing and Sales	Forestry	Other	Total
Revenue by Major Good/Service:						
Real estate revenue [(a)]	$ 37,641	$ —	$ 4,039	$ 1,576	$ 2,805	$ 46,061
Hospitality revenue	—	32,056	—	—	—	32,056
Leasing revenue	—	1,229	8,681	597	—	10,507
Timber revenue	108	—	—	5,242	—	5,350
Total revenue	$ 37,749	$ 33,285	$ 12,720	$ 7,415	$ 2,805	$ 93,974
Timing of Revenue Recognition:						
Recognized at a point in time	$ 37,749	$ 30,519	$ 4,039	$ 6,818	$ 2,805	$ 81,930
Recognized over time	—	1,537	—	—	—	1,537
Over lease term	—	1,229	8,681	597	—	10,507
Total revenue	$ 37,749	$ 33,285	$ 12,720	$ 7,415	$ 2,805	$ 93,974

(a) Residential real estate includes revenue of $23.1 million for the nine months ended September 30, 2018 for a one-time receipt of RiverTown impact fees related to the 2014 RiverTown transaction.

16. Other Income (Expense)

Other income (expense) consists of the following:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Investment income, net				
Interest and dividend income	$ 1,637	$ 1,802	$ 5,752	$ 7,025
Accretion income	—	218	84	641
Net realized gain (loss) on the sale of investments	28	125	26	(961)
Other-than-temporary impairment loss	—	(1,660)	—	(1,723)
Unrealized (loss) gain on investments, net	(1,439)	(89)	(1,305)	641
Interest income from investments in SPEs	2,047	2,049	6,143	6,148
Interest accrued on notes receivable and other interest	98	130	252	450
Total investment income, net	2,371	2,575	10,952	12,221
Interest expense				
Interest expense and amortization of discount and issuance costs for Senior Notes issued by SPE	(2,201)	(2,197)	(6,599)	(6,590)
Other interest expense	(908)	(729)	(2,476)	(2,315)
Total interest expense	(3,109)	(2,926)	(9,075)	(8,905)
Other income (expense), net				
Gain on land contribution to equity method investment	846	—	2,317	—
Accretion income from retained interest investments	335	316	982	909
Insurance proceeds	1,243	—	5,314	—
Hurricane expense	(575)	—	(1,703)	—
Miscellaneous income (expense), net	298	(48)	216	(122)
Other income, net	2,147	268	7,126	787
Total other income (expense), net	**$ 1,409**	**$ (83)**	**$ 9,003**	**$ 4,103**

Investment Income, Net

Interest and dividend income includes interest income accrued or received on the Company's corporate debt securities, commercial paper and money market funds, and dividend income received from the Company's investments in preferred stock. Accretion income includes the amortization of the premium or accretion of discount related to the Company's available-for-sale securities, which is amortized based on an effective interest rate method over the term of the available-for-sale securities. Net realized gain (loss) on the sale of investments include the gains or losses recognized on the sale of available-for-sale and equity securities prior to maturity. Other-than-temporary impairment loss includes impairments related to the Company's corporate debt securities for the three and nine months ended September 30, 2018. Unrealized (loss) gain on investments, net includes unrealized gains or losses on investments - equity securities.

Interest income from investments in SPEs primarily includes interest earned on the investments held by Panama City Timber Finance Company, LLC, which is used to pay the interest expense for Senior Notes held by Northwest Florida Timber Finance, LLC.

Interest Expense

Interest expense includes interest incurred related to the Company's CDD debt, Senior Notes issued by Northwest Florida Timber Finance, LLC, project financing and finance leases. Borrowing costs, including the discount and issuance costs for the Senior Notes issued by Northwest Florida Timber Finance, LLC, are amortized based on the effective interest method at an effective rate of 4.9%.

During the three and nine months ended September 30, 2019 the Company capitalized $0.1 million and $0.5 million, respectively in interest related to projects under development. During both the three and nine months ended

September 30, 2018 the Company capitalized $0.1 million in interest related to projects under development. These amounts are included within investment in real estate, net on the Company's condensed consolidated balance sheets.

Other Income, Net

Other income, net primarily includes gain on land contributions, income from the Company's retained interest investments, insurance proceeds, hurricane expenses and other income and expense items. The three and nine months ended September 30, 2019 include a gain of $0.8 million on land contributed to the Company's unconsolidated Busy Bee JV. The nine months ended September 30, 2019, include a gain of $1.5 million on land contributed to the Company's unconsolidated Pier Park TPS JV. See Note 9, *Real Estate Joint Ventures* for additional information. During the three and nine months ended September 30, 2019, the Company received $1.2 million and $5.3 million, respectively, of insurance proceeds and incurred $0.6 million and $1.7 million, respectively, of hurricane expenses related to Hurricane Michael. See Note 6. *Hurricane Michael* for additional information. These amounts were included in other income, net in the condensed consolidated statements of income.

The Company records the accretion of investment income from its retained interest investment over the life of the retained interest using the effective yield method with rates ranging from 3.7% to 11.7%.

17. Segment Information

The Company conducts primarily all of its business in the following four operating segments: (1) residential real estate, (2) hospitality, (3) commercial leasing and sales and (4) forestry.

The Company's reportable segments are strategic business units that offer different products and services. They are each managed separately and decisions about allocations of resources are determined by management based on these strategic business units.

The Company uses income before income taxes and non-controlling interest, cash flows and other measures for purposes of making decisions about allocating resources to each segment and assessing each segment's performance, which the Company believes represents current performance measures.

The accounting policies of the segments are set forth in Note 2 to the Company's consolidated financial statements contained in Item 15 of the Company's Annual Report on Form 10-K for the year ended December 31, 2018. Total revenue represents sales to unaffiliated customers, as reported in the Company's condensed consolidated statements of income. All significant intercompany transactions have been eliminated in consolidation. The caption entitled "Other" under operating revenue consists of mitigation credit and title fee revenue. The caption entitled "Other" under income before income taxes consists of corporate operating expenses, net of corporate other income.

Information by business segment is as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Operating revenue:				
Residential real estate[a]	$ 10,963	$ 1,959	$ 28,150	$ 37,749
Hospitality	14,042	12,565	37,107	33,285
Commercial leasing and sales	5,942	6,225	13,694	12,720
Forestry revenue	1,574	2,627	4,582	7,415
Other [b]	335	300	893	2,805
Consolidated operating revenue	$ 32,856	$ 23,676	$ 84,426	$ 93,974
Income (loss) before income taxes:				
Residential real estate[a]	$ 4,102	$ (368)	$ 9,910	$ 26,048
Hospitality	2,779	1,747	7,285	3,615
Commercial leasing and sales	3,291	609	5,610	329
Forestry	1,168	2,072	3,473	5,830
Other	(2,511)	(2,199)	(1,146)	(972)
Consolidated income before income taxes	$ 8,829	$ 1,861	$ 25,132	$ 34,850

(a) Includes revenue of $23.1 million for the nine months ended September 30, 2018 for a one-time receipt of RiverTown impact fees related to the 2014 RiverTown transaction.

(b) Includes revenue of $2.2 million for the nine months ended September 30, 2018 related to a specific sale of mitigation bank credits.

	September 30, 2019	December 31, 2018
Total assets:		
Residential real estate	$ 136,469	$ 125,642
Hospitality	84,877	70,746
Commercial leasing and sales	222,692	182,658
Forestry	20,842	20,189
Other	433,146	471,727
Total assets	$ 898,026	$ 870,962

18. Commitments and Contingencies

The Company establishes an accrued liability when it believes it is both probable that a material loss has been incurred and the amount of the loss can be reasonably estimated. The Company will evaluate the range of reasonably estimated losses and record an accrued liability based on what it believes to be the minimum amount in the range, unless it believes an amount within the range is a better estimate than any other amount. In such cases, there may be an exposure to loss in excess of the amounts accrued. The Company evaluates quarterly whether further developments could affect the amount of the accrued liability previously established or would make a loss contingency both probable and reasonably estimable.

The Company also provides disclosure when it believes it is reasonably possible that a material loss will be incurred or when it believes it is reasonably possible that the amount of a loss will exceed the recorded liability. The Company reviews loss contingencies at least quarterly to determine whether the likelihood of loss has changed and to assess whether a reasonable estimate of the loss or range of loss can be made. This estimated range of possible losses is based upon currently available information and is subject to significant judgment and a variety of assumptions, as well as known and unknown uncertainties. The matters underlying the estimated range will change from time to time, and actual results may vary significantly from the current estimate.

The Company is subject to a variety of litigation, claims, other disputes and governmental proceedings that arise from time to time in the ordinary course of its business, including litigation related to its prior homebuilding and development activities. The Company cannot make assurances that it will be successful in defending these matters. Based on current knowledge, the Company does not believe that loss contingencies arising from pending litigation, claims, other disputes and governmental proceedings, including those described herein, will have a material adverse effect on the consolidated financial position or liquidity of the Company. However, in light of the inherent uncertainties involved in these matters, an adverse outcome in one or more of these matters could be material to the Company's results of operations or cash flows for any particular reporting period.

The Company is subject to costs arising out of environmental laws and regulations, which include obligations to remove or limit the effects on the environment of the disposal or release of certain wastes or substances at various sites, including sites which have been previously sold. It is the Company's policy to accrue and charge against earnings environmental cleanup costs when it is probable that a liability has been incurred and a range of loss can be reasonably estimated. As assessments and cleanups proceed, these accruals are reviewed and adjusted, if necessary, as additional information becomes available. The Company is in the process of assessing certain properties in regard to the effects, if any, on the environment from the disposal or release of wastes or substances. Management is unable to quantify future rehabilitation costs above present accruals at this time or provide a reasonably estimated range of loss.

Other litigation, claims, disputes and governmental proceedings, including environmental matters, are pending against the Company. Accrued aggregate liabilities related to the matters described above and other litigation matters were $1.2 million as of each September 30, 2019 and December 31, 2018, respectively. Significant judgment is required in both the determination of probability and the determination as to whether the amount of an exposure is reasonably estimable. Due to uncertainties related to these matters, accruals are based only on the information available at the time. As additional information becomes available, management reassesses potential liabilities related to pending claims and litigation and may revise its previous estimates, which could materially affect the Company's results of operations for any particular reporting period.

The Company has retained certain self-insurance risks with respect to losses for third party liability and property damage, including its timber assets.

As of September 30, 2019 and December 31, 2018, the Company was required to provide surety bonds that guarantee completion of certain infrastructure in certain development projects and mitigation banks of $10.7 million and $9.4 million, respectively, which may potentially result in liability to the Company if certain obligations of the Company are not met.

As of September 30, 2019, the Company had a total of $111.0 million in construction and development related contractual obligations, of which a significant portion will be funded through committed financing arrangements.

In January 2019, the Company's unconsolidated Pier Park TPS JV, entered into a $14.4 million loan, maturing in January 2026 (the "Pier Park TPS JV Loan"). The Pier Park TPS JV Loan is secured by the real property, assignment of rents and the security interest in the rents and personal property. In connection with the Pier Park TPS JV Loan, the Company and a wholly owned subsidiary of the Company (the "Guarantor") entered into a joint and several guarantee in favor of the lender, to guarantee the payment and performance of the borrower. The Guarantors' liability under the Pier Park TPS JV Loan will be automatically reduced to 50.0%, or a further 25.0% of the outstanding principal balance upon reaching and maintaining certain debt service coverage. In addition, the guarantee can become full recourse in the case of the failure of Guarantor to abide by or perform any of the covenants or warranties to be performed on the part of such Guarantor; any sale, conveyance or transfer of the property; upon the filing or commencement of voluntary bankruptcy or insolvency proceedings; the entry of monetary judgement or assessment or the filing of any tax lien against either the borrower or Guarantor; and the dissolution of the borrower or Guarantor. As of September 30, 2019, $3.1 million was outstanding on the Pier Park TPS JV Loan.

Item 2. *Management's Discussion and Analysis of Financial Condition and Results of Operations*

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the accompanying unaudited condensed consolidated financial statements and related notes in Item 1 and with the audited consolidated financial statements and the related notes included in our annual report on Form 10-K. The statements in this discussion regarding industry outlook, our expectations regarding our future performance, liquidity and capital resources and other non-historical statements in this discussion are forward-looking statements. These forward-looking statements are subject to risks and uncertainties, including the risks and uncertainties described in "Forward-Looking Statements" below and "Risk Factors" on page 9 of our annual report on Form 10-K. Our actual results may differ materially from those contained in or implied by any forward-looking statements. We assume no obligation to revise or publicly release any revision to any forward-looking statements contained in this quarterly report on Form 10-Q, unless required by law.

Business Overview

St. Joe is a real estate development, asset management and operating company with real estate assets and operations concentrated in Northwest Florida, which we predominantly use, or intend to use, for or in connection with, our various residential real estate developments, hospitality operations, commercial developments and leasing operations and our forestry operations.

We have significant residential and commercial land-use entitlements in hand or in process. We actively seek higher and better uses for our real estate assets through a range of activities from strategic land planning and development, infrastructure improvements and promoting economic development in Northwest Florida. We may explore the sale of such assets opportunistically or when we believe that we or others can better deploy those resources.

As a real estate development company, we seek to enhance the value of our real estate assets by undertaking targeted types of residential and commercial real estate development opportunities. These targeted opportunities are intended to meet market demand where historically we sold land for other developers to meet that market demand. As an operating company, we operate some of the finest hospitality assets that Northwest Florida has to offer. As an asset management company, we actively manage leasing operations and forestry operations to capture and enhance the value of our real estate assets. Approximately 90% of our real estate land holdings are located within fifteen miles of the Gulf of Mexico.

We expect to use our land holdings, our cash and cash equivalents and investments to increase recurring revenue, while creating long-term value for our shareholders. We believe that our present liquidity position and our land holdings provide us with numerous opportunities to increase recurring revenue and create long-term value for our shareholders by allowing us to focus on our core business activity of real estate development and asset management.

We seek opportunities to invest our funds in ways that could increase our returns. These investments may include longer term commercial or residential real estate or real estate related investments (in which we may play an active or passive role), investments in real estate investment trusts and other investments in liquid or illiquid securities where we believe we can increase our returns.

Our real estate investment strategy focuses on projects that meet our investment return criteria. The time frame for these expenditures and investments will vary based on the type of project. However, our practice is to only incur such expenditures when our analysis indicates that a project will generate a return equal to or greater than the threshold return over its life.

Segments

We conduct primarily all of our business in the following four reportable operating segments: (1) residential real estate, (2) hospitality, (3) commercial leasing and sales and (4) forestry. Commencing in the fourth quarter of 2018, our previously titled "resorts and leisure" segment was retitled "hospitality," with no effect on the condensed consolidated balance sheets, statements of income, statements of comprehensive income or statements of cash flows for the periods presented.

The following table sets forth the relative contribution of these operating segments to our consolidated operating revenue:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Segment Operating Revenue				
Residential real estate[a]	33.4 %	8.3 %	33.3 %	40.2 %
Hospitality	42.7 %	53.1 %	44.0 %	35.4 %
Commercial leasing and sales	18.1 %	26.3 %	16.2 %	13.5 %
Forestry	4.8 %	11.1 %	5.4 %	7.9 %
Other[b]	1.0 %	1.2 %	1.1 %	3.0 %
Consolidated operating revenue	100.0 %	100.0 %	100.0 %	100.0 %

(a) Includes revenue of $23.1 million for the nine months ended September 30, 2018 for a one-time receipt of RiverTown impact fees related to the 2014 RiverTown transaction.

(b) Other includes mitigation bank credit sales and title fee revenue. For the nine months ended September 30, 2018, other includes revenue of $2.2 million related to a specific sale of mitigation bank credits.

For more information regarding our operating segments, see Note 17. *Segment Information* of our condensed consolidated financial statements included in this quarterly report.

Residential Real Estate

Our residential real estate segment typically plans and develops residential communities of various sizes across a wide range of price points and sells homesites to builders or retail consumers. From time to time, our residential real estate segment also evaluates opportunities to sell some of our hospitality properties.

Below is a description of some of our major residential development communities in Northwest Florida that we are in the process of planning or developing. As is true with all of our projects, the parcels of residential real estate which will actually be developed, including the number of homesites that will ultimately be approved for development in any residential development community, will depend on our development strategy, the extent to which the anticipated returns of the project meet our investment return criteria and the availability of capital resources to fund the development.

The Watersound Origins community is a large scale, mixed use community in South Walton County, Florida with direct access to Lake Powell. As of September 30, 2019, 562 homesites are fully developed, of which 431 have sold. Currently 579 homesites are under site development, which will be completed in phases. As of September 30, 2019, we had 610 homesites under contract.

The Breakfast Point community is a residential community in Panama City Beach, Florida. The community has received government approval for 369 single family homesites. As of September 30, 2019, 369 homesites are fully developed, of which 357 have sold. As of September 30, 2019, we had 12 homesites under contract with a builder. Planning is currently in process to expand the Breakfast Point community to include an additional future phase.

The Breakfast Point East community is a proposed residential community in Bay County, Florida adjacent to and east of the Breakfast Point community. The community has received government approval for 1,760 single family homesites and 440 multi-family units. Engineering is currently in process for Phase 1 of Breakfast Point East.

The SouthWood community is a large scale, mixed use community located in Tallahassee, Florida. The community has received government approval for 4,770 residential homesites, which includes 2,074 single family and 2,696 multi-family. To date, 2,746 homesites are sold. Currently engineering is in process for 50 homesites and 20 homesites are under site development. As of September 30, 2019, we had 70 homesites under contract with two builders.

The WindMark Beach community is a residential community in Port St. Joe, Florida. The community has received governmental approval for 1,516 residential homesites. To date, 262 homesites are fully developed and sold. Currently, 56 homesites are under site development, all of which are under contract with a builder.

The Latitude Margaritaville Watersound community is a planned 55+ active adult residential community in Bay County, Florida with access to the Gulf Intracoastal Waterway. The community will be developed as a JV with our JV partner Minto Communities USA, a homebuilder and community developer. Planning, engineering, and permitting approvals are in process for the sales center and first phase, which is estimated to include approximately 3,500 residential homesites.

The Titus Park community is a new residential community located in east Bay County, Florida. The residential community is proposed to be developed in multiple phases. Currently site development is in process for 154 homesites. As of September 30, 2019, the 154 homesites were under contract with a builder.

The College Station community is a new residential community located in east Bay County, Florida. The residential community is proposed to be developed in multiple phases. Currently site development is in process for 92 homesites. As of September 30, 2019, we had 41 homesites under contract with two builders.

The Park Place community is a proposed residential community located in the city of Callaway in east Bay County, Florida. This residential community is proposed to be developed in multiple phases. Engineering and permitting are currently in process for Phase 1 of the Park Place community. As of September 30, 2019, we had 51 homesites under contract with a builder.

The Mexico Beach Village residential community is a proposed mixed use community located in the city of Mexico Beach in east Bay County, Florida. The residential component of this community is proposed to be developed in multiple phases. Planning and design are currently in process for this community.

The WaterColor community is a residential community located in South Walton County, Florida. Engineering and permitting are currently in process for a new residential phase of this community.

The Camp Creek community is a proposed residential community located in South Walton County, Florida. The community is adjacent to the Camp Creek Golf Club and is proposed to be developed in multiple phases. Engineering and permitting approvals are currently in process for Phase 1 of the Camp Creek residential community.

We have other residential communities, such as the SummerCamp Beach and RiverCamps communities that have homesites available for sale or future development. In addition, we have residential communities, such as WaterSound Beach, WaterSound West Beach and Wild Heron that are substantially developed, with homesites in these communities available for sale.

The revenue resulting from our residential real estate operations may vary from period to period depending on the communities where homesites are sold, as prices vary significantly by community. In addition, the majority of our sales are to homebuilders, who generally buy more homesites in a single transaction but tend to buy on a more sporadic basis. As a result, we may experience volatility in the consistency and pace of our residential real estate sales.

The Bay-Walton Sector Plan is a long term master plan that includes entitlements, or legal rights, to develop over 170,000 residential homesites and over 22 million square feet of retail, commercial, and industrial space on approximately 110,500 acres of our land holdings. We anticipate a wide range of residential and commercial uses on these land holdings. Development of the Bay-Walton Sector Plan is underway with the commencement of engineering for the Latitude Margaritaville Watersound community, engineering of the Camp Creek residential community and ongoing development of the Watersound Origins community.

We had 995 residential homesites under contract as of September 30, 2019, which are expected to result in revenue of approximately $83.0 million at closing of the homesites, which are expected over the next several years. As of September 30, 2018 we had 638 residential homesites under contract, which are expected to result in revenue of approximately $65.2 million ($5.1 million has been realized through September 30, 2019). The increase is due to the development of additional homesites and increased builder contracts for residential homesites. The number of homesites under contract are subject to change based on final platting of each community.

Hospitality

Our hospitality segment features hotel operations, lodging, restaurants, golf courses, beach clubs, marinas and other resort assets.

Resorts, Lodging and Other Management Services -We own and operate the award-winning WaterColor Inn, which includes the Fish Out of Water (“FOOW”) restaurant and the WaterSound Inn. We own and operate retail and commercial outlets near our hospitality facilities, including the WaterColor Store. We also operate the award-winning The Pearl Hotel and Havana Beach Bar & Grill restaurant.

In the third quarter of 2019 we, along with Key International, Inc., commenced construction of an Embassy Suites hotel in the Pier Park area of Panama City Beach, Florida. The hotel is planned to feature 255 guest suites, a pool, meeting space, a fitness center, an on-site restaurant and an upper-level, gulf-view social, catering and event space. Once complete, we will manage the day-to-day operations of the hotel.

Subsequent to September 30, 2019, we commenced construction of a Hilton Garden Inn brand hotel at the Northwest Florida Beaches International Airport. The hotel is planned to feature 143 guest rooms, meeting space and a full-service restaurant.

Clubs – Our private membership club (“The Clubs by JOE”) provides members and guests in our hotels access to our resort facilities, which include the Camp Creek Golf Club, Shark’s Tooth Golf Club, and the WaterSound Beach Club. The Clubs by JOE is focused on creating a world class membership experience combined with the luxurious aspects of a four star/four diamond resort. Below is a description of some of our club properties, which are located in Northwest Florida. As is true with all of our projects, the parcels of real estate which will actually be developed will depend on our development strategy, the extent to which the anticipated returns of the project meet our investment return criteria, and the availability of capital resources to fund the development.

We own and operate the WaterSound Beach Club which includes two pools, private beach access, two restaurants, three bars, a kid’s room and a recreation area.

We currently own and operate three golf courses. The Shark’s Tooth Golf Club includes an 18-hole golf course, a full club house, featuring men’s and women’s locker rooms, a pro shop, two restaurants and a tennis center located in the Wild Heron community. The Camp Creek Golf Club includes an 18-hole golf course, a pro shop and a snack bar. The Origins Golf Club includes a six-hole golf course and a café located in the Watersound Origins community.

During 2018, we sold the SouthWood Golf Club, as well as the SouthWood House and cottages. Prior to the sale these assets were owned and operated by our hospitality segment.

Subsequent to September 30, 2019, we commenced construction on a hotel and club amenity project adjacent to the Camp Creek Golf Club. Plans call for the project to include an upscale, 75-room boutique inn in the highly desirable Scenic Highway 30-A corridor that we will operate once complete. Planned amenities include a health and wellness center, two restaurants, a tennis center, pickle ball courts, a resort-style pool complex with separate adult pool, a golf teaching academy and multi-sports fields. Once complete, these amenities will be available to both guests of the inn as well as club members.

Marinas - We own and operate two marinas in Northwest Florida, Bay Point Marina and Port St. Joe Marina. Subsequent to the landfall of Hurricane Michael on October 10, 2018, the marinas remain closed due to significant damage requiring long-term restoration, which is currently underway. We maintain property and business interruption insurance on the impacted marina assets. See Note 6. *Hurricane Michael* for additional information.

From time to time, we may explore the sale of certain hospitality properties, as well as the development of new hospitality properties.

Commercial Leasing and Sales

Our commercial leasing and sales segment includes leasing multi-family, retail, office and commercial property, cell towers and other assets as well as planning, development, entitlement, management and sale of our commercial land holdings for a variety of uses. These uses include a broad range of retail, office, hotel, assisted-living, multi-family and industrial properties. From time to time, our commercial leasing and sales segment also evaluates opportunities to sell some of our hospitality properties.

Below is a listing of some of our commercial leasing and sales properties. As is true with all of our projects, the parcels of real estate which will actually be developed will depend on our development strategy, the extent to which the anticipated returns of the project meet our investment return criteria, and the availability of capital resources to fund the development.

Pier Park North. Our Pier Park North JV owns a retail center of approximately 330,000 square feet in Panama City Beach, Florida, of which approximately 10,000 square feet remains to be constructed. As of September 30, 2019, Pier Park North JV had 320,310 net leasable square feet, of which 96.3% were under lease.

VentureCrossings. VentureCrossings is a commercial and industrial development adjacent to the Northwest Florida Beaches International Airport. We are soliciting global office, retail and industrial users for this prime development location. We built and own 243,605 square feet of manufacturing and office space, which are currently under long-term leases. Additionally, we are constructing an approximately 60,000 square foot flex space building that we plan to complete during the fourth quarter of 2019.

Beckrich Office Park. Beckrich Office Park includes two office buildings located in Panama City Beach, Florida, with over 67,000 net leasable square feet, of which 92.3% were under lease as of September 30, 2019. Additionally, we are constructing a third office building, a portion of which will be occupied as our corporate headquarters, and a new Starbucks building at Beckrich Office Park.

Pier Park Crossings. In April 2017, we formed the Pier Park Crossings JV to develop, manage and lease apartments in Panama City Beach, Florida. The 240 unit apartment community is currently under construction. As of September 30, 2019, we had completed 120 units, of which 119 were under lease.

Origins Town Center. The Origins Town Center is entitled for approximately 330,000 square feet of retail and entertainment space, as well as approximately 127,000 square feet of office space. In August 2018, we entered into a lease with Sacred Heart Health Systems to construct an approximately 6,500 square foot healthcare facility in the Origins Town Center. The facility is currently under construction. Additionally, we are designing a new multi-tenant commercial building.

Origins Crossings. In May 2019, we formed the Origins Crossings JV to develop, manage and lease apartments in Watersound, Florida, which will be located adjacent to the Origins Town Center. The parties are working together to develop a 217 unit apartment community, which is currently under construction.

Pier Park Northwest. Pier Park Northwest is entitled for hospitality and commercial uses. In the fall of 2017, we announced a JV with InterMountain Management, LLC, to construct and manage a TownePlace Suites by Marriott. Construction began in the fourth quarter of 2018 on the 124 room TownePlace Suites. This JV is unconsolidated and is accounted for under the equity method of accounting. Additionally, we are designing a new multi-tenant commercial building to be constructed on a portion of this site.

Topsail West. Topsail West is entitled for approximately 61,000 square feet of retail and entertainment space in Santa Rosa Beach, Florida. In April 2019, we entered into a lease for a build-to-suit restaurant for First Watch: The Daytime Café. The restaurant is currently under construction.

Watercrest. In May 2019, we formed the Watercrest JV to develop and operate a new assisted living and memory care community in Santa Rosa Beach, Florida, which will be located near Topsail West. The JV parties are working together to develop the 107 unit community, which is currently under construction.

Busy Bee. In July 2019 we formed a JV to develop and operate a Busy Bee branded fuel station and convenience store in Panama City Beach, Florida that is currently under construction. This JV is unconsolidated and is accounted for under the equity method of accounting.

North Glades/Breakfast Point Bank Building. In April 2019, we entered into a lease with Capital City Bank to construct a full-service banking location in Panama City Beach, Florida. The bank building is currently under construction.

In addition to the properties listed above, a flex space building of approximately 20,000 square feet is under construction at Cedar Grove Commerce Park in Panama City, Florida and a flex space building of approximately 10,000 square feet is under construction at Beach Commerce Park in Panama City Beach, Florida. We also have a number of projects in various stages of planning, including additional industrial flex space buildings, apartments and assisted living/memory care facilities.

Forestry

Our forestry segment focuses on the management of our timber holdings in Northwest Florida and generates revenue primarily from open market sales of timber on site without the associated delivery costs. We grow and sell pulpwood, sawtimber and other forest products.

We may sell our timber holdings, undeveloped land or land with limited development and easements. Some parcels include the benefits of limited development activity including improved roads, ponds and fencing. We have traditionally sold parcels of varying sizes ranging from less than one acre to thousands of acres. The pricing of these parcels varies significantly based on size, location, terrain, timber quality and other local factors. Costs incurred as part of a sale of these lands may include the cost of timber, land, minimal development costs and selling costs. We also lease land within the forestry segment for hunting and other uses.

Critical Accounting Estimates

The discussion and analysis of our financial condition and results of operations are based upon our condensed consolidated financial statements, which have been prepared in accordance with GAAP. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenue and expenses and related disclosures of contingent assets and liabilities. We base these estimates on historical experience, available current market information and on various other assumptions that management believes are reasonable under the circumstances. Additionally, we evaluate the results of these estimates on an on-going basis. Management's estimates form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions, and our accounting estimates are subject to change.

Critical accounting policies that we believe reflect our more significant judgments and estimates used in the preparation of our condensed consolidated financial statements are set forth in Item 7 of our Annual Report on Form 10-K for the year ended December 31, 2018. There have been no significant changes in these policies during the first nine months of 2019, however we cannot assure you that these policies will not change in the future.

Recently Adopted and Issued Accounting Pronouncements

See Note 2. *Summary of Significant Accounting Policies* to our condensed consolidated financial statements included in this report for recently issued or adopted accounting standards, including the date of adoption and effect on our condensed consolidated financial statements.

Seasonality

Our business may be affected by seasonal fluctuations. For example, revenue from our hospitality operations are typically higher in the second and third quarters, but can vary depending on the timing of holidays and school breaks, including spring break.

In addition to the seasonality effect of our hospitality operations, our residential real estate business is predominantly composed of sales to homebuilders, who tend to buy multiple homesites in sporadic transactions, which impacts the variability in our results of operations. In addition, the revenue resulting from our residential real estate operations may vary from period to period depending on the communities where homesites are sold, as prices vary significantly by community. Our commercial real estate projects are likewise subject to one-off sales and the development of specific projects depending on demand. These variables have caused, and may continue to cause, our operating results to vary significantly from period to period.

Results of Operations

Consolidated Results

The following table sets forth a comparison of the results of our operations:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
	In millions			
Revenue:				
Real estate revenue	$ 13.5	$ 6.2	$ 33.6	$ 46.1
Hospitality revenue	14.0	12.1	37.0	32.1
Leasing revenue	4.0	3.6	11.2	10.5
Timber revenue	1.3	1.8	2.6	5.3
Total revenue	32.8	23.7	84.4	94.0
Expenses:				
Cost of real estate revenue	6.0	3.7	14.7	10.8
Cost of hospitality revenue	10.2	9.3	26.4	25.5
Cost of leasing revenue	1.3	1.2	3.4	3.5
Cost of timber revenue	0.2	0.2	0.5	0.6
Other operating and corporate expenses	5.1	5.1	16.1	16.1
Depreciation, depletion and amortization	2.6	2.3	7.2	6.8
Total expenses	25.4	21.8	68.3	63.3
Operating income	**7.4**	**1.9**	**16.1**	**30.7**
Other income (expense):				
Investment income, net	2.4	2.6	11.0	12.2
Interest expense	(3.1)	(2.9)	(9.1)	(8.9)
Other income, net	2.1	0.3	7.1	0.8
Total other income, net	1.4	—	9.0	4.1
Income before income taxes	**8.8**	**1.9**	**25.1**	**34.8**
Income tax (expense) benefit	(3.0)	3.5	(7.1)	(2.8)
Net income	**$ 5.8**	**$ 5.4**	**$ 18.0**	**$ 32.0**

Real Estate Revenue and Gross Profit

The following table sets forth a comparison of our total real estate revenue and gross profit:

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2019	% (1)	2018	% (1)	2019	% (1)	2018	% (1)
	Dollars in millions							
Revenue:								
Residential real estate revenue								
Real estate revenue	$ 11.0	81.5 %	$ 1.9	30.7 %	$ 28.1	83.6 %	$ 14.6	31.7 %
RiverTown impact fees	—	— %	—	— %	—	— %	23.1	50.1 %
Total residential real estate revenue	11.0	81.5 %	1.9	30.7 %	28.1	83.6 %	37.7	81.8 %
Commercial real estate revenue	2.1	15.6 %	3.3	53.2 %	3.2	9.5 %	4.0	8.7 %
Rural land and other revenue	0.4	2.9 %	1.0	16.1 %	2.3	6.9 %	4.4	9.5 %
Real estate revenue	$ 13.5	100.0 %	$ 6.2	100.0 %	$ 33.6	100.0 %	$ 46.1	100.0 %
Gross profit:								
Residential real estate								
Real estate	$ 5.2	47.3 %	$ 0.9	47.4 %	$ 13.9	49.5 %	$ 7.0	47.9 %
RiverTown impact fees	—	— %	—	— %	—	— %	23.1	100.0 %
Total residential real estate	5.2	47.3 %	0.9	47.4 %	13.9	49.5 %	30.1	79.8 %
Commercial real estate	1.9	90.5 %	0.9	27.3 %	2.9	90.6 %	1.4	35.0 %
Rural land and other	0.4	100.0 %	0.7	70.0 %	2.1	91.3 %	3.8	86.4 %
Gross profit	$ 7.5	55.6 %	$ 2.5	40.3 %	$ 18.9	56.3 %	$ 35.3	76.6 %

(1) Calculated percentage of total real estate revenue and the respective gross margin percentage.

Residential Real Estate Revenue and Gross Profit. During the three months ended September 30, 2019, total residential real estate revenue increased $9.1 million, or 478.9% to $11.0 million, as compared to $1.9 million during the same period in 2018, and total residential real estate gross profit increased $4.3 million, to $5.2 million (or gross margin of 47.3%), as compared to $0.9 million, (or gross margin of 47.4%) during the same period in 2018. During the three months ended September 30, 2019, we sold 94 homesites compared to 14 homesites during the same period in 2018.

During the nine months ended September 30, 2019, total residential real estate revenue decreased $9.6 million, or 25.4% to $28.1 million, as compared to $37.7 million during the same period in 2018 and total residential real estate gross profit decreased $16.2 million, to $13.9 million (or gross margin of 49.5%), as compared to $30.1 million, (or gross margin of 79.8%) during the same period in 2018. Included in total residential real estate revenue for the nine months ended September 30, 2018 is $23.1 million for a one-time receipt of RiverTown impact fees related to the 2014 RiverTown transaction, resulting in a gross profit margin of 100.0%. During the nine months ended September 30, 2019, excluding the one-time receipt of the RiverTown impact fees, residential real estate revenue would have increased $13.5 million, or 92.5% to $28.1 million, as compared to $14.6 million during the same period in 2018, and residential real estate gross profit would have increased $6.9 million, or 98.6%, to $13.9 million, (or gross margin of 49.5%), as compared to $7.0 million, (or gross margin of 47.9%), during the same period in 2018. During the nine months ended September 30, 2019, we sold 276 homesites compared to 157 homesites during the same period in 2018.

The number of homesites sold varied each period due to the timing of builder contractual closing obligations and the timing of development of completed homesites in our residential communities. The revenue and gross profit for each period was impacted by the volume of sales within each of the communities, the difference in pricing among the communities and the difference in the cost of the homesite development.

Commercial Real Estate Revenue and Gross Profit. During the three months ended September 30, 2019, we had five commercial real estate sales totaling approximately 23 acres for $2.1 million resulting in a gross profit margin of approximately 90.5%. During the three months ended September 30, 2018, we had five commercial real estate sales totaling approximately 314 acres for $3.3 million, resulting in a gross profit margin of approximately 27.3%. During the nine months ended September 30, 2019, we had seven commercial real estate sales totaling approximately 74 acres for $3.2 million, resulting in a gross profit margin of approximately 90.6%. During the nine months ended September 30, 2018, we had nine commercial real estate sale totaling approximately 318 acres for $4.0 million, resulting in a gross profit margin of approximately 35.0%. Revenue from commercial real estate can vary significantly from period to period depending on the proximity to developed areas and mix of commercial real estate sold in each period, with varying compositions of retail, office, industrial and other commercial uses.

Rural Land and Other Revenue and Gross Profit. During the three months ended September 30, 2019, we sold approximately 33 acres of rural and timber land for $0.1 million and mitigation bank credits for $0.3 million, with de minimis cost of revenue resulting in a gross profit margin of approximately 100.0%. During the three months ended September 30, 2018, we sold approximately 50 acres of rural and timber land for $0.7 million and mitigation bank credits for $0.3 million, resulting in a gross profit margin of approximately 70.0%. During the nine months ended September 30, 2019, we sold approximately 87 acres of rural and timber land for $1.4 million and mitigation bank credits for $0.9 million, resulting in a gross profit margin of approximately 91.3%. During the nine months ended September 30, 2018, we sold approximately 144 acres of rural and timber land for $1.6 million and mitigation bank credits for $2.8 million, resulting in a gross profit margin of approximately 86.4%. Revenue from rural land can vary significantly from period to period.

Our gross margin can vary significantly from period to period depending on the characteristics of property sold. Sales of rural and timber land typically have a lower cost basis than residential and commercial real estate sales. In addition, our cost basis in residential and commercial real estate can vary depending on the amount of development or other costs spent on the property.

For additional information see the Segment Results sections for*Residential Real Estate, Commercial Leasing and Sales and Forestry*.

Hospitality Revenue and Gross Profit

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
	In millions			
Hospitality revenue	$ 14.0	$ 12.1	$ 37.0	$ 32.1
Gross profit	$ 3.8	$ 2.8	$ 10.6	$ 6.6
Gross margin	27.1 %	23.1 %	28.6 %	20.6 %

Hospitality revenue increased $1.9 million, or 15.7%, during the three months ended September 30, 2019, as compared to the same period in 2018. During the three months ended September 30, 2019 the increase in hospitality revenue was due to the FOOW restaurant, which reopened in late June 2018, the opening of the WaterColor Store in January 2019, the opening of the Camp WaterColor restaurant in March 2019 and an increase in club membership revenue. These increases were partially offset by decreases related to the impact of Hurricane Michael on the marinas. Hospitality had a gross margin during the three months ended September 30, 2019 of 27.1% compared to 23.1% during the same period in 2018. The increase is primarily related to the increase in membership revenue.

Hospitality revenue increased $4.9 million, or 15.3%, during the nine months ended September 30, 2019, as compared to the same period in 2018. During the nine months ended September 30, 2019 the increase in hospitality revenue was due to the re-opening of the FOOW restaurant in late June 2018, the opening of the WaterColor Store in January 2019, the opening of the Camp WaterColor restaurant in March 2019 and an increase in club membership revenue. These increases were partially offset by decreases in room revenue for the WaterColor Inn from lower occupancy related to the WaterColor Beach Club being closed during a portion of the current period for renovations, golf revenue primarily related to the sale of the SouthWood Golf Club in the third quarter of 2018 and the impact of Hurricane Michael on the marinas. As of September 30, 2019 The Clubs by JOE had 1,234 members, compared with 1,107 members as of September 30, 2018. Hospitality had a gross margin during the nine months ended September 30, 2019 of 28.6% compared to 20.6% during the same period in 2018. The increase is primarily related to the increase in membership revenue and business interruption insurance proceeds received for the marinas related to Hurricane Michael. Excluding the business interruption proceeds received for the marinas during the current period, our hospitality gross margin was 25.1% during the nine months ended September 30, 2019, as compared to 20.6% during the same period in 2018. The increase is primarily related to the increase in membership revenue.

Leasing Revenue and Gross Profit

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
	In millions			
Leasing revenue	$ 4.0	$ 3.6	$ 11.2	$ 10.5
Gross profit	$ 2.7	$ 2.4	$ 7.8	$ 7.0
Gross margin	67.5 %	66.7 %	69.6 %	66.7 %

Leasing revenue increased $0.4 million, or 11.1%, during the three months ended September 30, 2019, as compared to the same period in 2018. Leasing revenue increased $0.7 million, or 6.7%, during the nine months ended September 30, 2019, as compared to the same period in 2018. This increase is primarily due to new leases at properties such as Beckrich Office Park, Pier Park Crossings and WaterColor Crossings. The increase is partially offset by a decrease in leasing revenue related to the marinas which, subsequent to the landfall of Hurricane Michael on October 10, 2018, remain closed. Cost of leasing revenue remained essentially flat for each of the three and nine months ended September 30, 2019 and 2018, which resulted in an increase to gross margin for the periods.

Timber Revenue and Gross Profit

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
	In millions			
Timber revenue	$ 1.3	$ 1.8	$ 2.6	$ 5.3
Gross profit	$ 1.1	$ 1.6	$ 2.1	$ 4.7
Gross margin	84.6 %	88.9 %	80.8 %	88.7 %

Timber revenue decreased $0.5 million, or 27.8%, during the three months ended September 30, 2019, as compared to the same period in 2018, due to a decrease in the amount of tons sold, along with price decreases and product mix changes caused by Hurricane Michael's significant market impact since landfall in October 2018. There were 82,000 tons sold during the three months ended September 30, 2019, as compared to 97,000 tons sold during the same period in 2018. Gross margin decreased during the three months ended September 30, 2019 to 84.6%, as compared to 88.9% during the same period in 2018, primarily due to decreases in sales price and volume and changes in product mix.

Timber revenue decreased $2.7 million, or 50.9%, during the nine months ended September 30, 2019, as compared to the same period in 2018, due to a decrease in the amount of tons sold, along with price decreases and product mix changes caused by Hurricane Michael's significant market impact since landfall in October 2018. There were 143,000 tons sold during the nine months ended September 30, 2019, as compared to 310,000 tons sold during the same period in 2018. Gross margin decreased during the nine months ended September 30, 2019 to 80.8%, as compared to 88.7% during the same period in 2018, primarily due to decreases in sales price and volume and changes in product mix.

Other Operating and Corporate Expenses

	Three Months Ended September 30, 2019	Three Months Ended September 30, 2018	Nine Months Ended September 30, 2019	Nine Months Ended September 30, 2018
	In millions			
Employee costs	$ 1.9	$ 2.2	$ 5.7	$ 5.7
401(k) contribution	—	—	1.1	1.1
Non-cash stock compensation costs	—	—	—	0.1
Property taxes and insurance	1.3	1.1	3.7	3.6
Professional fees	1.0	1.0	3.0	2.7
Marketing and owner association costs	0.2	0.3	0.9	0.9
Occupancy, repairs and maintenance	0.2	0.2	0.7	0.7
Other miscellaneous	0.5	0.3	1.0	1.3
Total other operating and corporate expenses	$ 5.1	$ 5.1	$ 16.1	$ 16.1

Other operating and corporate expenses for the three and nine months ended September 30, 2019 and 2018 were comparable.

Depreciation, Depletion and Amortization

Depreciation, depletion and amortization expense increased $0.3 million and $0.4 million for the three and nine months ended September 30, 2019, respectively, as compared to same periods in 2018 primarily due to new equipment placed in service.

Investment Income, Net

Investment income, net primarily includes (i) interest and dividends earned, (ii) accretion of the net discount, (iii) net realized gain or loss from the sale of our available for-sale-investments and equity securities, less other-than-temporary impairment loss, (iv) net unrealized gain or loss related to investments - equity securities, (v) interest income earned on the time deposit held by SPE and (vi) interest earned on mortgage notes receivable and other receivables as detailed in the table below:

	Three Months Ended September 30, 2019	Three Months Ended September 30, 2018	Nine Months Ended September 30, 2019	Nine Months Ended September 30, 2018
	In millions			
Interest and dividend income	$ 1.6	$ 1.8	$ 5.8	$ 7.0
Accretion income	—	0.2	0.1	0.6
Net realized gain (loss) on the sale of investments	—	0.1	—	(1.0)
Other-than-temporary impairment loss	—	(1.7)	—	(1.7)
Unrealized (loss) gain on investments, net	(1.4)	(0.1)	(1.3)	0.6
Interest income from investments in SPEs	2.1	2.1	6.1	6.2
Interest accrued on notes receivable and other interest	0.1	0.2	0.3	0.5
Total investment income, net	$ 2.4	$ 2.6	$ 11.0	$ 12.2

Investment income, net decreased $0.2 million to $2.4 million for the three months ended September 30, 2019, as compared to $2.6 million for the three months ended September 30, 2018. Investment income, net decreased $1.2 million to $11.0 million for the nine months ended September 30, 2019, as compared to $12.2 million for the nine months ended September 30, 2018. Investment income, net for the three months ended September 30, 2019 includes unrealized losses related to preferred stock of $1.4 million. Investment income, net for the three months ended September 30, 2018 includes the sale of certain preferred stock at a realized gain of $0.1 million, offset by an other-than-temporary impairment loss of $1.7 million related to corporate debt securities and an unrealized loss on the sale of certain preferred stock of $0.1 million. The nine months ended September 30, 2019 includes unrealized losses related to preferred stock of $1.3 million. The nine months ended September 30, 2018 includes unrealized gains related to preferred stock of $0.6 million, offset by an other-than-temporary impairment loss of $1.7 million related to corporate debt securities and a realized loss on the sale of certain corporate debt securities and preferred stock of $1.0 million.

The decrease in interest and dividend income and accretion income for the three and nine months ended September 30, 2019, as compared to the same period in 2018, is primarily due to a reduction in investments held during the period. The decrease in investments during the period is primarily related to the repurchase of common stock during 2019 and 2018 under the Stock Repurchase Program and increased capital expenditures. See Note 14. *Stockholders' Equity* and Part II – Other Information of this quarterly report for additional information regarding common stock repurchases related to the Stock Repurchase Program.

Interest Expense

Interest expense primarily includes interest incurred on CDD debt, the Senior Notes issued by Northwest Florida Timber Finance, LLC, project financing and finance leases as detailed in the table below:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
	In millions			
Interest expense and amortization of discount and issuance costs for Senior Notes issued by SPE	$ 2.2	$ 2.2	$ 6.6	$ 6.6
Other interest expense	0.9	0.7	2.5	2.3
Total interest expense	$ 3.1	$ 2.9	$ 9.1	$ 8.9

Other Income, Net

Other income, net primarily includes gain on land contributions, income from our retained interest investments, insurance proceeds, hurricane expenses and other income and expense items as detailed in the table below:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
	In millions			
Gain on land contribution	$ 0.8	$ —	$ 2.3	$ —
Accretion income from retained interest investments	0.4	0.3	1.0	0.9
Insurance proceeds	1.2	—	5.3	—
Hurricane expense	(0.6)	—	(1.7)	—
Miscellaneous income (expense), net	0.3	—	0.2	(0.1)
Other income, net	$ 2.1	$ 0.3	$ 7.1	$ 0.8

Other income, net increased $1.8 million and $6.3 million during the three and nine months ended September 30, 2019, respectively, as compared to the same periods in 2018. The increase is primarily due to $1.2 million and $5.3 million of insurance proceeds received related to Hurricane Michael during the three and nine months ended September 30, 2019, respectively. The insurance proceeds were partially offset by hurricane expenses of $0.6 million and $1.7 million during the three and nine months ended September 30, 2019, respectively. See Note 6. *Hurricane Michael* for additional information. The increase in other income, net is also due to a gain of $0.8 million on land contributed to our unconsolidated Busy Bee JV included in the three and nine months ended September 30, 2019. The nine months ended September 30, 2019 also includes a gain of $1.5 million on land contributed to our unconsolidated Pier Park TPS JV. See Note 9, *Real Estate Joint Ventures* for additional information.

Income Tax Expense

We recorded income tax expense of $3.0 million during three months ended September 30, 2019, as compared to an income tax benefit of $3.5 million during the same period in 2018. Our effective tax rate was 34.4% for the three months ended September 30, 2019, as compared to (174.1%) during the same period in 2018.

We recorded income tax expense of $7.1 million during the nine months ended September 30, 2019, as compared to $2.8 million during the same period in 2018. Our effective tax rate was 28.2% for the nine months ended September 30, 2019, as compared to 8.0% during the same period in 2018.

Our effective rate for 2019 differed from the federal statutory rate of 21.0% primarily due to the change in Florida corporate income tax rate from 5.5% to 4.458% and other permanent differences. The effective tax rate for 2018 differed from the federal statutory rate of 21.0% primarily due to the 2018 renewal of the Qualified Timber Gain preferential rate retroactively applied to our tax year 2017, the impact of state taxes and changes in the valuation allowance. In future periods, we expect that our effective rate will be closer to the statutory rate adjusted for state taxes and other permanent differences.

Segment Results

Residential Real Estate

The table below sets forth the results of operations of our residential real estate segment:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
	In millions			
Revenue:				
Real estate revenue	$ 9.9	$ 1.8	$ 25.6	$ 13.3
Other revenue	1.1	0.1	2.5	24.4
Total revenue	11.0	1.9	28.1	37.7
Expenses:				
Cost of real estate and other revenue	5.8	1.1	14.2	7.6
Other operating expenses	1.0	1.1	3.6	3.5
Depreciation and amortization	—	—	0.1	0.1
Total expenses	6.8	2.2	17.9	11.2
Operating income (loss)	4.2	(0.3)	10.2	26.5
Other income (expense):				
Investment income, net	—	0.1	0.1	0.2
Interest expense	(0.2)	(0.2)	(0.5)	(0.7)
Other income, net	0.1	—	0.1	0.1
Total other expense, net	(0.1)	(0.1)	(0.3)	(0.4)
Income (loss) before income taxes	**$ 4.1**	**$ (0.4)**	**$ 9.9**	**$ 26.1**

Real estate revenue includes sales of homesites, other residential land and certain homesite residuals from homebuilder sales that provide us a percentage of the sale price of the completed home if the home price exceeds a negotiated threshold. Other revenue includes tap and impact fee credits sold and marketing fees. Certain homesite residuals and other revenue related to homebuilder homesite sales are recognized in revenue at the point in time of the closing of the sale. Other revenue for the nine months ended September 30, 2018 includes $23.1 million for a one-time receipt of RiverTown impact fees related to the 2014 RiverTown transaction. For the three months ended September 30, 2019 and 2018, real estate revenue includes estimated homesite residuals of $0.2 million and less than $0.1 million, respectively. For the three months ended September 30, 2019 and 2018, other revenue includes certain estimated fees related to homebuilder homesite sales of $0.4 million and less than $0.1 million, respectively. For the nine months ended September 30, 2019 and 2018, real estate revenue includes estimated homesite residuals of $1.4 million and $0.6 million, respectively. For the nine months ended September 30, 2019 and 2018, other revenue includes certain estimated fees related to homebuilder homesite sales of $1.3 million and $0.6 million, respectively. Cost of real estate revenue includes direct costs (e.g., development and construction costs), selling costs and other indirect costs (e.g., development overhead, capitalized interest and project administration costs).

Three months ended September 30, 2019 Compared to the Three months ended September 30, 2018

The following table sets forth our residential real estate revenue and cost of revenue activity:

	Three Months Ended September 30, 2019					Three Months Ended September 30, 2018				
	Unit Sold	Revenue	Cost of Revenue	Gross Profit	Gross Margin	Units Sold	Revenue	Cost of Revenue	Gross Profit	Gross Margin
	Dollars in millions									
Homesites	94	$ 9.9	$ 5.5	$ 4.4	44.4 %	14	$ 1.8	$ 0.9	$ 0.9	50.0 %

Homesites. Revenue from homesite sales increased $8.1 million, or 450.0%, during the three months ended September 30, 2019, as compared to the same period in 2018, primarily due to the mix and number of homesites sold per community, the timing of builder contractual closing obligations and the timing of development of completed homesites in our residential communities such as WindMark Beach, Watersound Origins and Breakfast Point. During the three months ended September 30, 2019 and 2018, the average revenue, excluding homesite residuals, per homesite sold was approximately $101,000 and $110,000, respectively, due to the mix of sales from different communities. Gross margin decreased to 44.4% during the three months ended September 30, 2019, as compared to 50.0% during the same period in 2018, primarily due to the mix and number of homesites sold during each respective period.

Other operating expenses include salaries and benefits, property taxes, marketing, professional fees, project administration, support personnel, owner association and CDD assessments and other administrative expenses.

Investment income, net primarily consists of interest earned on our mortgage notes receivable. Interest expense consists of interest incurred on our portion of the total outstanding CDD debt.

Nine months ended September 30, 2019 Compared to the Nine months ended September 30, 2018

The following table sets forth our residential real estate revenue and cost of revenue activity:

	Nine Months Ended September 30, 2019					Nine Months Ended September 30, 2018				
	Units Sold	Revenue	Cost of Revenue	Gross Profit	Gross Margin	Units Sold	Revenue	Cost of Revenue	Gross Profit	Gross Margin
	Dollars in millions									
Homesites	276	$ 25.6	$ 13.4	$ 12.2	47.7 %	157	$ 13.3	$ 7.0	$ 6.3	47.4 %

Homesites. Revenue from homesite sales increased $12.3 million, or 92.5%, during the nine months ended September 30, 2019, as compared to the same period in 2018, primarily due to the mix and number of homesites sold per community, the timing of builder contractual closing obligations and the timing of development of completed homesites in our residential communities such as Watersound Origins, Breakfast Point, SouthWood and WindMark Beach. During the nine months ended September 30, 2019 and 2018, the average revenue, excluding homesite residuals, per homesite sold was approximately $84,000 and $77,000, respectively, due to the mix of sales from different communities.

Other operating expenses include salaries and benefits, property taxes, marketing, professional fees, project administration, support personnel, owner association and CDD assessments and other administrative expenses.

Investment income, net primarily consists of interest earned on our mortgage notes receivable. Interest expense consists of interest incurred on our portion of the total outstanding CDD debt.

Hospitality

The table below sets forth the results of operations of our hospitality segment:

	Three Months Ended September 30, 2019	Three Months Ended September 30, 2018	Nine Months Ended September 30, 2019	Nine Months Ended September 30, 2018
	In millions			
Revenue:				
Hospitality revenue	$ 14.0	$ 12.1	$ 37.0	$ 32.1
Leasing revenue	—	0.5	0.1	1.2
Total revenue	14.0	12.6	37.1	33.3
Expenses:				
Cost of hospitality revenue	10.2	9.3	26.4	25.5
Cost of leasing revenue	—	0.4	—	1.0
Other operating expenses	0.2	0.1	0.5	0.4
Depreciation	1.1	1.0	3.1	2.8
Total expenses	11.5	10.8	30.0	29.7
Operating income	2.5	1.8	7.1	3.6
Other income (expense), net	0.3	(0.1)	0.2	—
Income before income taxes	**$ 2.8**	**$ 1.7**	**$ 7.3**	**$ 3.6**

Three months ended September 30, 2019 Compared to the Three months ended September 30, 2018

The following table sets forth details of our hospitality segment revenue and cost of revenue:

	Three Months Ended September 30, 2019			Three Months Ended September 30, 2018		
	Revenue	Gross Profit (Deficit)	Gross Margin	Revenue	Gross Profit	Gross Margin
	In millions					
Resorts, lodging and other management services	$ 8.3	$ 1.9	22.9 %	$ 7.1	$ 1.5	21.1 %
Clubs	5.7	2.0	35.1 %	4.5	1.2	26.7 %
Marinas	—	(0.1)	— %	1.0	0.2	20.0 %
Total	$ 14.0	$ 3.8	27.1 %	$ 12.6	$ 2.9	23.0 %

Revenue from resorts, lodging and other management services increased $1.2 million, or 16.9%, during the three months ended September 30, 2019, as compared to the same period in 2018. The increase in revenue is primarily due to the FOOW restaurant, which reopened in late June 2018, the opening of the WaterColor Store in January 2019 and the opening of the Camp WaterColor restaurant in March 2019. Our gross margin increased by 1.8% to 22.9% during the three months ended September 30, 2019, as compared to 21.1% during the same period in 2018. The increase in gross margin was primarily due to increases in revenue and controlled expenses.

Revenue from our clubs increased $1.2 million or 26.7%, during the three months ended September 30, 2019 as compared to the same period in 2018, due to an increase in the number of members and membership revenue. Our gross margin also increased to 35.1% during the three months ended September 30, 2019 compared to 26.7% during the same period in 2018. The increase in gross margin was primarily due to the increase in membership revenue.

Revenue from our marinas decreased $1.0 million, or 100.0% during the three months ended September 30, 2019, as compared to the same period in 2018, due to the impact of Hurricane Michael on the marinas. Subsequent to the landfall of Hurricane Michael on October 10, 2018, the marinas remain closed. We maintain property and business interruption insurance on the impacted marina assets. See Note 6. *Hurricane Michael* for additional information.

Our hospitality segment gross margin was 27.1% during the three months ended September 30, 2019, as compared to 23.0% during the same period in 2018. The increase is primarily related to the increase in membership revenue.

Other operating expenses include salaries and benefits, occupancy fees, professional fees and other administrative expenses.

Nine Months Ended September 30, 2019 Compared to the Nine Months Ended September 30, 2018

The following table sets forth details of our hospitality segment revenue and cost of revenue:

	Nine Months Ended September 30, 2019			Nine Months Ended September 30, 2018		
	Revenue	**Gross Profit**	**Gross Margin**	**Revenue**	**Gross Profit**	**Gross Margin**
	In millions					
Resorts, lodging and other management services	$ 20.9	$ 3.8	18.2 %	$ 17.7	$ 3.2	18.1 %
Clubs	16.2	6.0	37.0 %	13.2	3.1	23.5 %
Marinas	—	0.9	— %	2.4	0.5	20.8 %
Total	$ 37.1	$ 10.7	28.8 %	$ 33.3	$ 6.8	20.4 %

Revenue from resorts, lodging and other management services increased $3.2 million, or 18.1%, during the nine months ended September 30, 2019, as compared to the same period in 2018. The increase in revenue is primarily due to the re-opening of the FOOW restaurant in late June 2018, the opening of the WaterColor Store in January 2019 and the opening of the Camp WaterColor restaurant in March 2019. The increase in revenue was partially offset by a decrease in room revenue for the WaterColor Inn from lower occupancy related to the WaterColor Beach Club being closed during the period. Gross margin for the nine months ended September 30, 2019 and 2018 were comparable.

Revenue from our clubs increased $3.0 million, or 22.7%, during the nine months ended September 30, 2019 compared to the same period in 2018, due to an increase in the number of members and membership revenue, partially offset by a decrease in golf revenue primarily related to the sale of the SouthWood Golf Club in the third quarter of 2018. As of September 30, 2019 we had 1,234 members, compared with 1,107 members as of September 30, 2018. Our gross margin also increased to 37.0% during the nine months ended September 30, 2019 compared to 23.5% during the same period in 2018. The increase in gross margin was primarily due to the increase in membership revenue.

Revenue from our marinas decreased $2.4 million, or 100.0% during the nine months ended September 30, 2019, as compared to the same period in 2018, due to the impact of Hurricane Michael on the marinas. Gross profit during the nine months ended September 30, 2019 includes $1.3 million related to business interruption insurance proceeds received during the period. Subsequent to the landfall of Hurricane Michael on October 10, 2018, the marinas remain closed. We maintain property and business interruption insurance on the impacted marina assets. See Note 6. *Hurricane Michael* for additional information.

Our hospitality segment gross margin was 28.8% during the nine months ended September 30, 2019, as compared to 20.4% during the same period in 2018. The increase is primarily related to the increase in membership revenue and business interruption insurance proceeds received related to Hurricane Michael. Excluding the $1.3 million of business interruption proceeds received for the marinas during the current period, our hospitality segment gross margin was 25.3% during the nine months ended September 30, 2019, as compared to 20.4% during the same period in 2018. The increase is primarily related to the increase in membership revenue.

Other operating expenses include salaries and benefits, occupancy fees, professional fees and other administrative expenses.

Commercial Leasing and Sales

The table below sets forth the results of operations of our commercial leasing and sales segment:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	**2018**	**2019**	**2018**
	In millions			
Revenue:				
Leasing revenue	$ 3.8	$ 3.0	$ 10.5	$ 8.7
Commercial real estate revenue	2.1	3.3	3.2	4.0
Total revenue	5.9	6.3	13.7	12.7
Expenses:				
Cost of leasing revenue	1.3	0.8	3.4	2.5
Cost of commercial real estate revenue	0.2	2.4	0.3	2.6
Other operating expenses	0.9	0.8	2.4	2.4
Depreciation and amortization	1.3	1.1	3.6	3.3
Total expenses	3.7	5.1	9.7	10.8
Operating income	2.2	1.2	4.0	1.9
Other (expense) income:				
Interest expense	(0.7)	(0.6)	(1.9)	(1.6)
Other income, net	1.8	—	3.5	—
Total other income (expense), net	1.1	(0.6)	1.6	(1.6)
Income before income taxes	**$ 3.3**	**$ 0.6**	**$ 5.6**	**$ 0.3**

Three and Nine Months Ended September 30, 2019 Compared to the Three and Nine Months Ended September 30, 2018

Leasing revenue increased $0.8 million, or 26.7%, during the three months ended September 30, 2019, as compared to the same period in 2018. Leasing revenue increased $1.8 million, or 20.7%, during the nine months ended September 30, 2019, as compared to the same period in 2018. This increase is primarily due to new leases at properties such as Pier Park North, Beckrich Office Park, Pier Park Crossings and WaterColor Crossings. Leasing gross margin decreased during the three months ended September 30, 2019 to 65.8%, as compared to 73.3% during the same period in 2018. Leasing gross margin decreased during the nine months ended September 30, 2019 to 67.6%, as compared to 71.3% during the same period in 2018. As of September 30, 2019, we had net rentable square feet of approximately 822,000, of which approximately 757,000 square feet was under lease. As of September 30, 2018, we had net rentable square feet of approximately 808,000, of which approximately 717,000 square feet was under lease.

Commercial real estate revenue can vary depending on the proximity to developed areas and the mix and characteristics of commercial real estate sold in each period, with varying compositions of retail, office, industrial and other commercial uses. During the three months ended September 30, 2019 there were five commercial real estate sales totaling approximately 23 acres for $2.1 million, resulting in a gross profit margin of approximately 90.5%. During the three months ended September 30, 2018, we had five commercial real estate sales totaling approximately 314 acres for $3.3 million, resulting in a gross profit margin of approximately 27.3%. During the nine months ended September 30, 2019 we had seven commercial land real estate sales totaling approximately 74 acres for $3.2 million, resulting in a gross profit margin of approximately 90.6%. During the nine months ended September 30, 2018, we had nine commercial real estate sale totaling approximately 318 acres for $4.0 million, resulting in a gross profit margin of approximately 35.0%. Commercial real estate revenue for the three and nine months ended September 30, 2018 included $2.6 million related to the sale of two resorts and leisure properties located in the SouthWood community, including the golf course. As our focus continues to evolve more towards recurring revenue from leasing operations, we expect to have limited commercial real estate sales.

Other operating expenses include salaries and benefits, property taxes, CDD assessments, professional fees, marketing, project administration and other administrative expenses.

Interest expense primarily includes interest incurred from our commercial leasing project financing and CDD debt.

Other income, net for the three and nine months ended September 30, 2019 includes a gain of $0.8 million on land contributed to our unconsolidated Busy Bee JV. Other income, net for the nine months ended September 30, 2019 also includes a gain of $1.5 million on land contributed to our unconsolidated Pier Park TPS JV. See Note 9, *Real Estate Joint Ventures* for additional information. During the three and nine months ended September 30, 2019, the Pier Park Crossings JV received $0.9 million and $1.2 million, respectively, of insurance proceeds related to Hurricane Michael. See Note 6. *Hurricane Michael* for additional information.

The total net rentable square feet and percentage leased of leasing properties by location are as follows:

		September 30, 2019		December 31, 2018	
	Location	Net Rentable Square Feet	Percentage Leased	Net Rentable Square Feet	Percentage Leased
Pier Park North JV	Bay County, FL	320,310	96 %	320,310	96 %
VentureCrossings	Bay County, FL	243,605	100 %	243,605	100 %
Beckrich Office Park	Bay County, FL	67,108	92 %	67,108	96 %
WindMark Beach Commercial (1) (2)	Gulf County, FL	48,960	48 %	49,260	56 %
SouthWood Town Center (2)	Leon County, FL	34,230	85 %	34,230	85 %
WaterColor Town Center (2) (3)	Walton County, FL	21,200	100 %	21,200	100 %
Port St. Joe Commercial	Gulf County, FL	15,524	100 %	15,524	100 %
Beach Commerce Park	Bay County, FL	14,700	100 %	14,700	100 %
SummerCamp Commercial	Franklin County, FL	13,000	0 %	13,000	0 %
South Walton Commerce Park	Walton County, FL	11,570	53 %	—	— %
WaterSound Gatehouse (2) (4)	Walton County, FL	11,515	100 %	13,049	100 %
WaterColor Crossings	Walton County, FL	7,135	100 %	7,135	100 %
395 Office building	Walton County, FL	6,700	100 %	6,700	100 %
Pier Park outparcel	Bay County, FL	5,565	100 %	5,565	100 %
WaterColor HOA Office (5)	Walton County, FL	1,244	100 %	1,244	100 %
		822,366	92 %	812,630	93 %

(1) Included in net rentable square feet as of September 30, 2019 and December 31, 2018, is 13,808 square feet of unfinished space.
(2) In addition to net rentable square feet, there is also space that we occupy or that serves as common area.
(3) In addition to net rentable square feet, there is an additional 1,332 square feet that was repurposed during the fourth quarter of 2018 into a new store operated by us.
(4) In addition to net rentable square feet, there is an additional 1,534 square feet that was repurposed in 2019 into a new store operated by us, as well as office space occupied by us.
(5) In addition to net rentable square feet, there is an additional 1,276 square feet that currently serves as common area, but is subject to an agreement whereby the current lessee is expected to expand their lease to include the entire building.

Total units and percentage leased for apartments by location are as follows:

		September 30, 2019			
	Location	Units Planned	Units Completed	Units Leased	Percentage Leased of Units Completed
Pier Park Crossings (1)	Bay County, FL	240	120	119	99%
Origins Crossings (2)	Walton County, FL	217	—	—	N/A
		457	120	119	99%

(1) Construction began in the second quarter of 2018.
(2) Construction began in the second quarter of 2019.

Forestry

The table below sets forth the results of operations of our forestry segment:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
	In millions			
Revenue:				
Timber revenue	$ 1.3	$ 1.8	$ 2.6	$ 5.2
Real estate revenue - other rural land revenue	0.1	0.7	1.4	1.6
Leasing revenue	0.2	0.1	0.6	0.6
Total revenue	1.6	2.6	4.6	7.4
Expenses:				
Cost of timber revenue	0.2	0.2	0.5	0.6
Cost of real estate revenue - other rural land revenue	—	0.2	0.1	0.4
Other operating expenses	0.1	0.1	0.3	0.3
Depreciation and depletion	0.1	0.1	0.2	0.4
Total expenses	0.4	0.6	1.1	1.7
Operating income	1.2	2.0	3.5	5.7
Other income, net	—	0.1	—	0.1
Income before income taxes	**$ 1.2**	**$ 2.1**	**$ 3.5**	**$ 5.8**

The total tons sold and relative percentage of total tons sold by major type of timber revenue are as follows:

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2019		2018		2019		2018	
Pine pulpwood	66,000	80.5 %	68,000	70.1 %	78,000	54.5 %	203,000	65.5 %
Pine sawtimber	11,000	13.4 %	21,000	21.7 %	17,000	11.9 %	83,000	26.8 %
Pine grade logs	4,000	4.9 %	8,000	8.2 %	17,000	11.9 %	23,000	7.4 %
Other	1,000	1.2 %	—	— %	31,000	21.7 %	1,000	0.3 %
Total	82,000	100.0 %	97,000	100.0 %	143,000	100.0 %	310,000	100.0 %

Three months ended September 30, 2019 Compared to the Three months ended September 30, 2018

Timber revenue decreased by $0.5 million, or 27.8%, during the three months ended September 30, 2019, as compared to the same period in 2018. The decrease is primarily due to a decrease in the amount of tons sold, along with price decreases and product mix changes caused by Hurricane Michael's significant market impact since landfall in October 2018. There were 82,000 tons sold during the three months ended September 30, 2019, as compared to 97,000 tons sold during the same period in 2018. The average price per ton sold decreased to $15.16 during the three months ended September 30, 2019, as compared to $16.10 during the same period in 2018. Gross margin decreased during the three months ended September 30, 2019, to 84.6%, as compared to 88.9% during the same period in 2018, due to decreases in sales price and volume and changes in product mix.

During the three months ended September 30, 2019, we sold approximately 33 acres of rural and timber land for $0.1 million, with de minimis cost of revenue resulting in a gross profit margin of approximately 100.0%. During the three months ended September 30, 2018, we sold approximately 50 acres of rural and timber land for $0.7 million, resulting in a gross profit margin of approximately 71.4%.

Leasing revenue consists primarily of hunting leases, which is recognized as income over the term of each lease.

Other operating expenses include salaries and benefits, property taxes, professional fees and other administrative expenses.

Nine Months Ended September 30, 2019 Compared to the Nine Months Ended September 30, 2018

Timber revenue decreased by $2.6 million, or 50.0%, during the nine months ended September 30, 2019, as compared to the same period in 2018. The decrease is primarily due to a decrease in the amount of tons sold, along with price decreases and product mix changes caused by Hurricane Michael's significant market impact since landfall in October 2018. There were 143,000 tons sold during the nine months ended September 30, 2019, as compared to 310,000 tons sold during the same period in 2018. The average price per ton sold decreased to $14.85 during the nine months ended September 30, 2019, as compared to $15.61 during the same period in 2018. Gross margin decreased during the nine months ended September 30, 2019, to 80.8%, as compared to 88.5% during the same period in 2018, primarily due to decreases in sales price and volume and changes in product mix.

During the nine months ended September 30, 2019, we sold approximately 87 acres of rural and timber land for $1.4 million, resulting in a gross profit margin of approximately 92.9%. During the nine months ended September 30, 2018, we sold approximately 144 acres of rural and timber land for $1.6 million, resulting in a gross profit margin of approximately 75.0%.

Leasing revenue consists primarily of hunting leases, which is recognized as income over the term of each lease.

Other operating expenses include salaries and benefits, property taxes, professional fees and other administrative expenses.

Liquidity and Capital Resources

As of September 30, 2019, we had cash and cash equivalents of $165.3 million, compared to $195.2 million as of December 31, 2018. Our cash and cash equivalents at September 30, 2019 includes commercial paper of $138.4 million, short term U.S. Treasury securities of $7.0 million and $6.9 million of money market funds. In addition to cash and cash equivalents, we consider our investments classified as available-for-sale securities and equity securities ("Securities"), as being generally available to meet our liquidity needs. Securities are not as liquid as cash and cash equivalents, but they are generally convertible into cash within a relatively short period of time. As of September 30, 2019, we had investments - debt securities in corporate debt securities of less than $0.1 million and investments - equity securities in preferred stock investments of $35.2 million and common stock of $1.9 million. As of December 31, 2018, we had investments - debt securities in U.S. Treasury securities of $6.9 million and corporate debt securities of $2.0 million and investments - equity securities in preferred stock investments of $36.1 million. See Note 4. *Investments,* for additional information regarding our investments.

We believe that our current cash position and our anticipated cash flows from cash equivalents, short term investments and cash generated from operations will provide us with sufficient liquidity to satisfy our anticipated working capital needs, expected capital expenditures, principal and interest payments on our long term debt and authorized stock repurchases for the next twelve months.

During the nine months ended September 30, 2019, we incurred a total of $77.7 million for capital expenditures, which includes $18.0 million related to the acquisition and development in our residential real estate communities, $45.1 million for our commercial leasing and sales segment, $13.0 million related to our hospitality segment and $1.6 million related primarily to our forestry segment and corporate expenditures. As of September 30, 2019, we had a total of $111.0 million in construction and development related contractual obligations, of which a portion will be funded through committed financing arrangements.

In October 2015, the Pier Park North JV entered into a $48.2 million loan. As of September 30, 2019 and December 31, 2018, $45.7 million and $46.4 million, respectively, was outstanding on the PPN JV Loan. The PPN JV Loan accrues interest at a rate of 4.1% per annum and matures in November 2025. In connection with the PPN JV Loan, we entered into a limited guarantee in favor of the lender, based on our percentage ownership of the JV. In addition, the guarantee can become full recourse in the case of any fraud or intentional misrepresentation by the Pier Park North JV; any voluntary transfer or encumbrance of the property in violation of the due-on-sale clause in the security instrument;

upon commencement of voluntary bankruptcy or insolvency proceedings and upon breach of covenants in the security instrument.

In May 2018, the Pier Park Crossings JV entered into a $36.6 million loan, insured by HUD, to finance the construction of apartments in Panama City Beach, Florida. As of September 30, 2019 and December 31, 2018, $29.7 million and $15.4 million, respectively, was outstanding on the PPC JV Loan. The PPC JV Loan accrues interest at a rate of 4.0% per annum and matures in June 2060. The PPC JV Loan may not be prepaid prior to July 1, 2020. From July 1, 2020 through June 30, 2030, a prepayment premium is due to the lender of 1.0% - 10.0% of any principal prepaid. The PPC JV Loan is secured by the Pier Park Crossings JV's real property and the assignment of rents and leases.

In May 2019, the Origins Crossings JV entered into a $37.9 million loan. As of September 30, 2019, there was no principal balance outstanding on the Origins Crossings JV Loan. The Origins Crossings JV Loan bears interest at a rate of 5.0% and matures in May 2024. The Origins Crossings JV Loan is secured by the real property, assignment of rents and the security interest in the rents and personal property. In connection with the Origins Crossings JV Loan, we executed a guarantee in favor of the lender to guarantee the payment and performance of the borrower under the Origins Crossings JV Loan. We are the sole guarantor and will receive a fee related to the guarantee from our JV partner based on the JV partner's ownership percentage.

In June 2019, the Watercrest JV entered into a $22.5 million loan. As of September 30, 2019, there was no principal balance outstanding on the Watercrest JV Loan. The Watercrest JV Loan bears interest at a rate of LIBOR plus 2.2% and matures in June 2047. The Watercrest JV Loan is secured by the real property, assignment of rents, leases and deposits and the security interest in the rents and personal property. In connection with the Watercrest JV Loan, we executed a guarantee in favor of the lender to guarantee the payment and performance of the borrower under the Watercrest JV Loan. We are the sole guarantor and will receive a fee related to the guarantee from our JV partner based on the JV partner's ownership percentage. We entered into an interest rate swap to hedge cash flows tied to changes in the underlying floating interest rate tied to LIBOR. The interest rate swap is effective June 1, 2021 and matures on June 1, 2024 and fixed the variable rate debt on the notional amount of related debt of $20.0 million to a rate of 4.37%. See Item 3. *Quantitative and Qualitative Disclosures about Market Risk* for additional information regarding LIBOR related risks.

In August 2019, a wholly owned subsidiary of ours entered into a $5.5 million loan. As of September 30, 2019, there was no principal balance outstanding on the Beckrich Building III Loan. The Beckrich Building III Loan bears interest at a rate of LIBOR plus 1.7% and matures in August 2029. The Beckrich Building III Loan is secured by the real property, assignment of leases, rents and profits and the security interest in the rents and personal property. In connection with the Beckrich Building III Loan, we executed a guarantee in favor of the lender to guarantee the payment and performance of the borrower under the Beckrich Building III Loan.

CDD bonds financed the construction of infrastructure improvements in some of our communities. The principal and interest payments on the bonds are paid by assessments on the properties benefited by the improvements financed by the bonds. We have recorded a liability for CDD debt that is associated with platted property, which is the point at which it becomes fixed or determinable. Additionally, we have recorded a liability for the balance of the CDD debt that is associated with unplatted property if it is probable and reasonably estimable that we will ultimately be responsible for repayment. We have recorded CDD related debt of $7.1 million as of September 30, 2019. Total outstanding CDD debt related to our land holdings was $18.8 million at September 30, 2019, which was comprised of $15.8 million at SouthWood, $2.6 million at the existing Pier Park retail center and $0.4 million at Wild Heron. We pay interest on this total outstanding CDD debt.

During the nine months ended September 30, 2019 and 2018, we repurchased a total of 1,141,529 and 5,238,566 shares, respectively, of our common stock outstanding for an aggregate purchase price of $18.8 million and $93.4 million, respectively, including costs. See Note 14. *Stockholders' Equity* and Part II – Other Information – Item 2 of this quarterly report for additional information regarding common stock repurchases related to the Stock Repurchase Program.

Summary of Cash Flows

A summary of our cash flows from operating, investing and financing activities are as follows:

	Nine Months Ended September 30,	
	2019	2018
	In millions	
Net cash provided by operating activities	$ 14.7	$ 46.3
Net cash (used in) provided by investing activities	(29.1)	51.2
Net cash used in financing activities	(15.1)	(85.8)
Net (decrease) increase in cash, cash equivalents and restricted cash	(29.5)	11.7
Cash, cash equivalents and restricted cash at beginning of the period	198.1	192.5
Cash, cash equivalents and restricted cash at end of the period	$ 168.6	$ 204.2

Cash Flows from Operating Activities

Cash flows provided by operating activities include costs related to assets ultimately planned to be sold, including residential real estate development and related amenities, sales of timberlands or undeveloped and developed land and land developed by the commercial leasing and sales segment. Net cash provided by operations was $14.7 million during the nine months ended September 30, 2019, as compared to $46.3 million during the same period in 2018. Net cash provided by operations included $23.1 million of RiverTown impact fees received during the nine months ended September 30, 2018.

Cash Flows from Investing Activities

Cash flows (used in) provided by investing activities primarily includes capital expenditures for operating property and property and equipment used in our operations and purchases of investments, partially offset by proceeds from insurance claims, maturities of investments, proceeds from the disposition of assets, sales of investments and maturities of assets held by SPEs. During the nine months ended September 30, 2019, net cash used in investing activities was $29.1 million, which included capital expenditures for operating property and equipment, purchases of investments $4.7 million, partially offset by proceeds from insurance claims of $13.4 million, maturities of investments of $7.0 million, sales of investments of $6.3 million and maturities of assets held by SPEs of $0.8 million. During the nine months ended September 30, 2018, net cash provided by investing activities was $51.2 million, which included sales of investments of $75.7 million, proceeds from the disposition of assets of $5.0 million and maturities of assets held by SPEs of $0.8 million, partially offset by purchases of investments of $10.5 million and capital expenditures for operating property and equipment.

Capital expenditures for operating property and property and equipment were $51.9 million and $19.7 million, during the nine months ended September 30, 2019 and 2018, respectively, which were primarily for our commercial leasing and sales and hospitality segments.

Cash Flows from Financing Activities

Net cash used in financing activities during the nine months ended September 30, 2019 was $15.1 million compared to $85.8 million during the same period in 2018. Net cash used in financing activities during the nine months ended September 30, 2019 included the repurchase of common stock of $18.8 million, additional ownership interest in Windmark of $11.6 million, principal payments on debt of $1.3 million, debt issuance costs of $0.9 million, capital contribution to unconsolidated affiliate of $0.3 million and capital distribution to non-controlling interest of $0.2 million, partially offset by borrowings on debt of $16.2 million and capital contribution from non-controlling interest of $1.8 million. Net cash used in financing activities during the nine months ended September 30, 2018 included the repurchase of our common stock of $93.4 million, debt issuance costs of $1.1 million, principal payments on debt of $1.1 million, capital distribution to non-controlling interest of $0.2 million and capital contribution to unconsolidated affiliate of $0.2 million, partially offset by borrowings on debt of $9.3 million and capital contribution from non-controlling interest of $0.9 million.

Off-Balance Sheet Arrangements

As of September 30, 2019 and December 31, 2018, we had various loans outstanding for which we have entered into guarantees and are required to comply with financial covenants. See Note 10. *Debt, Net*.

In January 2019, our unconsolidated Pier Park TPS JV, entered into a $14.4 million loan, maturing in January 2026. As of September 30, 2019, $3.1 million was outstanding on the Pier Park TPS JV Loan. The Pier Park TPS JV Loan is secured by the real property, assignment of rents and the security interest in the rents and personal property. In connection with the Pier Park TPS JV Loan, as guarantor we and a wholly owned subsidiary of ours entered into a joint and several guarantee in favor of the lender, to guarantee the payment and performance of the borrower. See Note 18. *Commitments and Contingencies* for additional information.

As part of a timberland sale in 2007 and 2008, we have recorded a retained interest with respect to notes contributed to bankruptcy-remote qualified SPEs of $12.1 million for all installment notes monetized through September 30, 2019. This balance represents the present value of future cash flows to be received over the life of the installment notes, using management's best estimates of underlying assumptions, including credit risk and interest rates as of the date of the monetization, plus the accretion of investment income based on an effective yield, which is recognized over the term of the notes, less actual cash receipts.

As of September 30, 2019 and December 31, 2018, we were required to provide surety bonds that guarantee completion of certain infrastructure in certain development projects and mitigation banks of $10.7 million and $9.4 million, respectively, which may potentially result in a liability to us if certain obligations are not met.

In conducting our operations, we routinely hold customers' assets in escrow pending completion of real estate transactions, and are responsible for the proper disposition of these balances for our customers. These amounts are maintained in segregated bank accounts and have not been included in the accompanying condensed consolidated balance sheets, consistent with GAAP and industry practice. The cash deposit accounts and offsetting liability balances for escrow deposits in connection with our title agency real estate transactions were $2.9 million and $1.6 million as of September 30, 2019 and December 31, 2018, respectively, these escrow funds are not available for regular operations.

Contractual Obligations

There were no material changes outside the ordinary course of our business in our contractual obligations during the third quarter of 2019.

Forward-Looking Statements

This quarterly report contains "forward-looking statements" within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. These statements include, among other things, information about possible or assumed future results of the business and our financial condition, liquidity, results of operations, plans, strategies, prospects and objectives. Such forward-looking statements can generally be identified by our use of forward-looking terminology such as "may," "will," "expect," "intend," "anticipate," "estimate," "believe," "continue" or other similar expressions concerning matters that are not historical facts. Specifically, this quarterly report contains forward-looking statements regarding:

- our expectations concerning our future business strategy, including exploring the sale of our real estate assets opportunistically or when we believe that we or others can better deploy those resources;
- our intention to use our land holdings, our cash and cash equivalents and our investments to increase recurring revenue while creating long-term value for our shareholders;
- our expectations regarding investments that we believe will contribute towards increasing our future growth, particularly in real estate projects that provide recurring revenue;
- our 2019 capital expenditures budget and the timing of benefits of these investments;

- our assessment and expectations regarding the demographics and corresponding market demand and growth of Northwest Florida;
- our assessment and expectations regarding the impact of Hurricane Michael, including the amount and timing of insurance proceeds and ability to recover any losses;
- our expectations regarding the amount and timing of revenue we expect to realize upon closing over the life of the residential homesites under contract;
- our expectations regarding homesite sales and timing of sales for new developments, including those contemplated by our long-term contractual agreement with Kolter;
- our beliefs regarding opportunities to develop, improve or acquire a broad range of asset types that will generate recurring revenue;
- our plan to focus on investing in residential communities that have the potential for long term, scalable and repeatable revenue;
- our expectation to continue to be a developer of completed residential homesites for sale to builders and retail homesites for sale to consumers in our communities;
- our intention to form additional JVs with third parties for the development of commercial real estate and residential real estate projects on our land holdings;
- our plan to expand the scope and scale of our hospitality assets and services in order to enhance the value and contribution those assets provide;
- our intention to continue to work collaboratively with public and private partners on strategic infrastructure and economic development initiatives that will help to attract quality job creators and help to diversify the Northwest Florida economy;
- our expectations regarding opportunities near the Northwest Florida Beaches International Airport and our other land holdings in Northwest Florida;
- our belief that by entering into partnerships, JVs or other collaborations and alliances with best of class operators, we can efficiently utilize our land assets while reducing our capital requirements;
- our expectation to continue a cost and investment discipline to ensure low fixed expenses and bottom line performance;
- our plan to continue to maintain a high degree of liquidity while seeking opportunities to invest our cash in ways that we believe will increase shareholder value, including investments in Securities, share repurchases, real estate and other strategic investments;
- our expectation regarding our liquidity or ability to satisfy our working capital needs, expected capital expenditures and principal and interest payments on our long term debt;
- our estimates and assumptions regarding the installment notes and the Timber Note;
- our estimated impact of new accounting pronouncements; and
- our expectation regarding the impact of pending litigation, claims, other disputes or governmental proceedings,on our cash flows, financial condition or results of operations.

These forward-looking statements reflect our current views about future events and are subject to risks, uncertainties and assumptions. We wish to caution readers that certain important factors may have affected and could in the future affect our actual results and could cause actual results to differ significantly from those expressed in any forward-looking statement. The most important factors that could prevent us from achieving our goals, and cause the assumptions underlying forward-looking statements and the actual results to differ materially from those expressed in or implied by those forward-looking statements include, but are not limited to, those risk factors and disclosures set forth in our Form 10-K for the year ended December 31, 2018, subsequent Form 10-Qs, other current reports, and the following:

- any changes in our strategic objectives or our ability to successfully implement such strategic objectives;
- any potential negative impact of our longer-term property development strategy, including losses and negative cash flows for an extended period of time if we continue with the self-development of our entitlements;

- our ability and the ability of our investment advisor to identify and acquire suitable investments for our investment portfolio that meet our risk and return criteria;
- significant decreases in the market value of our investments in Securities or any other investments;
- our ability to capitalize on strategic opportunities presented by a growing retirement demographic;
- our ability to accurately predict market demand for the range of potential residential and commercial uses of our real estate, including our Northwest Florida holdings;
- volatility in the consistency and pace of our residential real estate revenue;
- economic or other conditions that affect the future prospects for the Southeastern region of the U.S. and the demand for our products, including a slowing of the population growth in Florida, inflation, or unemployment rates or declines in consumer confidence or the demand for, or the prices of, housing;
- any downturns in real estate markets in Florida or across the nation;
- any reduction in the supply of mortgage loans or tightening of credit markets;
- our dependence on the real estate industry and the cyclical nature of our real estate operations;
- the impact of natural or man-made disasters or weather conditions, including hurricanes, fires and other severe weather conditions, on our business, including the recent impact of Hurricane Michael;
- our ability to fully recover under claims for losses related to Hurricane Michael;
- our ability to successfully and timely obtain land use entitlements and construction financing, maintain compliance with state law requirements and address issues that arise in connection with the use and development of our land, including the permits required;
- changes in laws, regulations or the regulatory environment affecting the development of real estate;
- our ability to effectively deploy and invest our assets, including our Securities;
- our ability to effectively manage our real estate assets, as well as the ability of our JV partners to effectively manage the day-to-day activities of our JV projects;
- our ability to close and realize the expected revenue of the residential homesites currently under contract;
- our ability to successfully and timely complete homesite construction in our new developments, including those pursuant to our long-term contractual agreement with Kolter;
- our ability to attract and work effectively with strategic partners;
- our ability to successfully enter into previously announced potential JVs;
- our ability to realize the anticipated benefits of our acquisitions, JVs, investments in leasable spaces and operations and share repurchases;
- our ability to carry out the Stock Repurchase Program in accordance with applicable securities laws;
- the impact of the Tax Act on our business and financial condition;
- increases in operating costs, including costs related to real estate taxes, owner association fees, construction materials, labor and insurance and our ability to manage our cost structure;
- the sufficiency of our current cash position, anticipated cash flows from cash equivalents and short term investments and cash generated from operations to satisfy our anticipated working capital needs, capital expenditures and principal and interest payments;
- our ability to anticipate the impact of pending environmental litigation matters or governmental proceedings on our financial condition or results of operations;
- the expense, management distraction and possible liability associated with litigation, claims, other disputes or governmental proceedings;
- Fairholme's ability to influence major corporate decisions affecting the Company;
- potential liability under environmental or construction laws, or other laws or regulations;
- the impact if we have deficiencies in our disclosure controls and procedures or internal control over financial reporting;

- the impact if the SEC were to disagree with our Investment Company Act determinations;
- our ability to retain key personnel and recruit staff effectively; and
- our ability to successfully estimate the impact of certain accounting and tax matters that arise from the installment notes and the Timber Note.

Item 3. *Quantitative and Qualitative Disclosures about Market Risk*

We are exposed to market risks primarily from interest rate risk fluctuations. We have investments in certain preferred stock that have fixed interest rates for which changes in interest rates generally affect the fair value of the investment and are recorded in the condensed consolidated statements of income. A hypothetical 100 basis point increase in interest rates would result in a decrease of approximately $0.8 million in the market value of these investments as of September 30, 2019. In addition, our investments in certain preferred stock are non-investment grade, which could affect their fair value.

Our cash and cash equivalents are invested in commercial paper, money market instruments and short term U.S. Treasury securities. Changes in interest rates related to these investments would not significantly impact our results of operations. The amount of interest earned on one of our retained interest investments is based on LIBOR. A 100 basis point change in the interest rate may result in an insignificant change in interest earned on the investment.

The amount of interest expense on some of our construction loans are based on LIBOR. A 100 basis point change in the interest rate may result in an insignificant change in interest expense.

LIBOR is expected to be discontinued after 2021. Many of our current debt agreements have an interest rate tied to LIBOR. Most of these agreements provide for an alternative base rate in the event that LIBOR is discontinued, but not all do so. There can be no assurances as to what alternative base rates may be and whether such base rate will be more or less favorable than LIBOR and any other unforeseen impacts of the potential discontinuation of LIBOR. We intend to continue monitoring the developments with respect to the potential phasing out of LIBOR after 2021 and work with its lenders to ensure any transition away from LIBOR will have minimal impact on its financial condition, but can provide no assurances regarding the impact of the discontinuation of LIBOR.

Increases in interest rates, reductions in mortgage availability or the tax benefits of mortgage financing or residential ownership could negatively impact our real estate business and would also increase the costs of our development projects. Similarly, a downturn in economic conditions in Northwest Florida would reduce discretionary income and decrease demand for our hospitality segment operations.

Item 4. *Controls and Procedures*

Evaluation of Disclosure Controls and Procedures. Our Chief Executive Officer and Chief Financial Officer have evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this report. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of the period covered by this report, our disclosure controls and procedures were effective.

Changes in Internal Control Over Financial Reporting. During the quarter ended September 30, 2019, there were no changes in our internal controls over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

PART II - OTHER INFORMATION

Item 1. *Legal Proceedings*

We are subject to a variety of litigation, claims, other disputes and governmental proceedings that arise from time to time in the ordinary course of our business, none of which we believe will have a material adverse effect on our consolidated financial position, results of operations or liquidity. Refer to Note 18.*Commitments and Contingencies*, for further discussion.

In addition, we are subject to environmental laws and regulations, which include obligations to remove or limit the effects on the environment of the disposal or release of certain wastes or substances at various sites, including sites which have been previously sold. Refer to Note 18. *Commitments and Contingencies*, for further discussion.

Item 1A. ***Risk Factors***

A description of the risk factors associated with our business is contained in the "Risk Factors" section of our annual report on Form 10-K for the fiscal year ended December 31, 2018. There have been no material changes to our Risk Factors as previously reported.

Item 2. ***Unregistered Sales of Equity Securities and Use of Proceeds***

The Company's Board has approved the Stock Repurchase Program pursuant to which we are authorized to repurchase shares of its common stock. The Stock Repurchase Program has no expiration date.

As of August 15, 2019, we had a total authority of $35.8 million available for purchase of shares of our common stock pursuant to our previously announced Stock Repurchase Program. On August 15, 2019, our Board authorized additional repurchase authority of up to $64.2 million of our shares of common stock under the Stock Repurchase Program, bringing the total authorized repurchase authority to $100.0 million. As of September 30, 2019, we had a total authority of $88.3 million available for purchase of shares of our common stock pursuant to the Stock Repurchase Program. We may repurchase our common stock in open market purchases from time to time, in privately negotiated transactions or otherwise, pursuant to Rule 10b-18 under the Exchange Act. The timing and amount of any additional shares to be repurchased will depend upon a variety of factors, including market and business conditions. Repurchases may be commenced or suspended at any time or from time to time without prior notice. The Stock Repurchase Program will continue until otherwise modified or terminated by our Board at any time in its sole discretion.

Execution of the Stock Repurchase Program will reduce our "public float", and the beneficial ownership of common stock by its directors, executive officers and affiliates will proportionately increase as a percentage of our outstanding common stock as a result of the execution of the Stock Repurchase Program. However, we do not believe that the execution of the Stock Repurchase Program will cause our common stock to be delisted from NYSE or cause us to stop being subject to the periodic reporting requirements of the Exchange Act.

The following table provides information regarding repurchases of our common stock during each of the three months in the quarter ended September 30, 2019:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs
				In Millions
July 1-31, 2019	—	$ —	—	$ —
August 1-31, 2019	250,135	17.61	250,135	95.6
September 1-30, 2019	419,894	17.43	419,894	88.3
Total	**670,029**	**$ 17.50**	**670,029**	**$ 88.3**

Item 3. ***Defaults upon Senior Securities***

None.

Item 4. ***Mine Safety Disclosures***

Not applicable.

Item 5. ***Other Information***

None.

Item 6. ***Exhibits***

Index to Exhibits

Exhibit Number	Description
3.1	Restated and Amended Articles of Incorporation of the registrant (incorporated by reference to Exhibit 3.1 to the registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2010).
3.2	Amended and Restated Bylaws of the registrant (incorporated by reference to Exhibit 3.1 to the registrant's Current Report on Form 8-K filed on March 4, 2011).
*10.1	Investment Management Agreement dated August 23, 2019, by and between The St. Joe Company and Fairholme Capital Management, L.L.C.
*31.1	Certification of Principal Executive Officer under Section 302 of the Sarbanes-Oxley Act of 2002.
*31.2	Certification of Principal Financial Officer under Section 302 of the Sarbanes-Oxley Act of 2002.
**32.1	Certification of Chief Executive Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
**32.2	Certification of Chief Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
*101.INS	XBRL Instance Document.
*101.SCH	XBRL Taxonomy Extension Schema Document.
*101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.
*101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.
*101.LAB	XBRL Taxonomy Extension Label Linkbase Document.
*101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.

* Filed herewith.
** Furnished herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

THE ST. JOE COMPANY
(Registrant)

Date: October 30, 2019

/s/ Jorge Gonzalez
Jorge Gonzalez
President, Chief Executive Officer and Director
(Principal Executive Officer)

Date: October 30, 2019

/s/ Marek Bakun
Marek Bakun
Executive Vice President and Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)

Exhibit 10.1

FAIRHOLME CAPITAL MANAGEMENT, L.L.C.

INVESTMENT MANAGEMENT AGREEMENT

This Investment Management Agreement (the "Agreement") is made and entered into this 23 day of August, 2019 by and between: **The St. Joe Company**, (the "Client") and Fairholme Capital Management, L.L.C., a Delaware limited liability company and registered investment adviser, having offices at 2601 NE 2nd Avenue, Miami, FL 33137 ("Fairholme").

In consideration of the mutual covenants contained in this Agreement, the Client and Fairholme hereby agree as follows:

1) **Establishment of the Account.** The Client will establish, or has established, an account (the "Account") in the Client's name at the financial institution identified in Schedule A (the "Custodian") in which the Client will deposit or has deposited securities and other assets to be managed by Fairholme under this Agreement. The Client agrees to complete all account opening documents required by the Custodian to open the Account and to execute and deliver to the Custodian such limited powers-of-attorney or other authorizations as may be required by the Custodian in order to fully establish and effectuate the discretionary authority granted to Fairholme under this Agreement. Neither Fairholme nor its affiliates will at any time act as custodian or have physical custody of any assets in the Account. The Client authorizes Fairholme to instruct the Custodian on the Client's behalf (a) to send to the Client and Fairholme monthly statements showing all transactions occurring in the Account during the period covered by the Account statement, and the funds, securities and other property in the Account at the end of the period and (b) to provide Fairholme copies of all trade confirmations, periodic statements and other reports relating to the Account that the Custodian sends to the Client or receives with regard to the Account.

2) **Appointment and Investment Management Services.** (a) On the terms and conditions set forth in this Agreement, the Client hereby appoints and retains Fairholme, and Fairholme hereby accepts such appointment, as the Client's investment manager with full discretion and authority to manage, invest and reinvest the assets in the Account and provide the other services set forth in this Agreement. Fairholme will have full authority in its discretion without any further approval: (i) to purchase, sell, tender, exchange, convert or exercise, and otherwise acquire or dispose of and trade and deal in or with stocks, bonds, shares of any series of mutual funds (other than funds advised or managed by Fairholme) or of any other investment company managed by Fairholme and other securities or investment instruments of every name and nature and related rights; (ii) to sell short (on margin or otherwise) and to cover such short sales; (iii) to write, buy, and sell options on securities and other investments; (iv) to borrow funds from the Custodian for the purpose of trading on margin or to facilitate the execution and settlement of transactions, and (v) to execute such assignments, representation letters, instruments of transfer, orders and other instruments and to enter into such agreements (including indemnifications) as may be necessary or proper in connection with the management of the Account. The Client hereby appoints Fairholme as the Client's limited attorney-in-fact for the purposes of exercising the powers and authority granted to Fairholme and discharging Fairholme's obligations under this Agreement. Without limiting the generality of the foregoing, on Fairholme's instructions to the Custodian based on the Client's instructions to Fairholme from time to time, the Client also specifically authorizes the Custodian to remit checks, wire funds, and otherwise to make disbursements of funds held in the Account to accounts established in the Client's name and for its benefit and which the Client has identified to the Custodian, at banks, broker-dealers, investment companies and/or other financial institutions, or to the Client at the Client's address indicated in this Agreement, or another address in accordance with the Client's specific written authorization to Fairholme and the Custodian, or to a third party in accordance with the Client's specific written instruction to Fairholme and the Custodian. Fairholme is not authorized to withdraw the Client's funds or other assets except for payment of the Management Fee (as defined in Section 6) in accordance with this Agreement. This is a continuing power-of-attorney and will remain in full force and effect until revoked by the Client in writing in accordance with this Agreement,

provided that no such revocation will affect any transaction initiated prior to Fairholme's receipt of such notice of revocation.

(b) The Client acknowledges and agrees that any income received in respect of the Account, whether consisting of interest, dividends, or income from any other source, will be reinvested in the Account and that all or a portion of the Account may be held in cash or cash equivalents, including securities issued by money market mutual funds. The Client should refer to the prospectus for information about each mutual fund and applicable fees. The discretionary advisory authority granted to Fairholme will be subject to the investment objective, guidelines, policies and restrictions as designated by the Client on Schedule B (as may be amended from time to time in writing), which are subject to Fairholme's acceptance (which will not be unreasonably withheld). An investment's compliance with the investment restrictions set forth in Schedule B will be determined on the date of purchase only, based on the price and characteristics of the investment on the date of purchase compared to the value of the Account as of the most recent valuation date, and the investment restrictions set forth in Schedule B will not be deemed breached as a result of changes in value or status of an investment following purchase. The Client represents and warrants to Fairholme that all information contained in Schedule B and in any other materials provided to Fairholme is accurate and complete in all material respects, and that Schedule B contains all the restrictions applicable to Fairholme's management of the Account, including under any governing documents applicable to the Client or otherwise under any applicable law. The Client is obligated to promptly notify Fairholme in writing if any representation or warranty ceases to be true.

3) **Brokerage.** (a) Fairholme will place orders for the execution of transactions for the Client's Account in accordance with Part 2A of Fairholme's Form ADV as may be amended from time to time. Best price, giving effect to commissions and commission equivalents, if any, and other transaction costs, is normally an important factor in this decision, but the selection also takes into account the quality of brokerage services, including such factors as execution capability, willingness to commit capital, creditworthiness and financial stability, clearance and settlement capability, and the provisions of research and brokerage services, among other factors. Accordingly, transactions will not always be executed at the lowest available price or commission. Fairholme may select a broker-dealer that furnishes Fairholme, directly or through correspondent relationships, with research services which provide, in Fairholme's view, appropriate assistance to Fairholme in its investment decision-making process. Such research services may include research reports on companies, industries, and securities; economic and financial data; financial publications; computer data bases; and other research-oriented services. These selections, and the total amount of commissions given a particular broker-dealer, may be made pursuant to an agreement that would bind Fairholme to compensate the selected broker-dealer for the services provided. Research and other services obtained in this manner may be used in servicing any or all of Fairholme's clients and may be used in connection with accounts other than those that pay commissions to the broker-dealer relating to the research or other service arrangements. Fairholme may endeavor to direct sufficient commissions to broker-dealers who, pursuant to such arrangements, provide research or other services in order to ensure the continued receipt of research or other services Fairholme believes is useful in its investment decision-making process.

(b) To the extent practicable and as permitted under applicable law, Fairholme is hereby authorized to, and the Client agrees that Fairholme may, but is not obligated to, bunch or aggregate orders on behalf of the Account with orders on behalf of other clients. In such event, allocation of the securities purchased or sold, as well as expenses incurred in the transaction, will be made in a manner which Fairholme considers to be the most fair and equitable over time to all of its clients, including the Client.

(c) As permitted by applicable law, Fairholme is also authorized to execute cross transactions for the Account. Cross transactions are inter-account transactions which may be effected by Fairholme acting for both the Account and another discretionary client that is the counterparty to the transaction. Cross transactions enable Fairholme to purchase or sell a block of securities for the Account at a set price and possibly avoid an unfavorable price movement that may be created through entrance into the market with such purchase or sell order. Fairholme has a potentially conflicting division of loyalties and responsibilities regarding both parties to cross transactions. The Client understands that its authority to Fairholme to execute cross transactions for the Account is terminable at will without penalty, effective upon receipt by Fairholme of written notice from the Client, and that the failure to terminate such authorization will result in its continuation.

4) **Representations by the Client.** (a) The Client represents and warrants that the Client is the beneficial owner of the Account and that the Client (or an authorized representative) has full power and authority to enter into this Agreement; the terms of this Agreement do not violate any obligation by which the Client is bound, whether arising by contract, operation of law, or otherwise; and this Agreement has been duly authorized by the Client and will be binding on the Client according to its terms.

(b) The Client acknowledges and agrees that there are inherent risks in any investment and that such risks may be magnified by the use of margin, options, and short sales and that Fairholme's investment philosophy requires the concentration of investments in a limited number of issuers and that such concentration may increase the risk of loss.

(c) The Client agrees that Fairholme's responsibilities under this Agreement pertain only to the assets in the Account. If the Account contains only part of the Client's total investment assets, the Client agrees that Fairholme will not consider and will have no responsibility for (i) the Client assets that are not in the Account or (ii) the diversification of the Client's total investment assets.

(d) The Client acknowledges and understands that Fairholme is not affiliated with Custodians or broker-dealers executing transactions.

(e) The Client acknowledges and agrees that Fairholme has not and will not provide any legal or tax advice to the Client.

(f) The Client is obligated to notify Fairholme promptly should its financial circumstances or investment objective change materially.

(g) The Client acknowledges having had at least 48 hours to review Fairholme's Form ADV Part 2A prior to executing this Agreement. The Client also acknowledges having received and had an opportunity to review Fairholme's Privacy Policy. The Client understands that Fairholme is committed to maintaining the confidentiality, security, and privacy of any and all personal information entrusted to it by prospective, current, and former clients.

(h) If a trustee or other fiduciary has retained Fairholme on behalf of the Client under this Agreement, such trustee or fiduciary represents and warrants that the services to be provided by Fairholme are within the scope of the services and investments authorized by the governing instruments of, and laws and regulations applicable to, the Client and that such trustee or fiduciary is duly authorized to enter into this Agreement. The trustee or fiduciary will provide Fairholme with copies of the governing instruments authorizing establishment of the Account. The trustee or fiduciary is obligated to notify Fairholme promptly of any material change in his or her authority or the propriety of maintaining the Account or any investments in the Account.

5) **Accounts Subject to ERISA or Code Section 4975.** (a) If the Account is subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), or Section 4975 of the Internal Revenue Code of 1986, as amended (the "Code"), Fairholme acknowledges that it is a "fiduciary" as defined in Section 3(21) of ERISA or Section 4975(e)(3) of the Code, as applicable, with respect to performing its duties under this Agreement. If the Account is subject to ERISA, (i) Fairholme agrees to maintain appropriate ERISA bonding for the Account and to include within the coverage of the bond Fairholme and its personnel as may be required by law, and (ii) each person signing this Agreement on behalf of the Client represents, warrants and agrees that (s)he is a "named fiduciary" for the Account and has the authority and hereby appoints Fairholme as an "investment manager" within the meaning of Section 3(38) of ERISA for the assets in the Account. The Client also represents, warrants and agrees that (aa) the person(s) signing this Agreement on behalf of the Client, together with the persons identified in Schedule C, if any, have sole investment discretion and authority for the deposit and withdrawal of the assets of the Account and the appointment of Fairholme to manage the Account and the Client is obligated to notify Fairholme in writing if any of these representations, warranties or agreements change or cease to be true, and (bb) the Client is responsible for the overall diversification of its assets, Fairholme is not responsible for overall compliance of such investments with the requirements of ERISA or any other governing law or documents or any Client assets not in the Account, and such responsibilities remain with the appropriate trustees or other fiduciaries of the Client.

(b) If the Account is subject to ERISA or Section 4975 of the Code, the Client acknowledges that any investment by the Account in any mutual fund will be made in reliance on Department of Labor Prohibited Transaction Class Exemption 77-4, as amended, or any successor exemption, and any other applicable Department of Labor advisory opinions or other relief.
If the Account is subject to ERISA or Section 4975 of the Code, the specific provisions of Section 2 authorizing Fairholme "to sell short (on margin or otherwise) and to cover such short sales; to write, buy, and sell options on securities and other investments and to borrow funds from the Custodian for the purpose of trading on margin" will not apply. All other powers granted by Section 2 that are consistent with ERISA and Section 4975 of the Code, as applicable, will remain in force.

6) **Management Fee.** Fairholme will not receive a management fee in connection with the services provided by Fairholme to Client hereunder. Client shall be responsible for all expenses incurred directly in connection with (i) any brokerage commissions and fees for transactions executed for the Account through brokers and dealers; (ii) the Custodian's custodial fees; or (iii) any other fees; expenses or charges associated with the Account.

7) **Contributions and Withdrawals.** The Client may make additions to the Account at any time. The Client may withdraw assets on written notice to Fairholme, subject to the usual and customary securities settlement procedures. Fairholme maintains the right to terminate an Account that falls below the minimum account size set forth in Part 2A of Fairholme's Form ADV, which can be found at www.fairholme.net. Fairholme will not impose any start-up, closing, or penalty fees in connection with the Account, however the Custodian may do so.

8) **Scope of Liability.** (a) To the greatest extent permitted by applicable law, Fairholme will not be liable for any expenses, losses, damages, liabilities, demands, charges and claims of any kind or nature whatsoever (including any costs and expenses, including legal expenses, relating to investigating or defending any demands, charges and claims) ("Losses") by or with respect to the Client's Account, except to the extent such Losses are actual losses proven with reasonable certainty, are not speculative, are proven to have been fairly within the contemplation of the parties as of the date of this Agreement, and are determined by a court of competent jurisdiction or an arbitration panel (in accordance with Section 22) in a final non-appealable judgment or order to have been the sole and direct result of an act or omission taken or omitted by Fairholme during the term of this Agreement which constitutes willful malfeasance, bad faith, illegal conduct, reckless disregard or gross negligence with respect to Fairholme's obligations under this Agreement. Without limiting the generality of the foregoing, Fairholme will not be liable

for any indirect, special, incidental or consequential damages or other losses (regardless of whether such damages or other losses were reasonably foreseeable). Fairholme will not be responsible for any Losses incurred after termination of the Account. Fairholme will have no responsibility whatsoever for the management of any of the Client's assets which are not managed by Fairholme and will incur no liability for any Losses that may result from the management, mismanagement or non-management of such other assets of the Client. Certain U.S. federal and state laws (including ERISA) may impose liabilities under certain circumstances on persons who act in good faith, and nothing in this Agreement will in any way constitute a waiver or limitation of any rights that the Client may have under any such applicable laws. Subject to the foregoing, the Client's rights under this Section 8(a) will be the exclusive remedy for any breach by Fairholme of this Agreement.

(b) Fairholme gives no warranty as to the performance or profitability of the Client's Account or any part thereof, nor any guarantee that the investment objective, expectations or targets described in this Agreement or in the investment guidelines set forth in Schedule B or the Client's policy statements will be achieved, including, without limitation, any risk control, risk management or return objectives, expectations or targets. The Account may suffer loss of principal, and income, if any, may fluctuate. The value of the Account's investments may be affected by a variety of factors, including economic and political developments, interest rates and issuer-specific events, market conditions, sector positioning, and other factors. Fairholme will not be responsible for the performance by any person not affiliated with Fairholme or such person's commercial obligations in executing, completing or satisfying such person's obligations.

(c) In addition to the above and to the greatest extent permitted under applicable law, the Client agrees that Fairholme will have no liability for and the Client agrees to reimburse, indemnify and hold harmless Fairholme and its partners, directors, officers, employees, agents and any person controlled by or controlling Fairholme ("Indemnitees") from all Losses that: (i) result from: (aa) any misrepresentation, act or omission or alleged misrepresentation, act or omission by the Client or the Client's previous or other advisers, custodians or other agents; (bb) any inaccuracy or breach of the Client's representations, warranties, covenants or agreements contained in this Agreement; (cc) Fairholme's following the Client's or the Client's agent's directions or failing to follow the Client's or the Client's agent's unlawful or unreasonable directions; (dd) any of the Client's actions or the actions of the Client's previous or other advisers, custodians or other agents; or (ee) the failure by any person not controlled by Fairholme to perform any obligations to the Client; or (ii) arise out of or relate to any demand, charge or claim in respect of an Indemnitee's acts, omissions, transactions, duties, obligations or responsibilities arising under this Agreement, unless: (aa) a court with appropriate jurisdiction has determined by a final judgment which is not subject to appeal that such Indemnitee is liable in respect of the demands, charges and claims referred to in this Agreement; or (bb) such Indemnitee has settled such demands, charges and claims without the consent of the Client.

(d) In addition to the above, and without limiting any other provision of this Agreement, Fairholme will not be liable for (i) *force majeure* or other events beyond the control of Fairholme, including, without limitation, any failure, default or delay in performance resulting from computer or other electronic or mechanical equipment failure, unauthorized access, theft, operator errors, government restrictions, exchange or market rulings or suspension of trading, strikes, failure of common carrier or utility systems, severe weather or breakdown in communications not reasonably within the control of Fairholme or other causes commonly known as "acts of god," whether or not any such cause was reasonably foreseeable, or (ii) general market conditions rather than a violation of this Agreement by Fairholme.

9) **Non-Exclusive Agreement.** Fairholme acts as an investment adviser to other clients, including individuals, corporations, plans and accounts subject to ERISA or Section 4975 of the Code, publicly traded investment companies, and investment limited partnerships, and receives fees for such services. Nothing in this Agreement will be construed as limiting in any way the ability of Fairholme to enter into any other investment management agreement with the same or different terms.

10) **Conflicts of Interest.** (a) Advice given and actions taken under this Agreement for the Client's Account may differ from advice given or the timing and nature of action taken by Fairholme in the management of other client accounts or the accounts of Fairholme or any of its principals, members, officers, or employees. While Fairholme attempts to treat all clients fairly and equitably over time, it cannot guarantee that the Client's Account will receive identical treatment to other accounts, even if other accounts receive significant financial gain as a direct result of unequal treatment. Fairholme may purchase or sell securities for the Client's Account in which Fairholme, or any of its principals, members, officers, or employees, may have and continue to have or may acquire a position or interest and nothing in this Agreement will prevent Fairholme, or any of its principals, members, officers, or employees, from acquiring or disposing of any securities. In addition, nothing in this Agreement will be deemed to impose on Fairholme any obligation to purchase or sell for the Client any security or other asset which Fairholme, its principals, affiliates or employees may directly or indirectly purchase or sell for its or their own accounts or for the account of any other client.

(b) The Client acknowledges that Fairholme, in the course of its investment advisory and other activities, may come into possession of confidential or material nonpublic information about companies, including companies in which Fairholme or its affiliates have invested or seek to invest on behalf of its clients and/or shareholders. Fairholme is prohibited from improperly disclosing or using such information for its own benefit or for the benefit of any other person, regardless of whether such other person is a client of Fairholme. Fairholme maintains and enforces written policies and procedures that prohibit the communication of such information to persons who do not have a legitimate need to know such information and to assure that Fairholme is meeting its obligations to clients and remains in compliance with applicable law. The Client understands and agrees that (i) these policies and procedures are necessary and appropriate and recognizes that, in certain circumstances, Fairholme will have possession of certain confidential or material, nonpublic information which, if disclosed, might be material to a decision to buy, sell or hold a security, but that Fairholme will be prohibited from communicating such information to the Client or using such information for the Client's benefit; and (ii) Fairholme will have no responsibility or liability to the Client for not disclosing such information to the Client (or the fact that Fairholme possesses such information), or not using such information for the Client's benefit, as a result of following Fairholme's policies and procedures designed to provide reasonable assurances that it is complying with applicable law.

(c) The Client also acknowledges and agrees that Fairholme may, by providing written notice to the Client, relinquish to the Client investment discretion for any particular security held in the Account due to conflicts of interest described in this Section or in Fairholme's Form ADV 2A. Thereafter the Client, or the Client's trustees or fiduciaries, as applicable, will have investment discretion for the securities identified in such written notice. In the event the Client, or the Client's trustees or fiduciaries, as applicable, desire to transact with such securities held in the Account, they will be entitled to instruct Fairholme, which will then act in its ministerial position to forward such instructions to the Custodian or any broker-dealer. The Client acknowledges and agrees that Fairholme may seek the Client's authorization to regain investment discretion for any security for which Fairholme has previously relinquished investment discretion to the Client by notifying the Client in accordance with Section 10(d) below, of the security for which Fairholme seeks to regain investment discretion and informing the Client that the conflict circumstances previously requiring Fairholme to relinquish investment discretion have changed and are no longer applicable to Fairholme's management of the security. The Client agrees to respond in writing to any request by Fairholme to regain investment discretion for any such security within 61 calendar days of the date of the request and the Client agrees that, if it fails to respond in writing within 61 calendar days, Fairholme may treat the Client's non-response as the Client's authorization to Fairholme to exercise investment discretion for the security as of the 61st day after any such request.

(d) Fairholme may from time to time request that the Client consent or agree to a particular matter, including one that raises actual or potential conflicts for Fairholme. When seeking the Client's consent or agreement, Fairholme may do so by notifying the Client or the Client's designated representative of the matter by facsimile, e-mail or other message at the name and address the Client has specified in this Agreement. The Client shall promptly inform Fairholme of an alternative way to contact the Client or the Client's representative if the contact information the Client has provided changes. Fairholme may continue to send transmissions to the e-mail address provided until Fairholme receives notice of a change from the Client. Any notices sent using these procedures will be deemed to be sufficient. The Client or the Client's designated representative may consent and agree or object to the matter described in the notice by notifying Fairholme, in writing or by email, in accordance with Section 16 by the time and date stated in the notice or as otherwise provided above. The Client acknowledges and agrees that, if the Client or the Client's designated representative does not timely object, the Client will be deemed to have consented or agreed to the matter.

(e) The Client acknowledges that the Client understands the risks and conflicts of interest disclosures described above and in Fairholme's Form ADV Part 2A and authorizes Fairholme to provide the advisory services described in this Agreement notwithstanding any of these actual or potential conflicts of interest and such additional conflicts as may be set forth in Fairholme's Form ADV Part 2A, as the same may be delivered to the Client.

11) **Proxy Voting.** Unless the parties otherwise agree in writing, Fairholme shall have no obligation or authority to take any action with respect to the voting of proxies solicited by or with respect to issuers of securities held by an Account. The Client (or the plan fiduciary in the case of an Account subject to the provisions of ERISA) expressly retains the authority and responsibility for voting of any such proxies.

12) **Legal Actions.** Fairholme has no obligation or authority to act on behalf of or advise the Client on any legal proceedings including class actions concerning securities currently or formerly held in the Account.

13) **Assignment and Amendment.** This Agreement may not be assigned (within the meaning of the Advisers Act) by either party without the consent of the other party. The terms of this Agreement (other than the information reported by the Client on Schedule A or B) may be amended by Fairholme on 30 days written notice to the Client.

14) **Termination.** This Agreement may be terminated by either party at any time on written notice to the other party. Such termination will not, however, affect liabilities or obligations incurred or arising from transactions initiated under this Agreement prior to such termination. The death, disability, or incompetence of the Client will not automatically result in termination of this

Agreement, although Fairholme may terminate this Agreement on the death, disability, or incompetence of the Client. With the consent of Fairholme, the legal representatives of the Client will succeed as assignee on the death, disability, or incompetence of the Client and the legal representative will retain all rights conferred to the Client under this Agreement, including the right to terminate the Agreement at any time. Upon termination, except as the Client may otherwise direct, the Account will be liquidated by Fairholme in an orderly manner. Fairholme may effect cross transactions for the Account, as permitted under Section 3(c) above, to effect such liquidation. It is the Client's responsibility to monitor any remaining securities in the Account, and the Client agrees that Fairholme will have no further obligation to act or advise the Client on those assets.

15) **Access To and Use of Online Services.** (a) Fairholme (and certain third-party service providers) may provide the Client with access to online services in support of the Account ("Online Services"), which may include access to copies of any agreements entered into between the Client and Fairholme with respect to the Account. In the event the Client uses such Online Services, Fairholme will provide the Client with an e-mail notification whenever Account documents have been uploaded to the Online Services or whenever changes have been made to existing Account documents that are available via the Online Services. The Client agrees that an electronic signature submitted via the Online Services is equally as binding as a paper signature and acknowledges that Account documents may be signed electronically through the Online Services.

(b) The Client agrees that the Online Services made available by Fairholme with respect to the Account may only be used by the Client (or a person whom the Client has authorized) after Fairholme (or a third-party service provider on Fairholme's behalf) has issued a user identification ("User ID") to and authorized a password for the Client.

(c) The Client agrees to notify Fairholme immediately if the Client knows or suspects that the confidentiality of the Client's User ID or password has been compromised. The Client agrees to notify Fairholme of the names of any persons whom the Client wishes to have view-only access or any other type of authority relating to the Account and, if Fairholme grants such access or authority, the Client agrees to be bound by any agreements that such persons enter into with Fairholme on behalf of the Client.

16) **Notices and Electronic Delivery of Required and Informational Documents.** (a) Any notice required or permitted to be given under this Agreement will be sent either (i) in writing to the address set forth on the signature page below or such other address as the receiving party may designate in writing to the other party, (ii) by facsimile (transmission confirmed) to the number set forth on the signature page below, or (iii) by electronic transmission, including by electronic delivery as described below.

(b) (i) By initialing the consent to electronic delivery on the signature page below, the Client consents to Fairholme's delivery in electronic form (in lieu of a separate mailing of paper copies) of all Account communications that Fairholme is required by law to deliver to the Client in writing, including Fairholme's Form ADV Part 2A, privacy policy and any other communication required under the Advisers Act or otherwise (the "Required Documents"). For the convenience of the Client, Fairholme reserves the right to deliver electronically, and the Client consents to such electronic delivery of, any additional Account communications that are not required by law to be delivered in writing (together with the Required Documents, the "Informational Documents"). The Client may reasonably request from Fairholme paper copies of the Required Documents in addition to those electronically delivered by contacting Fairholme at the address specified on the signature page below or by e-mailing clientservices@fairholme.net. The Client may revoke consent to electronic delivery of the Required Documents at any time by written notice to Fairholme. As a result of the Client's consent, all Required Documents will be delivered to the Client electronically in accordance with these provisions. The Client understands that the establishment of an Account with Fairholme is not conditioned on the Client's election of electronic delivery for the Required Documents.

(ii) The Client agrees that electronic delivery of Informational Documents will be good delivery and that the Informational Documents will be deemed received by the Client when an e-mail notification is sent to the Client's e-mail address, whether or not the Client actually accesses or views the delivered document. The Client understands that it is the Client's responsibility to promptly and carefully review any documents made available to the Client and to notify Fairholme of any errors in the documents within 10 business days of receipts of the documents. By consenting to electronic delivery of the Informational Documents, the Client acknowledges and warrants that it can access, view and retain the e-mail notifications informing the Client that Informational Documents relating to the Account are available to the Client. Informational Documents relating to the Account may be viewed electronically via the Internet and printed with a local printer. The Client may also save Informational Documents relating to the Account by downloading and saving the documents. In order to receive the e-mail notifications and to access, view and retain eligible documents relating to the Account, the Client will need access to a computer with Internet browser software, Adobe Acrobat Reader™, which may be downloaded for free atwww.adobe.com, and Internet access (at the cost of the Client). The Client agrees to use an appropriate Internet browser, such as a recent version of Internet Explorer, and to maintain an active e-mail address and provide Fairholme with written notice of any change to the Client's e-mail address.

(iii) The Client acknowledges that an e-mail from Fairholme, its affiliate or its authorized service provider is not secure and may contain computer viruses or other defects, may not be accurately replicated on other systems, or may be intercepted, deleted or interfered with without the knowledge of the sender or the intended recipient. None of Fairholme, its affiliates or its authorized service providers gives any warranties on these matters. Fairholme, its affiliates and its authorized service providers reserve the right to intercept, monitor and retain e-mail messages to and from its systems as permitted by applicable law. If the Client has any doubts about the authenticity of an e-mail purportedly sent by Fairholme, its affiliates or its authorized service providers, the Client should contact Fairholme immediately.

17) **Headings.** The Section headings or titles in this Agreement are for convenience or reference only, and are not to be considered in construing the terms and provisions of this Agreement.

18) **Counterparts; Facsimile**. This Agreement may be executed in counterparts and all such counterparts, taken together, will constitute valid signatures for this Agreement. Facsimile or electronically scanned signature pages will have the same binding force and effect as original signatures, although, following delivery of this Agreement via facsimile or electronic transmittal, the Client agrees to promptly transmit to Fairholme the executed original of this Agreement and to retain a copy for his/her own records.

19) **Severability.** If any provision of this Agreement is deemed inconsistent with any law or rule of any governmental or regulatory body having jurisdiction over the subject matter of this Agreement including, without limitation, any federal or state securities authority, the provision will be deemed to be rescinded or modified to the minimum extent necessary to render such provision enforceable . In all other respects, this Agreement will continue and remain in full force and effect.

20) **Governing Law.** This Agreement will be governed by and construed in accordance with the laws of the State of Florida without regard to the conflict of law principles thereof.

21) **Miscellaneous; Survival.** This Agreement, including the Schedules, supersedes prior written or oral agreements between the parties, and constitutes the entire agreement between the parties, with respect to the subject matter of this Agreement. Fairholme's failure to insist at any time on strict compliance with this Agreement or with any of the terms of this Agreement or any continued course of such conduct on its part will not constitute or be considered a waiver by Fairholme of any of its rights or privileges hereunder. The provisions of Sections 8 (Scope of Liability), 20 (Governing Law), and 22 (Arbitration Provision) will survive the termination of this Agreement.

22) **Arbitration Provision.** Any controversy or dispute that may arise between the Client and Fairholme concerning any transaction or the construction, performance, or breach of this Agreement will be settled by arbitration. Any arbitration will be under the rules, then applying, of the American Arbitration Association, except to the extent set forth in this Agreement. The arbitration panel will consist of at least three individuals having knowledge of investment advisory activities. The parties agree that any arbitration proceeding under this provision will be held in a location as determined by the rules of the American Arbitration Association. The award of the arbitrators will be final and binding on the parties, and judgment on the award may be entered in any court, state or federal, having jurisdiction.

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IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first above written.

FAIRHOLME CAPITAL MANAGEMENT, L.L.C.

Signature: /s/ Wayne Kellner Date: September 4, 2019
Name: Wayne Kellner
Title: Chief Operating Officer and Chief Financial Officer

The St. Joe Company

____

Signature: /s/ Marek Bakun
Name: Marek Bakun
Title: CFO & EVP
Address: ______________________________
____
Telephone: ______________________________

E-mail address for electronic delivery: ______________________________

Facsimile: ______________________________
Date: August 23, 2019

Please respond to the consent to electronic delivery immediately to the right
☐

Consent to Electronic Delivery

__________By initialing this paragraph and providing an e-mail address, the Client consents, in accordance with the provisions of this Agreement, to Fairholme's delivery of Required Documents in electronic form at Fairholme's discretion, in lieu of a separate mailing of paper copies until such time as the Client revokes this consent in writing. The Client understands that there may be security risks in accessing Account information through the Internet and accepts those risks. If the Client elsewhere consents to electronic delivery of Required Documents (such as through the Online Services) either prior or subsequent to the execution of this Agreement, the absence of consent to electronic delivery in this Agreement shall not negate such other consent. For the convenience of the Client, Fairholme reserves the right to deliver electronically any additional Account communications that are not required by law to be delivered in writing.

Signature: ______________________________
Name: ______________________________
Title: ______________________________
Address: ______________________________
____
Telephone: ______________________________

E-mail address for electronic delivery: ______________________________

Facsimile: ______________________________
Date: ______________________________

Please respond to the consent to electronic delivery immediately to the right
☐

Consent to Electronic Delivery

__________By initialing this paragraph and providing an e-mail address, the Client consents, in accordance with the provisions of this Agreement, to Fairholme's delivery of Required Documents in electronic form at Fairholme's discretion, in lieu of a separate mailing of paper copies until such time as the Client revokes this consent in writing. The Client understands that there may be security risks in accessing Account information through the Internet and accepts those risks. If the Client elsewhere consents to electronic delivery of Required Documents (such as through the Online Services) either prior or subsequent to the execution of this Agreement, the absence of consent to electronic delivery in this Agreement shall not negate such other consent. For the convenience of the Client, Fairholme reserves the right to deliver electronically any additional Account communications that are not required by law to be delivered in writing.

SCHEDULE A

CLIENT'S ELECTION FOR CUSTODIAN AND ACCOUNT INFORMATION

The Client elects to custody the assets of the Account with the following Custodian:

Custodian Name:____

Account Number:____

Account Title:____

Legal Address: ____

____

SCHEDULE B

INVESTMENT GUIDELINES AND RESTRICTIONS

(As of November 1, 2016)

General Guidelines

For the purposes of these Investment Guidelines and Restrictions, the “St. Joe Investment Portfolio” shall refer to all funds that St. Joe collectively places in its investment portfolio custodied with Jefferies, LLC and managed by FTC or FCM. As of November 1, 2016, the St. Joe Investment Portfolio consisted of three separate accounts created in the name of The St Joe Company or one of its subsidiaries, custodied with Jefferies LLC and managed by FTC or FCM.

Compliance with these investment guidelines will be determined, assuming a transaction has occurred, at the time of purchase for each potential investment (or if an investment does not occur on a recognized securities exchange, the date that a binding commitment to execute such transaction is entered into), based on the transaction price. All investments are to be evaluated under these Investment Guidelines and Restrictions in relation to the cumulative market value of all funds in the St. Joe Investment Portfolio at the time of purchase for the investment.

Specific Restrictions

1. Cash & Cash Equivalents must comprise no less than 25% of the St. Joe Investment Portfolio. Cash & Cash Equivalents include Cash, Commercial Paper, Deposit accounts, US Treasury Bills, SEC registered Money Market Funds.

2. The aggregate market value of investments in common stock, preferred stock or other equity investments cannot exceed 25% of the St. Joe Investment Portfolio market value at the time of purchase. In addition, common stock investments shall be limited to exchange-traded common equities, shall not exceed 5% ownership of a single issuer and cumulatively, the common stock held in the St. Joe Investment Portfolio shall not exceed $100,000,000 market value.

3. With the exception of the U.S. Government, the cumulative investment in any one issuer (including investments in the issuer’s bonds, preferred stock, common of other equity) may not exceed 10% of the St. Joe Investment Portfolio. This amount can be increased to 15% of the St. Joe Investment Portfolio if at least two St. Joe Board Investment Committee members vote in favor of the investment.

4. The average aggregate duration of fixed coupon bonds must be less than ten years. This is calculated based on the market value of the outstanding fixed bond portfolio at the time of investment.

5. There shall be no investments in shares of any fund advised by FTC or FCM (provided that, except as otherwise required by law, there shall be no restriction on investing in securities or other instruments held by any such fund).

6. The accounts maintained in the name of The St. Joe Company and St. Joe Timberland Company of Delaware, LLC can hold any investment allowed pursuant to these Investment Guidelines. The account maintained in the name of St. Joe Corporate Services, LLC can only invest in U.S. Treasury Bills and SEC registered Money Market Funds.

Fairholme Capital Management, L.L.C.	**The St. Joe Company**
By: /s/ Wayne Kellner	By: /s/ Marek Bakun
Name: Wayne Kellner	Name: Marek Bakun
Title: Chief Operating & Chief Financial Officer	Title: CFO & EVP
Date: September 4, 2019	Date: August 23, 2019

Exhibit 31.1

CERTIFICATION

I, Jorge Gonzalez, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the period ended September 30, 2019 of The St. Joe Company;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 30, 2019

/s/ Jorge Gonzalez
Jorge Gonzalez
President, Chief Executive Officer and Director

Exhibit 31.2

CERTIFICATION

I, Marek Bakun, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the period ended September 30, 2019 of The St. Joe Company;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 30, 2019

/s/ Marek Bakun
Marek Bakun
Executive Vice President and Chief Financial Officer

Exhibit 32.1

CERTIFICATION

Pursuant to 18 USC §1350, the undersigned officer of The St. Joe Company (the "Company") hereby certifies that the Company's Quarterly Report on Form 10-Q for the period ended September 30, 2019 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Jorge Gonzalez

Jorge Gonzalez
President, Chief Executive Officer and Director

Dated: October 30, 2019

Exhibit 32.2

CERTIFICATION

Pursuant to 18 USC §1350, the undersigned officer of The St. Joe Company (the "Company") hereby certifies that the Company's Quarterly Report on Form 10-Q for the period ended September 30, 2019 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Marek Bakun
Marek Bakun
Executive Vice President and Chief Financial Officer

Dated: October 30, 2019
