

AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON JANUARY 16, 1998

REGISTRATION NO. 333-42397

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

AMENDMENT NO. 1

FORM S-3  
REGISTRATION STATEMENT  
UNDER  
THE SECURITIES ACT OF 1933

ST. JOE CORPORATION  
(Exact name of Registrant as specified in its charter)

FLORIDA (State or other jurisdiction of incorporation or organization)	1-10466 (Commission File No.)	59-0432511 (I.R.S. Employer Identification No.)
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1650 PRUDENTIAL DRIVE  
JACKSONVILLE, FLORIDA 32207  
(904) 396-6600  
(Address, including zip code, and telephone number, including area code, of  
Registrant's principal executive offices)

ROBERT M. RHODES  
SENIOR VICE PRESIDENT AND GENERAL COUNSEL  
1650 PRUDENTIAL DRIVE  
JACKSONVILLE, FLORIDA 32207  
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of agent for service)

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THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR  
DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL  
FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION  
STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(A) OF  
THE SECURITIES ACT OF 1933 OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME  
EFFECTIVE ON SUCH DATE AS THE SECURITIES AND EXCHANGE COMMISSION, ACTING  
PURSUANT TO SAID SECTION 8(A), MAY DETERMINE.

## EXPLANATORY NOTE

This registration statement contains two forms of prospectus: one to be used in connection with a United States offering of the shares of Common Stock (the "U.S. Prospectus") and one to be used in connection with a concurrent international offering of the shares of Common Stock (the "International Prospectus" and together with the U.S. Prospectus, the "Prospectuses"). The International Prospectus will be identical to the U.S. Prospectus except that it will have a different front cover page. The alternate front cover page for the International Prospectus included herein has been labeled "Alternate Cover Page for International Prospectus."

INFORMATION CONTAINED HEREIN IS SUBJECT TO COMPLETION OR AMENDMENT. A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION. THESE SECURITIES MAY NOT BE SOLD NOR MAY OFFERS TO BUY BE ACCEPTED PRIOR TO THE TIME THE REGISTRATION STATEMENT BECOMES EFFECTIVE. THIS PROSPECTUS SHALL NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY NOR SHALL THERE BE ANY SALE OF THESE SECURITIES IN ANY STATE IN WHICH SUCH OFFER, SOLICITATION OR SALE WOULD BE UNLAWFUL PRIOR TO REGISTRATION OR QUALIFICATION UNDER THE SECURITIES LAWS OF ANY SUCH STATE.

PROSPECTUS (Subject To Completion)

Issued January 16, 1998

12,000,000 Shares

St. Joe Corporation  
COMMON STOCK

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OF THE 12,000,000 SHARES OF COMMON STOCK OFFERED HEREBY, 10,200,000 ARE BEING OFFERED INITIALLY IN THE UNITED STATES AND CANADA BY THE U.S. UNDERWRITERS (THE "U.S. OFFERING") AND 1,800,000 ARE BEING OFFERED INITIALLY OUTSIDE THE UNITED STATES AND CANADA BY THE INTERNATIONAL UNDERWRITERS (THE "INTERNATIONAL OFFERING," AND TOGETHER WITH THE U.S. OFFERING, THE "OFFERINGS"). SEE "UNDERWRITERS." ALL OF THE SHARES OF COMMON STOCK OFFERED HEREBY ARE BEING SOLD BY THE ALFRED I. DUPONT TESTAMENTARY TRUST (THE "SELLING STOCKHOLDER" OR THE "TRUST"). SEE "ALFRED I. DUPONT TESTAMENTARY TRUST." ST. JOE CORPORATION (THE "COMPANY" OR "ST. JOE") WILL NOT RECEIVE ANY PROCEEDS FROM THE SALE OF THE SHARES BEING OFFERED HEREBY. THE COMPANY'S COMMON STOCK IS LISTED ON THE NEW YORK STOCK EXCHANGE UNDER THE SYMBOL "SJP." ON JANUARY 15, 1998, THE LAST REPORTED SALE PRICE OF THE COMMON STOCK ON THE NEW YORK STOCK EXCHANGE WAS \$33.4375 PER SHARE.

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SEE "RISK FACTORS" BEGINNING ON PAGE 8 HEREIN FOR CERTAIN FACTORS THAT SHOULD BE CONSIDERED BY PROSPECTIVE PURCHASERS OF THE COMMON STOCK.

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THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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PRICE \$                      A SHARE

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	PRICE TO PUBLIC	UNDERWRITING DISCOUNTS AND COMMISSIONS(1)	PROCEEDS TO SELLING STOCKHOLDER
	-----	-----	-----
Per Share.....	\$	\$	\$
Total(2).....	\$	\$	\$

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- (1) The Company and the Selling Stockholder have agreed to indemnify the Underwriters against certain liabilities, including liabilities under the Securities Act of 1933, as amended.
- (2) The Selling Stockholder has granted to the U.S. Underwriters an option, exercisable within 30 days of the date hereof, to purchase up to an aggregate of 1,800,000 additional Shares of Common Stock at the price to public less underwriting discounts and commissions for the purpose of covering over-allotments, if any. If the U.S. Underwriters exercise such option in full, the total price to public, underwriting discounts and commissions and proceeds to the Selling Stockholder will be \$                      , \$                      and \$                      , respectively. See "Underwriters."

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The Shares of Common Stock are offered, subject to prior sale, when, as, and if accepted by the Underwriters named herein, and subject to approval of

certain legal matters by Davis Polk & Wardwell, counsel for the Underwriters. It is expected that delivery of the shares of Common Stock will be made on or about , 1998, at the offices of Morgan Stanley & Co. Incorporated, New York, N.Y., against payment therefor in immediately available funds.

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MORGAN STANLEY DEAN WITTER

DONALDSON, LUFKIN & JENRETTE

Securities Corporation

MERRILL LYNCH & CO.

RAYMOND JAMES & ASSOCIATES, INC.

, 1998

[MAP OF THE STATE OF FLORIDA SHOWING THE LOCATION OF THE COMPANY'S PROPERTIES]

CERTAIN PERSONS PARTICIPATING IN THE OFFERING MAY ENGAGE IN TRANSACTIONS THAT STABILIZE, MAINTAIN OR OTHERWISE AFFECT THE PRICE OF THE COMMON STOCK. SPECIFICALLY, THE UNDERWRITERS MAY OVER-ALLOT THE COMMON STOCK IN CONNECTION WITH THE OFFERINGS, AND MAY BID FOR AND PURCHASE THE SHARES OF THE COMMON STOCK IN THE OPEN MARKET. FOR A DESCRIPTION OF THESE ACTIVITIES, SEE "UNDERWRITERS."

NO PERSON IS AUTHORIZED IN CONNECTION WITH THE OFFERING MADE HEREBY TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS NOT CONTAINED IN THIS PROSPECTUS, AND IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE COMPANY, BY THE SELLING STOCKHOLDER OR BY ANY UNDERWRITER. THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY THE COMMON STOCK OFFERED HEREBY TO ANY PERSON IN ANY JURISDICTION IN WHICH IT IS UNLAWFUL FOR SUCH PERSON TO MAKE ANY SUCH OFFER OR SOLICITATION TO SUCH PERSON. NEITHER THE DELIVERY OF THIS PROSPECTUS NOR ANY SALE MADE HEREUNDER SHALL UNDER ANY CIRCUMSTANCES IMPLY THAT THE INFORMATION CONTAINED HEREIN IS CORRECT AS OF ANY DATE SUBSEQUENT TO THE DATE HEREOF.

There are restrictions on the offer and sale of the Common Stock offered hereby in the United Kingdom. All applicable provisions of the Public Offers of Securities Regulations of 1995, the Financial Services Act of 1986 and the Companies Act of 1985 with respect to anything done by any person in relation to the Common Stock in, from or otherwise involving the United Kingdom must be complied with. See "Underwriters."

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STATEMENT REGARDING FORWARD LOOKING DISCLOSURE

Certain statements contained under "Prospectus Summary," "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Business and Properties" and elsewhere in this Prospectus, including, without limitation, those concerning implementation of the Company's new business strategy, its expansion plans, economic performance and financial condition, the Company's ability to obtain appropriate entitlements relating to its real estate operations, the scope and profitability of the Company's developable land, the ability of the Company to optimize the value of its assets (including, without limitation, through dispositions or otherwise), projected harvesting levels and the ability of the Company to successfully integrate existing or future joint venture and/or acquisition candidates into its operations are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act") and Section 21E of the Securities and Exchange Act of 1934, as amended (the "Exchange Act"), and the Company intends that such forward-looking statements be subject to the safe harbor protection provided thereby. Such forward-looking statements may be identified by use of forward-looking terminology, such as "may," "intend," "will," "expect," "anticipate," "estimate," "continue" or the negative thereof or other variations thereon or comparable terminology. Because such statements involve risks and uncertainties,

actual results may differ materially from those expressed or implied by such forward-looking statements. Factors that could cause such differences include, but are not limited to, those discussed under "Risk Factors."

#### AVAILABLE INFORMATION

The Company is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and in accordance therewith files reports, proxy statements and other information with the Securities and Exchange Commission (the "Commission"). Such reports, proxy statements and other information may be inspected and copied at the public reference facilities maintained by the Commission at Judiciary Plaza, 450 Fifth Street, N.W., Room 1024, Washington, D.C., and at the Commission's regional offices at 75 Park Place, New York, New York and at Northwest Atrium Center, 500 West Madison Street, Suite 1400, Chicago, Illinois, and copies may be obtained at prescribed rates from the Public Reference Section of the Commission at its principal office at Judiciary Plaza, 450 Fifth Street, N.W., Room 1024, Washington, D.C. 20549. Such reports, proxy statements and other information may also be inspected and copied at the offices of the New York Stock Exchange, 20 Broad Street, New York, New York. The Commission also maintains a site on the World Wide Web at "<http://www.sec.gov>" that contains reports, proxy and information statements and other information regarding registrants that file electronically with the Commission.

The Company has filed with the Commission a Registration Statement on Form S-3 under the Securities Act of 1933, as amended (the "Securities Act"), with respect to the shares of Common Stock offered hereby. This Prospectus, which constitutes part of the Registration Statement, omits certain of the information contained in the Registration Statement and the exhibits and schedules thereto on file with the Commission pursuant to the Securities Act and the rules and regulations of the Commission thereunder. In addition, certain documents filed by the Company with the Commission have been incorporated by reference in this Prospectus. See "Incorporation of Certain Documents by Reference." The Registration Statement, including exhibits and schedules thereto and such incorporated documents, may be inspected and copied at the public reference facilities maintained by the Commission at its principal office in Washington, D.C. or at its regional offices. Statements contained in this Prospectus as to the contents of any contract or other document referred to are not necessarily complete and in each instance reference is made to the copy of such contract or other document filed as an exhibit to the Registration Statement, each such statement being qualified in all respects by such reference.

#### INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

The following documents, filed with the Commission by the Company pursuant to the Exchange Act, are incorporated herein by reference and made part of this Prospectus: (i) the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1996 (the "1996 10-K"); (ii) the portions of the Company's 1996 Annual Report to Stockholders that have been incorporated by reference into the 1996 10-K; (iii) the portions of the Company's 1996 definitive Proxy Statement for its Annual Meeting of Stockholders dated April 11, 1997 that have been incorporated by reference into the 1996 10-K; (iv) the Company's Quarterly Reports on Form 10-Q for the quarters ended March 30, 1997, June 30, 1997 and September 30, 1997; and (v) the Company's Current Reports on Form 8-K dated November 25, 1997 and December 10, 1997.

Each document filed by the Company pursuant to Sections 13(a), 13(c), 14 and 15(d) of the Exchange Act subsequent to the date of this Prospectus and prior to the termination of the offering of all shares of Common Stock to which this Prospectus relates shall be deemed to be incorporated by reference in this Prospectus and to be part hereof from the date of filing such documents. Any statement contained herein or in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes of this Prospectus to the extent that a statement contained herein (or in the applicable Prospectus Supplement) or in any other subsequently filed document which also is or is deemed to be

incorporated by reference herein modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Prospectus.

Copies of all documents which are incorporated herein by reference (not including the exhibits to such information that are incorporated by reference, unless such exhibits are specifically incorporated by reference in such information) will be provided without charge to each person, including any beneficial owner, to whom this Prospectus (or the applicable Prospectus Supplement) is delivered upon written or oral request. Requests for such documents should be directed to St. Joe Corporation, 1650 Prudential Drive, Jacksonville, Florida 32207, Attention: Investor Relations (telephone: (904) 396-6600).



## PROSPECTUS SUMMARY

The following summary is qualified in its entirety by the more detailed information and financial statements (including the notes thereto) appearing elsewhere in this Prospectus. Per share data appearing in this Prospectus has been restated to reflect the 3-for-1 split of the Company's Common Stock on January 12, 1998. Unless otherwise indicated, all information in this Prospectus is presented on the assumption that the over-allotment option granted to the U.S. Underwriters has not been exercised. As used herein, the terms "Company" and "St. Joe" refer to St. Joe Corporation and its subsidiaries.

## THE COMPANY

St. Joe Corporation is a diversified company engaged in the real estate, forestry, transportation and sugar industries in the State of Florida. The Company is the single largest private landowner in Florida, owning more than 1.1 million acres, or approximately 3% of the land area of the state (an area slightly smaller than the land area of the State of Delaware). Although the vast majority of the Company's properties consist of timberlands, St. Joe owns a large portfolio of income producing properties and sizable tracts suitable for commercial, industrial and residential as well as resort and entertainment development. The Company is currently engaged in four principal lines of business:

- Real Estate -- the development, ownership and management of commercial, industrial and residential properties as well as the prospective development of resort and entertainment properties;
- Forestry -- the management and harvesting of extensive timberland holdings;
- Transportation -- the operation of two railroads within Florida; and
- Sugar -- the cultivation, harvesting and processing of sugar cane.

St. Joe is currently undergoing a number of important changes in its mix of businesses and its overall business strategy. In early 1997, the Company hired a new chairman and chief executive officer, Peter Rummell, the former President of Disney Development Company and Chairman of Walt Disney Imagineering, as well as several other senior members of management with strong backgrounds in large-scale real estate development, the complex Florida entitlement process, and financial and asset management. Under the direction of this new management team, the Company intends to focus more closely on the development of its large land portfolio. In addition, the Company is implementing a new strategy in its forestry segment by extending the harvest rotation of certain sections of its timberlands in order to effect a shift toward higher-margin products. In order to focus more closely on its core assets, the Company sold its linerboard mill as well as its container and communications businesses in 1996. In addition, on December 6, 1997, management announced that it had reached an agreement in principle to sell the Company's sugar lands to certain federal and state government agencies on or before June 6, 1998, although the Company will retain the right to farm the sugar lands through the 2002-2003 crop year.

Management believes that the Company has a number of key business strengths and competitive advantages, including, in its opinion, the largest inventory of private land suitable for development in the State of Florida, a very low cost basis in its land assets, a strong cash position and no material indebtedness, which management believes will allow St. Joe the financial flexibility to aggressively pursue development opportunities. Management is also focusing on optimizing the value of the Company's other operating assets and may employ financially-driven strategies to improve returns, such as acquisitions, joint ventures and dispositions.

## OPERATIONS

Real Estate. The Company currently conducts its real estate operations in two principal segments: commercial/industrial development and management and community/residential development.

The Company owns and manages commercial and industrial properties through Gran Central Corporation ("GCC"), a wholly-owned subsidiary of Florida East Coast Industries, Inc. ("FECCI"), in which the Company has a 54% equity interest. At October 30, 1997, GCC owned and operated 59 buildings with

approximately 5.6 million square feet of rentable commercial/industrial space. On the same date, GCC's buildings in service for one year or more were 91% leased (82% for its portfolio as a whole, including newly constructed buildings). GCC's buildings are primarily Class "A" office space and high quality commercial/ industrial facilities constructed after 1987 and are well-located in business parks near major transportation hubs, primarily in the Jacksonville and Miami, Florida areas. At October 30, 1997, GCC had an additional 479,000 square feet under construction and had entitlements to develop an additional approximately 14.2 million square feet of buildings, primarily in its Miami, Jacksonville and Orlando parks. GCC also owns over 15,400 acres of unentitled land that management believes are suitable for future commercial, industrial and residential development, primarily situated adjacent to the Florida East Coast Railway right-of-ways in attractive markets that the Company believes will provide significant growth opportunities.

In the community/residential real estate sector, the Company intends to develop large-scale mixed-use communities, primarily on Company-owned land. The Company's land holdings include large tracts near Tallahassee, the state capital, and in northwestern Florida that the Company believes to be well-suited for community/residential as well as resort and second-home development. These holdings include significant Gulf of Mexico frontage (with over five miles of white sand beaches), and bay and riverfront properties, as well as properties adjacent to existing communities. The Company intends to design and entitle well-conceived master plans, install major infrastructure improvements and either sell permitted lots to merchant builders for construction or build and sell finished residential units to end purchasers. The Company recently initiated master-planning of 800 acres with over 7,000 feet of white sand beach frontage in south Walton County near the Town of Seaside for development as second-home and resort communities and 3,000 acres of a Tallahassee parcel for development as a mixed-use residential community. The Company is currently evaluating other properties for development as resort and second-home communities and believes that its holdings in northwestern Florida offer unique opportunities to create high amenity projects, with gulf, lake and river access, at comparatively low costs due to the Company's low basis in its long-term land holdings.

In order to increase the pace of community/residential development and to gain a foothold in the home building industry, the Company recently acquired the personnel, trademark and selected assets of the Arvida Company ("Arvida") through a majority-owned joint venture (the "Arvida Venture"). Arvida is a prominent Florida-based community and residential real estate developer, which in 1996 and the first nine months of 1997 closed contracts on 2,077 houses and 566 lots.

Forestry. The Company is the largest private owner of timberlands in Florida, with over 700,000 acres of planted pine forests, primarily in northwestern Florida, and an additional 300,000 acres of mixed timberland, wetlands and lake and canal properties. The principal product of the Company's forestry operations is softwood pulpwood. In addition, the Company produces and sells sawtimber. The Company estimates that it can increase its long-term sustainable yearly harvest over the next decade to 1.6 million tons of softwood pulpwood and .9 million tons of softwood sawtimber. The major customer for the Company's timber has been and continues to be the Company's former linerboard mill, which it sold to Florida Coast Paper Company, L.L.C. ("Florida Coast") in May 1996. In 1996, the Company harvested 697,398 tons of timber, of which 610,418 tons were sold to Florida Coast, and the balance to a number of other market participants, including Georgia-Pacific Corporation, Champion International Corporation and Louisiana-Pacific Corporation.

After the closure of the mill for several months in 1997, the Company renegotiated its 15 year supply contract with Florida Coast to allow it to supply pulpwood to the mill at a level (700,000 tons per year beginning June 1, 1998) significantly lower than historical levels. The Company sought to reduce its obligation to supply pulpwood under the agreement and intends to extend growing periods for certain portions of its timber and to sell such timber in the form of higher-margin products, which the Company anticipates will increase the long-term profitability of its forestry operations. The Company estimates that its standing pine inventory on January 1, 1998 totaled 10.6 million tons and its hardwood inventory totaled 5.9 million tons.

Transportation. FECI's subsidiary, Florida East Coast Railway Company ("FEC"), provides rail and freight service over 351 miles of main line track between Jacksonville and Miami, Florida and 71 miles of branch line track between Fort Pierce and Lake Harbor, Florida. FEC has the only coastal right-of-way

between Jacksonville and West Palm Beach, Florida and is the exclusive rail-service provider to the Port of Palm Beach, Port Everglades and the Port of Miami. Principal commodities carried by FEC, by weight, include trailers-on-flatcars, containers-on-flatcars, crushed stone, foodstuffs, vehicles and cement. FEC is pursuing a number of opportunities to enhance returns, including through leasing its right-of-ways for the laying of fiber-optic conduit and the construction of communications towers. The Company also owns the Apalachicola Northern Railroad Company ("ANRR"), a short-line railroad that operates on 96 miles of track between Port St. Joe and Chattahoochee, Florida.

Sugar. Talisman Sugar Corporation ("Talisman"), a wholly-owned subsidiary of the Company, grows sugarcane on over 52,000 acres in the Belle Glade region of south central Florida. Talisman processes this sugarcane at its mill facility and sells all of the output of raw sugar to the Everglades Sugar Refinery, Inc., a wholly owned subsidiary of Savannah Foods & Industries, Inc. During the 1996-1997 crop year, Talisman produced 117,000 tons of raw sugar. As part of its efforts to focus more intently on the Company's core assets, the Company has agreed in principle to sell its sugar lands to certain federal and state government agencies on or before June 6, 1998 for \$133.5 million in cash. In the event the proposed sale is consummated, Talisman would retain the right to farm the sugar lands through the 2002-2003 crop year. The proposed transaction is subject to both government and board approval.

#### KEY BUSINESS STRATEGIES

The Company's principal objective is to optimize the value of its substantial asset base. The Company's management team is focused on the following key strategies:

**Increase the Pace of Development.** Through its new management team, the Company intends to take a more aggressive approach to the development of its properties. In the commercial/industrial sector, GCC has secured entitlements to develop an additional 14.2 million square feet of buildings. In the community/residential development sector, the Company's inventory includes approximately 51,000 acres, including land adjacent to existing developments and prime gulf-front properties as well as numerous lake and riverfront parcels that management believes can be developed in a variety of formats. As part of its strategy to increase the pace of development, St. Joe intends to initiate home-building activity, primarily through the Arvida Venture. During the near term, the Arvida Venture will accelerate development through the acquisition of land from third parties. Over the longer term, management believes the Company's large raw land portfolio will allow the Company to maintain low development costs relative to its competitors and that its existing large portfolio of income-producing properties, together with its other businesses, will generate cash to fund a significant portion of its long-term projects.

**Pursue Strategic Acquisitions and Joint Ventures in Real Estate.** The Company believes that its diverse capabilities and access to capital provide a competitive advantage in identifying and acquiring additional development opportunities. The Company intends to pursue such development opportunities through potential acquisitions, joint ventures and other strategic alliances, particularly with established Florida-based developers. Management believes that joint venture relationships will provide the Company with immediate access to the human resources, local market expertise and information systems necessary to enable the Company to compete effectively for development opportunities. As part of this strategy, the Company recently entered into the Arvida Venture. The Company also recently formed a joint venture with CNL Group, Inc. ("CNL"), a large privately held real estate investment, finance and development company, to develop commercial properties primarily in the central Florida region along the U.S. Interstate Highway 4 corridor, including Tampa, Orlando and Daytona Beach. On December 9, 1997, the Company entered into a letter of intent with Codina Group, Inc. ("Codina") and Weeks Corporation ("Weeks") under which the Company and Weeks, among other things, each agreed to purchase a one-third interest in Codina, a commercial/industrial developer active principally in southern Florida.

**Pursue Resort and Location-Based Entertainment Development Opportunities.** The Company plans to actively pursue the development of resorts (including hotels, golf courses and other recreational facilities) and location-based entertainment facilities as a new line of business. Resort development may be in the form of stand alone projects or in conjunction with the Company's large-scale community

development projects. The Company believes it has the land inventory (including attractive beach and other waterfront properties) necessary to enter the resort development business effectively. As part of the Company's strategy to enter the resort development business, in December 1997 the Company acquired the Riverside Golf Management Company, which manages three daily fee public golf courses in Jacksonville, Florida, Atlanta, Georgia and Clemson, South Carolina. In addition, the Company is evaluating potential development opportunities in the location-based entertainment business, both inside and outside of Florida, to be developed by the Company alone or in conjunction with joint venture partners. Location-based entertainment takes the form of stand alone facilities, often part of regional or national chains, that provide entertainment, food and beverage and/or retail experiences. The Company's management has extensive experience in the resort and entertainment segments of the real estate development industry and is seeking avenues to take advantage of that expertise.

**Aggressively Pursue the Entitlement Process.** The Company believes that the complex Florida land entitlement process can be a significant entry barrier to less capitalized developers. In developing new residential real estate projects, the Company intends to capitalize on its large existing land portfolio by, if appropriate, deeding or donating portions of its existing properties in exchange for long-term development rights. The Company believes its large, established land inventory provides an advantage relative to competitors that must purchase real estate before beginning development projects.

**Enhance Operating Performance.** The Company believes it can improve its operating performance through the following means:

**Implement Aggressive Leasing Policy.** Due to currently favorable market conditions, the Company believes that it can generate incremental earnings through enhanced management of its existing rental portfolio and through more aggressive leasing. Leases for approximately 73% of GCC's 4.6 million rented square feet expire over the next five years. In exercising this strategy, the Company intends to balance rental revenue with occupancy levels in order to optimize project revenues.

**Increase Long-Term Profitability of Forestry Operations.** The Company intends to improve returns in its forestry operations by growing portions of its timber for longer periods in order to capitalize on higher margins for older-growth timber. In 1996, the Company shed the lower-margin component of its forestry operations through the sale of its linerboard mill and container facilities, and in 1997, the Company reduced employment in its forestry operations by 72% through outsourcing. In addition, the Company is considering potential transactions to increase the nearer term value of the Company's timberlands, such as asset swaps, sales, joint ventures or lease arrangements.

**Achieve Cost Reductions in Transportation Operations.** The Company believes it can improve the profitability of its transportation segment through reductions in its cost structure, including more efficient use of its railyards and equipment.

**Capital Structure and Financing Strategy.** The Company has historically financed expansion with internally generated funds, held large cash balances and avoided the incurrence of debt. Although the Company expects to continue to employ conservative financing policies, management intends to use the Company's balance of cash and cash equivalents to invest more aggressively in development, acquisitions and joint ventures and to incur debt in appropriate circumstances in order to more effectively leverage the value of the Company's assets. The Company had cash, cash equivalents and marketable securities of approximately \$505 million at January 12, 1998.

#### THE FLORIDA ECONOMY

The Company's businesses are centered in Florida and the state's economic health and growth rate will be important factors in creating demand for the Company's products and services. According to the Bureau of Economic Analysis of the WEFA Group, from 1992 to 1996 Florida's gross domestic product grew at an average rate of approximately 6.1% per year compared to 5.3% per year for the United States as a whole, and from 1997 to 2001 is expected to grow at an average annual rate of 5.8% compared to 5.3% for the nation as a whole. According to U.S. Census Bureau statistics, Florida's annual population growth over the last ten years

has been 2.0%, while the average U.S. rate of population growth has been approximately 1.0%. According to the Bureau of Economic and Business Research at the University of Florida (the "Bureau"), Florida's population will increase 26% between 1995 and 2010 compared to a U.S. Census Bureau projection of 13.5% for the United States as a whole. Population growth rates on the eastern coast of Florida, where many of GCC's properties are located, are projected by the Bureau to be significantly higher than the statewide rate. With the exception of Walton County (where population growth rates have exceeded those of the State of Florida), population growth rates in northwestern Florida, where most of the Company's properties are located, have not been as high as those of the State as a whole, but have still exceeded the national average. The Bureau estimates that employment in Florida grew at an average annual rate of 3.5% from 1980 to 1995 and will continue to increase at an average annual rate of 2.2% from 1996 to 2010. According to the Bureau, personal incomes in Florida grew at 4.1% from 1980 to 1995 and are expected to continue to grow at approximately 2.9% per year from 1996 to 2010. Florida's population, job and income growth have created substantial demand for new residential and commercial construction. According to a study conducted by the Bureau, in 1995 Florida ranked first in the nation with respect to the number of housing units permitted for construction and second in the nation on a value per unit basis. Housing starts in the state of Florida are expected to reach an aggregate level of 113,200 for 1996 and 1997 combined and to increase to 116,000 for 1998 alone. Management expects Florida's economic and population growth to continue and believes that St. Joe is well positioned to benefit from increasing demand for housing as well as office and industrial space in the Florida real estate market.

#### THE OFFERINGS

##### Common Stock Offered by the Trust:

U.S. Offering.....	10,200,000 shares
International Offering.....	1,800,000 shares
Total:.....	12,000,000 shares
Common Stock Outstanding(1).....	91,697,811 shares
Use of Proceeds.....	No proceeds will be received by the Company.
New York Stock Exchange Symbol.....	"SJP"

(1) As of January 12, 1998. Does not reflect 5,845,341 shares of Common Stock issuable upon the exercise of options. A total of 185,139 additional shares of Common Stock are reserved for issuance under the Company's stock option plan. See Note 10 to the Consolidated Financial Statements.

#### THE ALFRED I. DUPONT TESTAMENTARY TRUST

The Company currently is, and following the Offerings will continue to be, controlled by the Alfred I. duPont Testamentary Trust (the "Selling Stockholder" or the "Trust"). The Trust was established under the Last Will and Testament of Alfred I. duPont (the "Will") to provide certain testamentary dispositions specified in the Will and to establish and benefit The Nemours Foundation (the "Nemours Foundation"), a charitable foundation for the care and treatment of crippled, but not incurable, children and certain elderly. Prior to the Offerings, the Trust and the Nemours Foundation together beneficially owned 68.8% (after giving effect to management stock options exercisable within the next 60 days) of the outstanding Common Stock, and after the Offerings the Trust and the Nemours Foundation together will own 54.0% of the outstanding Common Stock (assuming exercise of the U.S. Underwriters' over-allotment option). Two of the six trustees of the Trust serve as directors of the Company and FECI. The Trust is selling the Common Stock in order to diversify the Trust's assets and to reinvest the proceeds of the Offerings in assets which produce higher current income. See "Alfred I. duPont Testamentary Trust" and "Management."

## SUMMARY CONSOLIDATED FINANCIAL DATA

	YEAR ENDED DECEMBER 31,			NINE MONTHS ENDED SEPTEMBER 30,	
	1994	1995	1996	1996	1997
	(UNAUDITED)				
	(IN THOUSANDS, EXCEPT PER SHARE DATA)				
STATEMENT OF OPERATIONS DATA:					
Net sales(1).....	\$155,122	\$ 150,564	\$245,704	\$173,401	\$ 79,566
Operating revenues(2).....	175,784	184,360	185,485	162,307	172,328
	-----	-----	-----	-----	-----
Total revenues.....	330,906	334,924	431,189	335,708	251,894
Cost of sales.....	111,014	116,014	112,163	64,765	63,282
Operating expenses.....	133,091	139,875	139,640	120,524	118,493
Selling, general and administrative expenses.....	26,836	31,718	31,215	24,373	28,103
	-----	-----	-----	-----	-----
Operating profit.....	59,965	47,317	148,171	126,046	42,016
Other income.....	25,164	18,770	40,857	32,005	32,650
	-----	-----	-----	-----	-----
Income from continuing operations before income taxes and minority interest.....	85,129	66,087	189,028	158,051	74,666
Provision for income taxes.....	31,446	24,535	83,117	71,211	32,981
	-----	-----	-----	-----	-----
Income from continuing operations before minority interest.....	53,683	41,552	105,911	86,840	41,685
Minority interest.....	15,827	12,194	14,002	9,922	13,404
	-----	-----	-----	-----	-----
Income from continuing operations.....	37,856	29,358	91,909	76,918	28,281
Income (loss) from discontinued operations(3).....	4,253	44,461	(4,528)	(4,528)	--
Gain on sale of discontinued operations(3).....	--	--	88,641	95,644	--
	-----	-----	-----	-----	-----
Net income.....	\$ 42,109	\$ 73,819	\$176,022	\$168,034	\$ 28,281
	=====	=====	=====	=====	=====
PER SHARE DATA(4):					
Income from continuing operations.....	\$ 0.41	\$ 0.32	\$ 1.00	\$ 0.84	\$ 0.31
Earnings (loss) from discontinued operations.....	0.05	0.49	(0.05)	(0.05)	--
Gain on the sale of discontinued operations.....	--	--	0.97	1.05	--
	-----	-----	-----	-----	-----
Net income.....	\$ 0.46	\$ 0.81	\$ 1.92	\$ 1.84	\$ 0.31
	=====	=====	=====	=====	=====
Dividends paid(5).....	\$ 0.07	\$ 0.07	\$ 0.07	\$ 0.05	\$ 0.05
Special distribution(6).....	--	--	--	--	3.33
OTHER OPERATING DATA:					
EBDDT(7).....	\$ 58,327	\$ 73,992	\$ 72,682	\$ 55,701	\$ 60,938
Capital expenditures.....	65,450	78,816	64,271	41,135	53,256
Cash flows provided by (used in)					
Operating activities.....	102,718	154,082	117,345	136,818	75,237
Investing activities(6).....	(82,750)	(137,115)	322,877	344,437	(11,773)
Financing activities(6).....	(11,143)	(46,554)	(8,011)	(6,065)	(311,491)

	AS OF DECEMBER 31,		AS OF SEPTEMBER 30,
	1995	1996	1997
			(UNAUDITED)
	(IN THOUSANDS)		

## BALANCE SHEET DATA:

Cash and cash equivalents(8).....	\$ 303,590	\$ 819,851	\$ 576,712
Total property, plant and equipment, net.....	804,974	834,167	853,217
Total assets.....	1,530,994	1,806,238	1,584,860
Total stockholders' equity.....	1,016,067	1,196,941	934,606

- (1) Net sales includes real estate, land and building sales, forestry and timber sales and sugar sales. Net sales for the nine months ended September 30, 1996 included two related one-time condemnation sales of land to the State of Florida in exchange for \$97.8 million in cash plus certain limited development rights. Net operating results of the communications segment, linerboard mill and container plants are shown separately as income (loss) from discontinued operations for all years presented.
- (2) Operating revenues includes real estate rental revenue and transportation revenue.
- (3) Net operating results of the communications segment, linerboard mill and container plants are shown separately as income (loss) from discontinued operations for all years presented. The gain on sale of discontinued operations declined by approximately \$7.0 million during the fourth quarter of 1996 as a result of finalizing the post closing working capital adjustments, closing expenses and pension curtailment gain, which had been previously estimated. See Note 3 to the Consolidated Financial Statements.
- (4) Per share data is rounded to the nearest \$.01 to reflect the 3-for-1 split of the Company's Common Stock on January 12, 1998.
- (5) On December 30, 1997, the Company paid a dividend of \$.02 per share.
- (6) Approximately \$359.3 million of proceeds from the sales of the communications segment, linerboard mill and container plants were held in special accounts during 1996. A special distribution of a portion of the net proceeds of the sales of \$3.33 per share was paid on March 25, 1997, for stockholders of record on March 21, 1997. The Company made a special distribution of the remaining net proceeds of \$.34 per share on December 30, 1997 to stockholders of record on December 19, 1997.
- (7) The Company uses a supplemental performance measure along with net income to report its operating results. This measure, Earnings Before Depreciation and Deferred Taxes (EBDDT), is not a measure of operating results or cash flows from operating activities as defined by generally accepted accounting principles. Additionally, EBDDT is not necessarily indicative of cash available to fund cash needs and should not be considered as an alternative to cash flows as a measure of liquidity. However, the Company believes that EBDDT provides relevant information about its operations and is necessary, along with net income, for an understanding of its operating results. Depreciation, amortization and deferred income taxes are excluded from EBDDT as they represent non-cash charges. Earnings and gains on sales of discontinued operations and gains on the sale of non-strategic land and other assets represent non-operating, unusual and/or nonrecurring items and are therefore excluded from EBDDT.
- (8) Includes cash, cash equivalents, marketable securities and short-term investments.

## RISK FACTORS

The following risk factors should be considered carefully in conjunction with the other information contained in this Prospectus or incorporated by reference herein in evaluating the Company and its businesses before purchasing the Common Stock offered hereby.

## IMPLEMENTATION OF NEW BUSINESS STRATEGY

The Company is currently undergoing a number of important changes in its mix of businesses and its overall business strategy. In the first quarter of 1997, the Company hired a new chairman and chief executive officer as well as several other senior members of management with strong backgrounds in large-scale real estate planning and development and financial and asset management. Under the direction of this new management team, the Company intends to focus more closely on the development of its large land portfolio. Management is also implementing a new strategy in the Company's forestry operations pursuant to which the Company intends to extend the harvest rotation of certain forest sections in order to effect a shift toward higher-margin products. As part of the Company's strategy to focus more closely on core assets, the Company sold its linerboard mill and container facilities as well as its communication businesses in 1996. In addition, management has reached an agreement in principle to sell the Company's sugar lands to certain federal and state government agencies.

Management expects the Company's new business strategy will result in a larger portion of the Company's overall revenues being attributable to real estate operations. However, many of the Company's proposed projects will require a lengthy development process before lots or residential units can be sold or otherwise generate revenue. See "Business and Properties -- Real Estate -- Community and Residential Development." In addition, during the aging of the Company's timberlands, management expects near-term revenues will remain flat or fall to levels below those achieved by the business in earlier years. See "Business and Properties -- Forestry." While the Company believes that its new business strategy will enable it to enhance the value of its asset base as well as improve its long-term financial results, there can be no assurance that this new strategy will be successful, that the anticipated benefits of this new strategy will be realized, or that management will be able to implement its strategy on a timely basis.

## RISKS RELATING TO REAL ESTATE OPERATIONS

General Real Estate Investment Risks. In general, real property investments are subject to varying degrees of risk. The yields available from real estate investments depend on the amount of income earned and capital appreciation generated by the related properties as well as the expenses incurred in connection therewith. If the Company's properties do not generate income sufficient to meet operating expenses, the Company's financial performance could be adversely affected. The Company's properties intended for residential development are primarily located in northwestern Florida and GCC's commercial/industrial properties are primarily located in or near Miami, Orlando and Jacksonville, Florida. Income from and the performance of the Company's properties may therefore be adversely affected by the general economic climate of these regions, including unemployment rates and local conditions such as the supply of and demand for real estate in the area, the attractiveness of the Company's properties to potential residents or tenants, zoning or other regulatory restrictions, competition from other available properties, the affordability of homes and comparable commercial/industrial properties, and the potential of increased operating costs (including real estate taxes). Over the last decade, the growth of Florida's economy has substantially outperformed that of the U.S. economy. Northwestern Florida's growth is also expected to continue, although at a lesser rate than is expected for the rest of the state. However, there can be no assurance that the Florida economy (including the northwest region) will continue to experience positive growth rates or that Florida will not be affected by a recession in the future. Certain significant expenditures associated with an investment in real estate (such as real estate taxes, maintenance costs and debt payments) would generally not be reduced if circumstances in the local economy caused a reduction in revenue from the Company's properties. Accordingly, if growth rates for the Florida economy begin to decline or if a recession in the Florida economy occurs, the Company's financial results could be adversely affected.



Development Risks. Any existing or future development activities of the Company will entail certain risks, including the expenditure of funds on and devotion of management's time to projects which may not come to fruition; the risk that development or redevelopment costs of a project may exceed original estimates, possibly making the project uneconomical; the risk that occupancy rates or rents at a completed project will be less than anticipated or that there will be vacant space at the project; the risk that expenses at a completed development will be higher than anticipated; and the risk that permits and other governmental approvals will not be obtained. In addition, the Company's real estate development activities require significant capital expenditures. The Company will be required to obtain funds for its capital expenditures and operating activities through cash flow from operations, property sales or financings. There can be no assurances that funds available from cash flow, property sales and financings will be sufficient to fund the Company's required or desired capital expenditures for development. If the Company were unable to obtain sufficient funds, it might have to defer or otherwise limit certain development activities. Further, any new development or any rehabilitation of older projects can require compliance with new building codes and other regulations. The Company cannot estimate the cost of complying with such codes and regulations, and such costs can make a new project or some otherwise desirable uses of an existing project uneconomic.

Before the Company can develop property, it must obtain a variety of approvals (entitlements) from local governments with respect to such matters as zoning, subdivision, environmental and other issues. The Company must also obtain a variety of approvals from state and federal governments with respect to matters that may include issues related to the environment, special status species, the public trust and others. Because of the discretionary nature of these approvals and concerns that may be raised by various governmental officials, public interest groups and other interested parties during both the approval and development process, the Company's ability to develop properties and realize income from its projects could be delayed, reduced or eliminated. See "Business and Properties -- Real Estate -- Regulation."

Joint Venture Risks. The Company has direct or indirect equity interests in several joint ventures and may initiate future joint venture projects as part of its overall development strategy. A joint venture may involve special risks associated with the possibility that (i) the venture partner at any time may have economic or business interests or goals that are inconsistent with those of the Company, (ii) the venture partner may take actions contrary to the instructions or requests of the Company or contrary to the Company's policies or objectives with respect to its real estate investments or (iii) the venture partner could experience financial difficulties. Actions by the Company's venture partners may have the result of subjecting property owned by the joint venture to liabilities in excess of those contemplated by the terms of the joint venture agreement or have other adverse consequences. In its role as a general partner of certain joint ventures, the Company may be jointly or severally liable for the debts and liabilities of the joint ventures. The Company may not be able to control decisions made by its joint ventures. In addition, the Company's joint venture partners may dedicate time and resources to existing commitments and responsibilities. See "Business and Properties -- Real Estate -- Community and Residential Development -- Other."

Risks Related to Acquisition Financing. A significant portion of the Company's resources may be used for acquisitions of joint ventures or other entities. The timing, size and success of the Company's acquisition efforts and any associated capital commitments cannot be readily predicted. The Company may finance future acquisitions by using shares of its Common Stock, cash or a combination of Common Stock and cash. If the Common Stock does not maintain a sufficient market value, or if potential acquisition candidates are otherwise unwilling to accept Common Stock as part of the consideration for the sale of their businesses, the Company may be required to utilize more of its cash resources, if available, in order to initiate and maintain its acquisition program. If the Company does not have sufficient cash resources, its growth could be limited unless it is able to obtain additional capital through debt or equity financings. There can be no assurance that the Company will be able to obtain additional financing it may need for its acquisition program on terms that the Company deems acceptable. To the extent the Company uses Common Stock for all or a portion of the consideration to be paid for future acquisitions, dilution may be experienced by existing stockholders, including the purchasers of Common Stock in the Offerings. See "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Liquidity and Capital Resources" and "-- Control by Principal Shareholder."

Natural Disasters. Natural disasters, such as hurricanes, floods or fires, or unexpected climactic conditions, such as unusually heavy or prolonged rain, particularly in Florida, where the Company's assets are concentrated, may have an adverse impact on the ability of the Company to develop its properties and realize income from its projects.

Regulation. The Company's current and past ownership and operation of real property are subject to environmental laws and regulations generally applicable to all businesses. The Company may be liable for the costs of remediating hazardous materials contamination on its properties, regardless of fault, and the Company's ability to sell or develop its properties may be severely restricted by various federal, state and local environmental laws, including laws relating to the protection of wetlands and endangered species. See "-- Environmental Matters" and "Business and Properties -- Real Estate -- Regulation."

Rental Income and Competition for Tenants. Because of the Company's substantial investment in rental properties, the Company's overall financial performance would be adversely affected if a significant number of the Company's tenants were unable to meet their obligations to the Company. In addition, when space becomes available at its properties, the Company is subject to risks that the leases may not be renewed and that the terms of the renewal or reletting (including the cost of required renovations or concessions to tenants) may be less economically advantageous to the Company. The Company has established annual property budgets, including estimates of costs for renovation and reletting expenses, that it believes are reasonable in light of each property's situation, but no assurance can be given that estimates will sufficiently cover all expenses. If the Company is unable to promptly lease all or substantially all of the space at its properties, if the rental rates are significantly lower than expected or if the Company's reserves for these purposes prove inadequate, there could be an adverse effect on the Company's financial performance. See "Business and Properties -- Commercial and Industrial Development -- Leasing."

#### RISKS RELATED TO FORESTRY OPERATIONS

Committed Product Purchases by Florida Coast; Possible Inability to Develop New Markets. The major customer for the timber harvested from the Company's timberlands has been and continues to be the Company's former linerboard mill, which was sold on May 30, 1996 to Florida Coast. Sales to the mill accounted for 87% of the segment's sales from timber harvested on Company lands in 1996. The mill was temporarily shut down from April through September 1997 due to soft market conditions in the paper industry. As a result of the shutdown, the Company's forestry net sales decreased 48.2% from \$44.6 million in the nine-month period ending September 30, 1996 to \$23.1 million in the comparable period in 1997. The mill was reopened in September 1997 and the existing supply agreement was renegotiated on a reduced tonnage basis. Although management believes the mill will continue to operate, there can be no assurances regarding the ability of the mill to satisfy its obligations, particularly on a long-term basis, under the existing agreement. See "Business and Properties -- Forestry -- Sales and Marketing."

As tonnage required to be supplied under the agreement decreases, the Company intends to allow its forests to grow for longer periods, shifting the usage of its timber to higher-margin products. However, the performance of the forestry segment may decline in the near term as that shift occurs. While management believes that there is significant demand for the Company's timber and wood fiber products from users other than the mill, no assurance can be given that such demand exists, that the forestry operations will be able to develop new customers on a timely basis, if at all, or that it will be able to sell its products to third parties at market prices. Any excess supply of timber and wood fiber that results from the inability of the Company to sell its products to users other than the mill could result in lower prices for its products, which could have a material adverse effect on the net sales, operating income and cash flow of the Company's forestry operations.

Factors Affecting Supply and Demand. The results of operations of the Company's forestry segment are and will continue to be affected by cyclical supply and demand factors related to the forest products industry. The supply of timber is significantly affected by land use management policies of the United States government. Government agencies historically have been major suppliers of timber to the United States forest products industry, but timber sales by such government agencies currently are at historically low levels. Any reversal of government land use management policies that substantially increases sales of timber by United

States government agencies could significantly reduce prices for forest products. The demand for wood products also has been, and in the future can be expected to be, subject to cyclical fluctuations. Demand is primarily affected by the level of housing starts, repair and remodeling activity, industrial wood product use, competition from non-wood products, and the demand for pulp and paper products. These factors are subject to fluctuations due to changes in economic conditions, interest rates, population growth, weather conditions, competitive pressures and other factors. Any decrease in the level of industry demand for wood products generally can be expected to result in lower net sales, operating income and cash flow of the Company's forestry operations. See "Business and Properties -- Forestry -- Pricing."

Harvesting Limitations. Weather conditions, timber growth cycles, access limitations and regulatory requirements associated with the protection of wildlife and water resources may restrict harvesting on the Company's forestry lands. Timber harvests also may be affected by various natural factors, including damage by fire, insect infestation, disease, prolonged drought, severe weather conditions and other causes. The effects of such natural disasters may be particularly damaging to young timber. Although damage from such natural causes usually is localized and affects only a limited percentage of the timber, there can be no assurance that any damage affecting the Company's forestry lands will in fact be so limited. Any of the above factors could materially limit the ability of the Company to harvest timber and could have a significant adverse impact on the net sales, operating income and cash flow of the Company's forestry operations.

Commodity Price Fluctuations and Markets. The forestry operations' results of operations are highly dependent upon the prices received for wood products. Although most of the Company's forestry operations' sales are currently made pursuant to a long-term contract with Florida Coast, this contract includes a price adjustment provision which permits an increase or decrease at specified times in contract price to reflect changes in certain price or other economic indices, taxes and other charges. In addition, the industry could experience significant price declines from current levels as a result of natural market forces. Any significant decline in prices for wood products could have a material adverse effect on the Company's forestry operations.

Regulation. In conducting its harvesting activities, the Company voluntarily complies with the "Best Management Practices" recommended by the Florida Division of Forestry. From time to time, proposals have been made in state legislatures regarding the regulation of timber harvesting methods. There can be no assurance that such proposals, if adopted, will not adversely affect the Company or its ability to harvest and sell logs or timber in the manner currently contemplated. The forestry operations are also subject to environmental and endangered species laws and regulations. See "-- Environmental Matters" and "Business and Properties -- Forestry -- Regulation."

#### RISKS RELATING TO TRANSPORTATION OPERATIONS

Relationships With Other Railroads. Most of the traffic on the Company's railroads is interchanged with other railroads. The Company's ability to provide service to its customers depends in part upon its ability to maintain cooperative relationships with connecting railroads with respect to, among other matters, joint line rates, car supply, and interchange and haulage rights. In addition, the Company's future revenues could be adversely affected by a significant deterioration in the operational or financial condition of its connecting carriers. See "Business and Properties -- Transportation."

Regulation. The Company's transportation operations are subject to environmental, safety, health and other regulations generally applicable to all businesses. In addition, the Company's railroads, like other rail common carriers, are subject to regulation by the Surface Transportation Board, the Federal Railroad Administration, state departments of transportation and other state and local regulatory agencies. Government regulation of the railroad industry is a significant determinant of the competitiveness and profitability of railroads.

FEC is a party to various proceedings before state regulatory agencies relating to compliance with environmental laws. In addition, the Company's present and historic ownership and operation of real property, including yards and maintenance facilities, in connection with its transportation operations involve the storage, use or disposal of hazardous substances that have contaminated and may in the future contaminate the environment. The Company may also be liable for the costs of cleaning up a site at which it has disposed

(intentionally or unintentionally by virtue of, for example, an accident, derailment or leak) or to which it has transported hazardous substances. The Company is currently involved in various remediations of properties relating to its transportation operations. See "-- Environmental Matters," "Business and Properties -- Transportation -- Regulation" and "Business and Properties -- Environmental Proceedings."

**Liability for Casualty Losses.** The Company's railroads, like other freight railroads, are liable for damage to freight, for losses arising from personal injury and for property damage in the event of derailments or other accidents or occurrences. The Company has obtained insurance covering many of these risks; however, under catastrophic circumstances, particularly those involving transportation of hazardous materials, such liability could exceed the Company's insurance limits. Also, insurance is available from only a very limited number of insurers and there can be no assurance that insurance protection at the Company's current levels will continue to be available or, if available, will be obtainable by the Company on acceptable terms. To the extent payments required in connection with losses or other liabilities arising from derailments or other causes are not covered by insurance or exceed the Company's insurance limits, the financial condition of the Company could be adversely affected. See "Business and Properties -- Transportation."

**Fluctuations in Revenues and Expenses.** The Company has historically experienced fluctuations in revenues and expenses due to unpredictable events such as customer plant expansions and shut-downs, accidents and derailments. The occurrence of such events in the future could cause further fluctuations in revenues and expenses and negatively affect the Company's financial performance. See "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Results of Operations -- Transportation."

**Customer Concentration.** In 1996, FEC's five largest customers accounted for approximately 31.0% of FEC's operating revenues. FEC's two largest customers in 1996 were Rinker Materials Corporation and Tarmac-Florida, Inc., which accounted for 11.9% and 7.8% of operating revenues, respectively, in the transportation segment. The Company's business could be adversely affected if its customers suffer significant reductions in their businesses or reduce shipments of commodities transported by the Company. See "Business and Properties -- Transportation."

#### RISKS RELATED TO SUGAR OPERATIONS

The Company's sugar operations are located in the Florida Everglades, which are the subject of extensive environmental review by a variety of governmental entities. In 1994 the State of Florida enacted the Everglades Forever Act, which significantly affects agriculture in the Everglades Agriculture Area ("EAA"). The Act calls for the creation of six Stormwater Treatment Areas ("STAs") as buffers between the Everglades Protection Area and the EAA. The Act imposes substantial taxes on the Company's sugar operations (approximately \$1.3 million was paid in each of 1995 and 1996) and other agricultural interests to pay for construction of the STAs. No assurances can be given that compliance costs with the EAA will not increase materially in the future. The Company also must maintain compliance with other environmental laws, including the federal Clean Water Act and the federal Clean Air Act. See "-- Environmental Matters" and "Business and Properties -- Sugar -- Regulation."

On December 6, 1997, the Company reached an agreement in principle with certain federal and state government agencies for the sale of the Company's sugar lands. The Company will be required to deliver the lands in compliance with all federal and state environmental laws and be responsible for and bear the expenses of the cleanup of such lands and the sugar mill. No assurances can be given that cleanup costs will not materially affect the Company.

#### ENVIRONMENTAL MATTERS

The Company's current and past railroad, forestry and sugar operations, its past paper operations and its current and past ownership, operation and leasing of real property, are subject to extensive and changing local, state and federal environmental laws and regulations governing, among other things, emissions into the air, discharges into waters, the use, handling, transportation and disposal of hazardous substances, the protection, investigation and remediation of soil and groundwater contamination and employee health and safety. Such

laws include, but are not limited to, the federal Clean Water Act, the federal Clean Air Act, the Endangered Species Act of 1973 ("ESA"), the Resource Conservation and Recovery Act of 1978, the Comprehensive Environmental Response, Compensation and Liability Act of 1980 ("CERCLA"), the Federal Insecticide, Fungicide and Rodenticide Act and the Toxic Substances Control Act. Such laws can impose criminal and civil penalties, remediation expenses, natural resource damages and injunctive relief. The Company has made and will continue to make expenditures to comply with such laws. Liability under such laws and regulations may be imposed on current and prior owners and operators of property without regard to fault and without regard to knowledge about the condition or action causing the liability. The Company may also be contractually liable for indemnification of environmental clean-up costs in connection with the sale of its assets, businesses or real property, including the sale of its former linerboard mill to Florida Coast and container plants to Four M Corporation, and will be contractually required to bear the expenses of any environmental clean-up costs in connection with the sale of its sugar lands. In addition, the Company may potentially incur substantial costs relating to the clean-up of contamination caused by hazardous substances. The presence of hazardous substances on a property may also adversely affect the Company's ability to sell or develop such property or to borrow using such property as collateral. The presence, use or release of hazardous materials could also lead to claims for personal injury, damages to natural resources or property damage. In addition, the ESA protects species threatened with possible extinction and restricts the Company's harvesting activities on certain of the timberlands on which the bald eagle and the red cockaded woodpecker are present.

The Company has previously owned or operated other businesses or real property, including those relating to the operation of paper mill and container plants, which may have adversely affected the environment. As a prior owner or operator of those facilities, the Company could have liability for environmental damage, even though it is no longer the owner or operator. Subject to certain deductibles and sharing provisions, which are not expected to have a material adverse effect on the Company, the Company believes the purchaser of the paper mill and container plants will be responsible to the Company for costs relating to environmental damage; however, should the purchaser not be responsible, the Company would be liable for such costs. The Company may also be liable for the costs of cleaning up a site at which it has disposed (intentionally or unintentionally by virtue of, for example, an accident, derailment or leak), or over or to which it has transported, hazardous substances. The Company is currently a party to, or involved in, legal proceedings directed at the clean-up of certain off-site locations, including sites which are listed on the National Priorities List under CERCLA or other similar federal or state lists.

The Company accrues for the total estimated clean-up costs for the sites at which it has clean-up responsibilities when those costs become probable and when amounts (or at least a minimum amount) can be reasonably estimated. In accruing those amounts, the Company considers currently available information and management's evaluation of whether other potentially responsible parties are reasonably likely to contribute to the cost of a clean-up. As of September 30, 1997, the Company's aggregate environmental accruals were \$7.0 million. Based on presently available information, the Company does not expect to incur amounts in excess of its accruals that are likely to have a material adverse effect on its financial position, liquidity or results of operations. However, it is not possible to quantify environmental costs with certainty because future laws, ordinances or regulations could impose material environmental liability, and new or different facts about the Company's operations or its ownership, operation or leasing of real property could arise in the future. In addition, the Company has incomplete technical information concerning environmental conditions at certain sites. See "Business and Properties -- Environmental Proceedings."

#### COMPETITION

Real Estate. The real estate industry is generally characterized by significant competition. The Company plans to continue to expand through a combination of office, industrial and residential developments in Florida where the acquisition and/or development of property would, in the opinion of management, result in a favorable risk-adjusted return on investment. There are a number of office, industrial and residential developers and real estate companies that compete with the Company in seeking properties for acquisition, resources for development and prospective tenants. Competition from other real estate developments may adversely affect the Company's ability to attract and retain tenants, rental rates and expenses of operation

(particularly in light of the higher vacancy rates of many competing properties which may result in lower-priced space being available in such properties). The Company may compete with other entities that have greater financial and other resources than the Company. There can be no assurance that the existence of such competition could not have a material adverse effect on the Company's business, operations and cash flow.

**Forestry.** The forest products industry is highly competitive in terms of price and quality. Many of the Company's competitors are fully integrated companies with substantially greater financial and operating resources than the Company. The products of the Company are also subject to increasing competition from a variety of non-wood and engineered wood products. In addition, the Company is subject to a potential increase in competition from lumber products and logs imported from foreign sources. Any significant increase in competitive pressures from substitute products or other domestic or foreign suppliers could have a material adverse effect on the Company.

**Transportation.** Although each of the Company's railroads is typically the only rail carrier directly serving its customers, the Company's railroads compete directly with other railroads that could potentially deliver freight to their markets and customers via different routes. The Company's railroads also compete directly with other modes of transportation, including motor carriers and, to a lesser extent, ships and barges. Competition is based primarily upon the rate charged and the transit time required, as well as the quality and reliability of the service provided. Any improvement in the cost or quality of these alternate modes of transportation could increase competition from these other modes of transportation and adversely affect the Company's business.

**Sugar.** The sugar industry is highly competitive. The Company competes with foreign and domestic sugarcane and sugar beet processors, as well as manufacturers of corn sweeteners and artificial sweeteners such as aspartame and saccharin. Sugar is a volatile commodity subject to wide price fluctuations in the marketplace.

#### CONTROL BY PRINCIPAL SHAREHOLDER

After consummation of the Offerings, the Trust and the Nemours Foundation will collectively continue to own 50,075,700 shares of Common Stock or approximately 54% of the outstanding voting securities of the Company (assuming exercise of the U.S. Underwriters' over-allotment option and giving effect to management stock options exercisable within 60 days). See "Principal and Selling Stockholders." Accordingly, the Trust is and will continue to be able to control the election of the Company's directors and to determine the corporate and management policies of the Company, including decisions relating to any mergers or acquisitions by the Company, sales of all or substantially all of the Company's assets and other significant corporate transactions. In addition, the Company has entered into a registration rights agreement with the Trust (the "Registration Rights Agreement"), under which the Company has agreed that for a period of one year from the completion of the Offerings it will not issue any shares of Common Stock or options or securities convertible into Common Stock that would cause the Trust's and the Nemours Foundation's collective ownership in the Company to fall below 51% on a fully diluted basis. As a result, during such period the Company will not be able to issue shares of Common Stock in connection with acquisitions or other financings without the consent of the Trust. Pursuant to the Registration Rights Agreement, the Trust will also have the right to nominate two members of the Company's Board of Directors so long as the Trust and the Nemours Foundation collectively own in excess of 20% of the Company's outstanding Common Stock, and one member so long as such entities collectively own in excess of 5%. See "Alfred I. duPont Testamentary Trust -- Registration Rights Agreement."

#### DEPENDENCE ON KEY PERSONNEL

The Company's future success depends to a significant extent upon the leadership and performance of its executive officers and key employees. See "Management." The loss of the services of any of these individuals could have a material adverse effect on the Company's business, financial performance and results of operations. While the Company has entered into employment agreements with Peter S. Rummell, Charles A. Ledsinger, Jr., Robert M. Rhodes and other members of senior management, the Company cannot assure that

such individuals will remain with the Company throughout the terms of the agreements, or thereafter. As the Company continues to grow, it will continue to hire, appoint or otherwise change senior managers and other key executives. There can be no assurance that the Company will be able to retain its executive officers and key personnel or attract additional qualified members to its management team in the future. The Company does not maintain any policies of key person life insurance on the lives of its senior management personnel.

#### SHARES AVAILABLE FOR FUTURE SALE

On completion of the Offerings, the Trust and the Nemours Foundation together will own 54% of the shares of Common Stock outstanding (assuming exercise of the U.S. Underwriters' over-allotment option and giving effect to management stock options exercisable within 60 days). No prediction can be made as to the effect, if any, that future sales of shares, or the availability of shares for future sale, will have on the market price of the Common Stock. Sales of substantial amounts of shares of Common Stock in the public market or the perception that such sales might occur could adversely affect the market price of the shares of Common Stock. In the event of any future issuance of equity securities, the interests of holders of Common Stock, including the shares of Common Stock offered hereby, could be diluted. In addition, the Trust, the Company, and certain of the Company's officers, directors and other stockholders have agreed, except in certain limited circumstances, not to offer, sell, contract to sell, or otherwise dispose of any Common Stock or securities exercisable for, convertible into or exchangeable for Common Stock, for a period of 180 days after the date of this Prospectus, without the prior written consent of Morgan Stanley & Co. Incorporated. See "Underwriters."

## DIVIDENDS

The Company paid aggregate annual cash dividends of approximately \$.07 per share to holders of the Common Stock in 1995, 1996 and 1997. In addition, the Company distributed net proceeds of \$3.33 per share to stockholders of record on March 21, 1997 and \$.34 per share to stockholders of record on December 19, 1997, in each case arising from the sale of the Company's linerboard and container facilities and its communications business. Although the Company has historically paid quarterly cash dividends of approximately \$.02 per share, there can be no assurance that such practice will continue in the future.

## MARKET FOR COMMON STOCK

The Company had 938 common stockholders of record as of January 12, 1998. The Company's Common Stock is quoted on the New York Stock Exchange ("NYSE") Composite Transactions Tape under the symbol "SJP".

The range of high and low sales prices for the Common Stock as reported on the NYSE Composite Transactions Tape for the periods indicated is set forth below.

	COMMON STOCK PRICE(1)	
	HIGH	LOW
1995		
First Quarter.....	\$ 22 11/16	\$17 3/4
Second Quarter.....	22 1/16	20
Third Quarter.....	21 1/2	20
Fourth Quarter.....	21 9/16	17 1/2
1996		
First Quarter.....	20 3/4	17 15/16
Second Quarter.....	21 15/16	19 5/16
Third Quarter.....	21 15/16	19 15/16
Fourth Quarter.....	23 3/16	21 3/16
1997		
First Quarter.....	31	21 1/16
Second Quarter.....	28 1/4	23 5/16
Third Quarter.....	33 5/8	27
Fourth Quarter.....	38 5/16	29 5/16
1998		
First Quarter(2).....	34 9/16	30 1/8

(1) Prices are rounded to the nearest 1/16th and reflect the 3-for-1 split of the Company's Common Stock on January 12, 1998.

(2) Through January 15, 1998.

A recently reported sale price of the Company's common stock on the NYSE is set forth on the cover page of this Prospectus.



## ALFRED I. DUPONT TESTAMENTARY TRUST

The Trust was established under the Last Will and Testament of Alfred I. duPont (the "Will") to provide testamentary dispositions to persons named in the Will and otherwise to benefit the Nemours Foundation, a charitable foundation provided for under the Will for the care and treatment of crippled, but not incurable, children and certain elderly. The Trust has been the controlling stockholder of the Company since 1940.

The Trust and the Nemours Foundation together currently own 63,875,700 shares or 68.8% of the outstanding Common Stock (after giving effect to management options exercisable within the next 60 days) and upon consummation of the Offerings will own 50,075,700 shares or 54.0% of the outstanding Common Stock (assuming exercise of the U.S. Underwriters' over-allotment option), and thus will continue to control the Company. The trustees of the Trust as of November 30, 1997 were W. L. Thornton, Chairman, J. C. Belin, H. H. Peyton, J. F. Porter, W. T. Thompson, III and Wachovia Bank, N.A. One trustee position is currently vacant due to the recent death of Alfred duPont Dent, who had been a trustee for 32 years.

## REASONS FOR THE OFFERINGS

The Trust has concluded that it is desirable to sell a portion of its holdings of the Company's Common Stock to diversify its assets and to enable the Trust to invest the proceeds of the Offerings in assets that produce higher current income. Florida law requires the Trust to distribute annually at least 3% of the fair market value of its assets, regardless of its earnings in a given year. Under the terms of the Will, the Trust is separately required to distribute annually all of its income. Historically, the Trust has allocated its investments between debt securities, held to generate current income, and equity securities, principally the Company's Common Stock, held for long-term capital appreciation. Because the Company pays relatively low dividends on its Common Stock, the Trust's other assets must generate income sufficient to permit the Trust to meet its obligation to distribute annually an amount equal to 3% of the fair market value of the Trust's total assets. As the equity securities held by the Trust, principally the Company's Common Stock, have appreciated over time, the fair market value of the Trust's assets has reached a level at which its income-producing assets may not generate income equal to 3% of the fair market value of its assets.

In the future, the Trust may sell additional shares of Common Stock, but has agreed with the Underwriters that it will not effect any sales of Common Stock for a period of 180 days from the date of this Prospectus without the consent of Morgan Stanley & Co. Incorporated. See "-- Registration Rights Agreement" and "Underwriters."

## CERTAIN RELATIONSHIPS

Apart from its ownership interest in the Company's Common Stock, the Trust owns 46,859 units, or 93.7%, of the outstanding limited partnership units of Al-Zar, Ltd. ("Al-Zar"), a limited partnership organized by the Company for the purpose of holding approximately 300 acres of real property in Wilmington, Delaware. A subsidiary of the Company serves as general partner of Al-Zar and owns 500 units, or 1%, of Al-Zar's outstanding partnership units.

In addition to their positions with the Trust, Messrs. Thornton, Belin, Peyton, Porter, Thompson and H. M. Durden, the representative of the corporate trustee, Wachovia Bank, N.A., also serve as directors of the Nemours Foundation. The Nemours Foundation owns 450,224 shares, or approximately 5%, of FECI's outstanding common stock. Mr. Belin and Mr. Thornton also serve as directors of the Company and FECI.

## CERTAIN TRANSACTIONS

The Nemours Foundation rents office space from GCC at rates approximating market rentals. In addition, Mr. Belin and Mr. Thornton have entered into consulting agreements with the Company. See "Certain Transactions."

## EXPENSES OF THE OFFERINGS

The Company will bear all expenses of the Offerings, other than underwriting commissions and discounts, the fees and expenses of legal counsel and financial advisors to the Trust and certain other expenses.

## REGISTRATION RIGHTS AGREEMENT

Pursuant to a Registration Rights Agreement between the Trust and the Company, the Trust may require the Company on up to five occasions to file a registration statement under the Securities Act so long as such registration covers not less than 10% of the Registrable Securities (as defined in the Registration Rights Agreement) held by the Trust and the Nemours Foundation collectively (unless the registration demand is the last demand available under the Registration Rights Agreement, in which case it may cover less than 10% of the Registrable Securities). The Trust may not exercise a demand registration within six months following the effectiveness of a registration statement for an earlier demand registration, and the Company may defer filing such a registration statement or proceeding with an offering for up to 60 days under certain conditions. The Offerings will constitute the first demand under the Registration Rights Agreement. In addition, the Trust and the Nemours Foundation have unlimited "piggy-back" registration rights under the terms of the Registration Rights Agreement. The Registration Rights Agreement provides that if the Trust has made a demand for registration and decides not to proceed with the related offering, in certain circumstances such demand shall be deemed to have been effected, unless the Trust agrees to pay all expenses of registration.

Pursuant to the Registration Rights Agreement, the Company will bear all of the expenses of demand registrations, except that the Trust will pay with respect to its Registrable Securities only its own underwriting discounts and commissions, the fees and expenses of the Trust's legal counsel and financial advisors and certain other expenses.

In the Registration Rights Agreement, the Trust and the Company have agreed, if required by the managing underwriter of a public offering of Common Stock by the Company or the Trust, not to effect any public sale or distribution or otherwise dispose of any securities of the Company during the seven days prior to, and the 90 days after, the effectiveness of the registration statement for any such offering. In connection with the Offerings, the Company and the Trust have agreed, subject to certain exceptions, not to effect any such sale or disposition for a period of 180 days after the date of this Prospectus without the prior written consent of Morgan Stanley & Co. Incorporated. See "Underwriters."

In the Registration Rights Agreement, the Company has agreed that, so long as the Trust and the Nemours Foundation collectively beneficially own at least 51% of the Company's issued and outstanding Common Stock calculated on a fully diluted basis (as defined in the Registration Rights Agreement), the Company will not for a period of one year after the closing of the Offerings, without the prior written consent of the Trust, issue any common stock, convertible preferred stock, stock subject to options, warrants or other rights, convertible or exchangeable debt or equity securities or other securities which would cause the collective beneficial ownership interests of the Trust and the Nemours Foundation in the Company's Common Stock to fall below 51% on a fully diluted basis. In addition, for so long as the Trust and the Nemours Foundation collectively beneficially own at least 20% of the issued and outstanding shares of the Company's Common Stock, the Trust will be entitled to nominate, and the Company and the Board of Directors of the Company will support the election by the Company's stockholders of, two individuals designated by the Trust to be members of the Company's Board of Directors. For so long as the Trust and the Nemours Foundation collectively own at least 5% and less than 20% of the issued and outstanding shares of the Company's Common Stock, the Trust will be entitled to nominate, and the Company and the Board of Directors of the Company will support the election by the Company's stockholders of, one individual designated by the Trust to be a member of the Company's Board of Directors. If the size of the Company's Board of Directors is increased, the number of individuals designated by the Trust shall be appropriately and proportionately increased. These provisions of the Registration Rights Agreement are not intended to limit the ability of the Trust or the Nemours Foundation to vote their shares as they see fit with respect to the election of directors or otherwise.

Under the Registration Rights Agreement, the Trust and the Company have also agreed to indemnify each other against certain civil liabilities, including certain liabilities under the Securities Act.

## SELECTED CONSOLIDATED FINANCIAL DATA

The selected consolidated financial data set forth below are qualified in their entirety by and should be read in conjunction with the consolidated financial statements and the notes related thereto included elsewhere in this Prospectus. The statement of operations data with respect to the years ended December 31, 1994, 1995 and 1996 and the balance sheet data as of December 31, 1995 and 1996 have been derived from the financial statements of the Company included herein, which have been audited by KPMG Peat Marwick LLP. The statement of operations data with respect to the years ended December 31, 1992 and 1993 and the balance sheet data as of December 31, 1992, 1993 and 1994 has been derived from the financial statements of the Company previously filed with the SEC although not incorporated by reference or included elsewhere herein, which have also been audited by KPMG Peat Marwick LLP. The following selected financial data for the nine months ended on September 30, 1996 and September 30, 1997 have been derived from the Company's unaudited consolidated financial statements which, in the opinion of management, contain all adjustments (consisting of only normal and recurring adjustments) necessary to present fairly the Company's financial position and results of operations at such dates and for such periods. Historical results are not necessarily indicative of the results to be expected in the future and results for interim periods are not necessarily indicative of results for the entire year.

	YEAR ENDED DECEMBER 31,					NINE MONTHS ENDED SEPTEMBER 30,	
	1992	1993	1994	1995	1996	1996	1997
	(UNAUDITED)						
	(IN THOUSANDS, EXCEPT PER SHARE DATA)						
STATEMENT OF OPERATIONS							
DATA:							
Net sales(1).....	\$ 130,085	\$ 135,417	\$ 155,122	\$ 150,564	\$ 245,704	\$ 173,401	\$ 79,566
Operating revenues(2).....	169,439	177,040	175,784	184,360	185,485	162,307	172,328
Total revenues...	299,524	312,457	330,906	334,924	431,189	335,708	251,894
Cost of sales.....	95,005	105,644	111,014	116,014	112,163	64,765	63,282
Operating expenses.....	138,317	129,704	133,091	139,875	139,640	120,524	118,493
Selling, general and administrative expenses.....	23,269	22,145	26,836	31,718	31,215	24,373	28,103
Operating profit.....	42,933	54,964	59,965	47,317	148,171	126,046	42,016
Other income.....	17,860	12,330	25,164	18,770	40,857	32,005	32,650
Income from continuing operations before income taxes and minority interest.....	60,793	67,294	85,129	66,087	189,028	158,051	74,666
Provision for income taxes.....	21,837	30,328	31,446	24,535	83,117	71,211	32,981
Income from continuing operations before minority interest.....	38,956	36,966	53,683	41,552	105,911	86,840	41,685
Minority interest.....	11,074	10,241	15,827	12,194	14,002	9,922	13,404
Income from continuing operations.....	27,882	26,725	37,856	29,358	91,909	76,918	28,281
Cumulative effect of change in accounting principle(3).....	--	20,518	--	--	--	--	--
Income (loss) from discontinued operations(4).....	(12,292)	(14,600)	4,253	44,461	(4,528)	(4,528)	--
Gain on sale of discontinued operations(4).....	--	--	--	--	88,641	95,644	--
Net income.....	\$ 15,590	\$ 32,643	\$ 42,109	\$ 73,819	\$ 176,022	\$ 168,034	\$ 28,281

	YEAR ENDED DECEMBER 31,					NINE MONTHS ENDED SEPTEMBER 30,	
	1992	1993	1994	1995	1996	1996	1997
	(IN THOUSANDS, EXCEPT PER SHARE DATA)					(UNAUDITED)	
PER SHARE DATA(5):							
Income from continuing operations.....	\$ 0.30	\$ 0.29	\$ 0.41	\$ 0.32	\$ 1.00	\$ 0.84	\$ 0.31
Earnings (loss) from discontinued operations(4).....	(0.13)	(0.16)	0.05	0.49	(0.05)	(0.05)	--
Gain on the sale of discontinued operations(4).....	--	--	--	--	0.97	1.05	--
Cumulative effect of change in accounting principle(3).....	--	0.23	--	--	--	--	--
Net income.....	\$ 0.17	\$ 0.36	\$ 0.46	\$ 0.81	\$ 1.92	\$ 1.84	\$ 0.31
Dividends paid(6).....	\$ 0.07	\$ 0.07	\$ 0.07	\$ 0.07	\$ 0.07	\$ 0.05	\$ 0.05
Special distribution(7)...	--	--	--	--	--	--	3.33
OTHER OPERATING DATA:							
EBDDT(8).....	\$ 50,140	\$ 68,469	\$ 58,327	\$ 73,992	\$ 72,682	\$ 55,701	\$ 60,938
Capital expenditures.....	71,574	68,615	65,450	78,816	64,271	41,135	53,256
Cash flows provided by (used in)							
Operating activities....	68,960	81,605	102,718	154,082	117,345	136,818	75,237
Investing activities(7).....	(85,498)	(68,108)	(82,750)	(137,115)	322,877	344,437	(11,773)
Financing activities(7).....	(7,210)	(6,153)	(11,143)	(46,554)	(8,011)	(6,065)	(311,491)

	AS OF DECEMBER 31,					AS OF SEPTEMBER 30,	
	1992	1993	1994	1995	1996	1996	1997
	(IN THOUSANDS, EXCEPT PER SHARE DATA)					(UNAUDITED)	
BALANCE SHEET DATA:							
Cash and cash equivalents(9).....	\$ 201,112	\$ 256,292	\$ 275,417	\$ 303,590	\$ 819,851	\$ 848,636	\$ 576,712
Total property, plant and equipment, net.....	684,043	722,043	756,954	804,974	834,167	825,816	853,217
Total assets.....	1,289,384	1,395,833	1,449,390	1,530,994	1,806,238	1,817,606	1,584,860
Total stockholders' equity(10).....	833,682	901,710	936,982	1,016,067	1,196,941	1,185,164	934,606

(1) Net sales includes real estate, land and building sales, forestry and timber sales and sugar sales. Net sales for the nine months ended September 30, 1996 included two related one-time condemnation sales of land to the State of Florida in exchange for \$97.8 million in cash plus certain limited development rights. Net operating results of the communications segment, linerboard mill and container plants are shown separately as income (loss) from discontinued operations for all years presented.

(2) Operating revenues includes real estate rental revenue and transportation revenue.

(3) Cumulative effect of adopting Statement of Financial Accounting Standards (SFAS) No. 109, "Accounting for Income Taxes."

(4) Net operating results of the communications segment, linerboard mill and container plants are shown separately as income (loss) from discontinued operations for all years presented. The gain on sale of discontinued operations declined by approximately \$7.0 million during the fourth quarter of 1996 as a result of finalizing the post closing working capital adjustments, closing expenses and pension curtailment gain, which had been previously estimated. See Note 3 to the Consolidated Financial Statements.

- (5) Per share data is rounded to the nearest \$.01 to reflect the 3-for-1 split of the Company's Common Stock on January 12, 1998.
- (6) On December 30, 1997, the Company paid a dividend of \$.02 per share.
- (7) Approximately \$359.3 million of proceeds from the sales of the communications segment, linerboard mill and container plants were held in special accounts during 1996. A special distribution of a portion of the net proceeds of the sales of \$3.33 per share was paid on March 25, 1997, for stockholders of record on March 21, 1997. The Company made a special distribution of the remaining net proceeds of \$.34 per share on December 30, 1997 to stockholders of record on December 19, 1997.
- (8) The Company uses a supplemental performance measure along with net income to report its operating results. This measure, Earnings Before Depreciation and Deferred Taxes (EBDDT), is not a measure of operating results or cash flows from operating activities as defined by generally accepted accounting principles. Additionally, EBDDT is not necessarily indicative of cash available to fund cash needs and should not be considered as an alternative to cash flows as a measure of liquidity. However, the Company believes that EBDDT provides relevant information about its operations and is necessary, along with net income, for an understanding of its operating results. Depreciation, amortization and deferred income taxes are excluded from EBDDT as they represent non-cash charges. Earnings and gains on sales of discontinued operations and gains on the sale of non-strategic land and other assets represent non-operating, unusual and/or nonrecurring items and are therefore excluded from EBDDT. The cumulative effect in 1993 of a change in accounting principle has also been excluded from EBDDT.
- (9) Includes cash, cash equivalents, marketable securities and short-term investments.
- (10) The Company adopted the provisions of SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities" at December 31, 1993. This adoption increased stockholders' equity by \$41.5 million.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION  
AND RESULTS OF OPERATIONS

Management's discussion and analysis should be read in conjunction with the Consolidated Financial Statements and "Business and Properties" included elsewhere in this Prospectus. The following discussion contains forward-looking statements. The Company's actual results may differ significantly from those projected in the forward-looking statements. Factors that might cause future actual results to differ materially from the Company's recent results or those projected in the forward-looking statements include, but are not limited to, those discussed in "Risk Factors" and below.

The text below includes a discussion of the Company's results of operations for the nine month period ended September 30, 1996 compared to the nine month period ended September 30, 1997. For a discussion of the results of operations for the years ended December 31, 1994, 1995 and 1996, see Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," in the Company's 1996 Form 10-K, incorporated by reference herein.

## OVERVIEW

St. Joe Corporation is a diversified company engaged in the real estate, forestry, transportation and sugar industries. Until the second quarter of 1996, the Company was also engaged in communications and the manufacture and distribution of forest products.

The Company's assets and operations are concentrated in the state of Florida. Consequently, the Company's performance, and particularly that of its real estate operations, is significantly affected by the general health of the Florida economy. The Company's businesses, particularly forestry and transportation, are influenced by the general health of the national economy. The Company's real estate operations are also cyclical but are primarily affected by local demographic and general economic trends, and the supply and rate of absorption of new construction. Although the Company has a large portfolio of income producing properties that provide stable operating results, the Company's earnings from period to period may be significantly affected by the nature and timing of sales of development property and non-strategic assets.

The Company is currently undergoing a number of important changes in the mix of its businesses and its overall business strategy. In the first quarter of 1997, the Company hired a new chairman and chief executive officer as well as several other senior members of management with strong backgrounds in large-scale real estate planning and development. Under the direction of this new management team, the Company is focusing more closely on the development of its large land portfolio. Management believes that the Company's increased focus on real estate operations will result in a larger portion of the Company's overall revenues being attributable to real estate operations. However, many of the Company's proposed projects will require a lengthy process to complete the development cycle before they are sold or otherwise generate revenue. Nevertheless, management believes the Company's existing raw land portfolio will allow the Company to maintain relatively low development costs and that its existing large portfolio of income-producing properties, together with its other businesses, will continue to generate cash to fund a significant portion of its longer-term projects.

The Company is also undergoing certain strategic changes in its forestry operations. The major customer for the Company's timber has been and continues to be the Company's former linerboard mill which was sold in May, 1996. The wood fiber supply agreement between the Company and the mill was recently renegotiated to provide for a level of tonnage that is significantly less than historical levels. Partly as a result of the reduced tonnage under the agreement, the Company has decided to allow its forests to grow for longer periods in order to age the timber and shift its focus toward higher-margin products. However, during this transition period, management believes that revenues in the forestry segment may remain flat or decline slightly in the near term.

## RECENT EVENTS

On December 9, 1997, the Company entered into a letter of intent with Codina Group, Inc. and Weeks Corporation under which the Company and Weeks, among other things, each agreed to purchase a one-third interest in Codina, a commercial/industrial developer, active principally in southern Florida. After the consummation of the transaction, the Company intends to develop commercial, industrial and office property in southern Florida through its interest in Codina. The purchase price of this transaction is not material to the Company's financial position.

On December 6, 1997, the Company announced that it had reached an agreement in principle to sell its sugar lands to certain federal and state government agencies for \$133.5 million in cash. Under the preliminary agreement, the Company would retain the right to farm the sugar lands through the 2002-2003 crop year. The proposed transaction is subject to both government and board approval.

On December 3, 1997, the Company and Orlando-based CNL Group, Inc. formed a real estate joint venture to invest in and develop office and industrial properties primarily in the central Florida region. The Company, through two subsidiaries, received a 50% ownership interest in the joint venture. The Company committed to lend up to \$25 million for new projects the venture determines to develop and/or manage.

On November 21, 1997, the Company announced the withdrawal of its outstanding offer to purchase all outstanding FECEI common stock not owned by the Company at \$102 per share.

On November 12, 1997, the Company, through two subsidiaries, purchased certain assets, including the personnel, trademark and proprietary information systems, of Arvida Company through a newly formed limited partnership with JMB Southeast Development, L.L.C. and JMB Southeast Development, L.P. for the purpose of developing and/or managing residential communities on certain lands owned by the Company, as well as the purchase of other lands for development and management. The Company owns 74% of the new limited partnership, St. Joe/Arvida Company, L.P. The purchase price for the 74% partnership interest in the new entity is not material to the Company's financial position.

## RESULTS OF OPERATIONS

## COMPARISON OF NINE MONTH PERIODS ENDED SEPTEMBER 30, 1996 AND 1997

Net sales decreased 54.1% from \$173.4 million in the first nine months of 1996 to \$79.6 million in the first nine months of 1997. Sales in 1996 were unusually high due to two related condemnation sales of land to the State of Florida in exchange for \$97.8 million in cash plus certain limited development rights. Sales of real estate totaled \$30.5 million in 1997. Operating revenues increased 6.2% from \$162.3 million in 1996 to \$172.3 million in 1997, primarily due to an increase in transportation revenues of \$6.8 million as well as increases in real estate rental revenues.

Cost of sales decreased 2.3% from \$64.8 million in the first nine months of 1996 to \$63.3 million in the first nine months of 1997, as a result of decreases in cost of timber and other sales of \$21.9 million offset by increases in cost of real estate sales of \$20.3 million. Operating expenses decreased 1.7% from \$120.5 million in the first nine months of 1996 to \$118.5 million in the first nine months of 1997 resulting from decreases in transportation costs of \$3.9 million offset in part by an increase in real estate operating costs of \$1.9 million.

Selling, general and administrative expenses increased 15.3% from \$24.4 million in the first nine months of 1996 to \$28.1 million in the first nine months of 1997, primarily due to a one-time write-off of approximately \$2.9 million for expenses incurred in the transportation segment in connection with the possible disposition of certain of its assets.

Other income (expense) increased 2.0% from \$32.0 million in 1996 to \$32.7 million in 1997. The year to date increase for the first nine months of 1997 was due to higher average investment balances compared to the first nine months of 1996.

Income tax expense on continuing operations for the nine months ended in September 30, 1997 totaled \$33.0 million, representing an effective rate of 44% compared to \$71.2 million for a similar effective tax rate in

the 1996 comparable period. These rates exceed statutory rates primarily because of the 50% excise tax on prepaid pension cost totaling \$4.2 million in 1997 and \$11.0 million in 1996. It is anticipated that as long as the Company continues to record prepaid pension cost, an excise tax of 50% will be accrued.

Net income for the nine months ended September 30, 1997 was \$28.3 million or \$0.31 per share compared to \$168.0 million or \$1.84 per share in 1996. Results for 1996 included income from discontinued operations of \$91.1 million, net of tax.

#### Real Estate

	NINE MONTHS ENDED SEPTEMBER 30,		
	1996	1997	% CHANGE
	-----		
	(\$ IN MILLIONS)		
Net Sales and Operating Revenue.....	\$124.2	\$59.2	(52.3)
Cost of Sales and Operating Expense.....	18.4	41.2	123.9
Selling, General and Administrative Expenses.....	3.1	3.4	9.7
Operating Profit.....	102.7	14.6	(85.8)

The Company's real estate operations currently consist of commercial and industrial development and management through GCC, a subsidiary of FECl, and community residential development through the Southwood Properties Division of the Company ("Southwood").

Real estate net sales and operating revenue decreased \$65.0 million, or 52.3%, from \$124.2 million in the first nine months of 1996 to \$59.2 million in the first nine months of 1997. Costs of sales and operating expenses increased 123.9% from \$18.4 million in the first nine months of 1996 to \$41.2 million in the first nine months of 1997. The decrease in sales was largely due to two related condemnation sales of land to the State of Florida in 1996 for \$97.8 million in cash plus certain limited development rights. Costs associated with these sales were \$1.1 million. The increase in costs of sales and operating expense was due to a higher cost basis on 1997 land and building sales. Year to date selling, general and administrative expenses increased 9.7% during 1997 due primarily to additional salaries and related benefits.

In the commercial/industrial segment, conducted through GCC, rental revenues increased \$3.6 million, or 14.3%, from \$25.1 million in the first nine months of 1996 to \$28.7 million in the first nine months of 1997. Operating expenses in the commercial/industrial segment were \$17.6 million for a 38.7% gross margin in the 1997 period compared to \$15.7 million in 1996 for a gross margin of 37.5%. During the first nine months of 1997 eight buildings were placed in service adding approximately 973,000 leasable square feet. In the first nine months of 1997, land and building sales totaled \$26.5 million and included three buildings, totaling \$20.1 million, one of which was developed and constructed specifically for the purpose of resale. The total cost of these sales was \$22.4 million.

In the community/residential segment, land sales increased \$2.7 million, or 207.7%, from \$1.3 million in the first nine months of 1996 to \$4.0 million in the first nine months of 1997 (not including the condemnation sales). Costs of these sales increased 200.0% from \$.4 million in the first nine months of 1996 to \$1.2 million in the first nine months of 1997.

As a result of these factors, operating profit decreased 85.8% from \$102.7 million for the nine months ended September 30, 1996 to \$14.6 million for the comparable period in 1997.

#### Forestry

	NINE MONTHS ENDED SEPTEMBER 30,		
	1996	1997	% CHANGE
	-----		
	(\$ IN MILLIONS)		
Net Sales.....	\$44.6	\$23.1	(48.2)
Cost of Sales.....	42.3	20.3	(52.0)
Selling, General and Administrative Expenses.....	1.4	1.7	21.4
Operating Profit (Loss).....	.9	1.1	22.2



Total net sales decreased \$21.5 million, or 48.2%, from \$44.6 million in the first nine months of 1996 to \$23.1 million the first nine months of 1997, all of which is attributable to the Florida Coast linerboard mill shutdown which lasted from April 1997 through September 1997. Costs of sales decreased 52% from \$42.3 million in 1996 to \$20.3 million in 1997 due to declining sales, although cost of sales as a percentage of sales continued to improve as the Company sold more of its grown timber with higher margins than procured wood. Selling, general and administrative costs increased \$.3 million from \$1.4 million in 1996 to \$1.7 million in 1997 primarily due to severance payments of approximately \$1.2 million paid to 62 terminated employees, offset by reductions in ongoing staffing levels. Operating profit increased 22.2% from \$.9 million in 1996 to \$1.1 million in 1997.

On August 25, 1997, the Company renegotiated certain terms of its wood fiber supply agreement with Florida Coast. Under the new agreement, the Company will supply 615,400 tons of pulpwood and wood chips between August 25, 1997 and May 30, 1998; thereafter the Company will supply 700,000 tons per year through December, 2011 with two five year renewal periods at the option of Florida Coast. Under the previous agreement, up to 1.6 million tons per year were to be provided to Florida Coast. As a result of the decrease in tonnage required to be provided to Florida Coast, management expects that the Company's revenues will be temporarily depressed, but the change should result in higher-quality older-growth timber in the future. The pricing mechanism for the wood remains the same as in the original agreement.

#### Transportation

	NINE MONTHS ENDED SEPTEMBER 30,		
	1996	1997	% CHANGE
	----- (\$ IN MILLIONS) -----		
Operating Revenues.....	\$137.2	\$144.0	5.0
Operating Expenses.....	104.8	100.9	(3.7)
Selling, General and Administrative Expenses.....	14.5	17.7	22.1
Operating Profit.....	17.9	25.4	41.9

Operating revenues in the transportation segment were \$144.0 million in 1997, an increase of 5% over the comparable period in 1996. Total FEC transportation operating revenues increased \$9.0 million, or 7.1% from \$127.5 million in the first nine months of 1996 to \$136.5 million in the first nine months of 1997. This increase is attributable to a combination of an 8.2% increase in the number of shipments handled in the first nine months of 1997 versus 1996 and various rate increases achieved since the beginning of the year. ANRR's operating revenues were \$7.5 million in 1997, \$2.2 million lower than in 1996 due to the shutdown of the Florida Coast linerboard mill shutdown, its largest customer. Operating expenses for this segment were \$100.9 million, \$3.9 million lower than last year as a result of decreases in casualty reserves totaling \$2.5 million and overall reductions in operating expenses. The 1996 comparable figures for casualty and insurance costs included an accrual for an adverse legal judgment against the Company, which was subsequently reversed on appeal, of approximately \$2.2 million. Selling, general and administrative expenses increased 22.1% over the previous year from \$14.5 million in 1996 to \$17.7 million in 1997. Operating profit for the transportation segment overall has increased from 13.0% in 1996 to 17.6% in 1997 as a result.

#### Sugar

	NINE MONTHS ENDED SEPTEMBER 30,		
	1996	1997	% CHANGE
	----- (\$ IN MILLIONS) -----		
Net Sales.....	\$29.7	\$25.5	(14.1)
Cost of Sales.....	19.9	19.3	(3.0)
Selling, General and Administrative Expenses.....	3.5	3.5	0
Operating Profit (Loss).....	6.3	2.7	(57.1)

Net sales decreased \$4.2 million, or 14.1%, from \$29.7 million in the first nine months of 1996 to \$25.5 million in the first nine months of 1997, due primarily to a 12.4% volume decrease (8,400 tons) resulting from the timing of shipments and fewer acres being harvested, and a sales price decrease of \$7 dollars per ton. Cost

of sales as a percentage of sales increased from 67.0% to 75.7% due to lower selling price, higher direct costs including cultivation expenses, as well as higher indirect costs compared to 1996. Selling, general and administrative expense levels were consistent with 1996. Included in selling, general and administrative expense is the Everglades Agricultural Privileges Tax of \$905,000 and \$976,000 for 1997 and 1996, respectively.

#### CORPORATE AND OTHER

On February 25, 1997 the Board of Directors approved an interim severance program. The program was available to all employees (including early and regular retirees) who elected to leave employment with the Company prior to May 2, 1997. In total 80 employees elected to participate, and the Company incurred total severance costs of approximately \$2.5 million during 1997, of which \$1.3 million is included in corporate general and administrative expense and \$1.2 million is included in the forestry segment.

#### FINANCIAL POSITION AND CAPITAL RESOURCES

Total cash and cash equivalents decreased 55.2% from \$449.0 million at December 31, 1996 to \$201.0 million at September 30, 1997 primarily as a result of the special distribution of \$3.33 per share paid during the first quarter totaling approximately \$305 million. The Company distributed the remaining net proceeds of the sales of operations which occurred in 1996 of approximately \$.34 per share in a special distribution on December 30, 1997. The Company has also paid a dividend of \$.02 per share on December 30, 1997. Total cash, cash equivalents, short-term investments and marketable securities were \$576 million at September 30, 1997.

Capital expenditures for the year to date totaled \$53.3 million, of which \$40.8 million related to real estate construction and land purchases. It is anticipated that expenditures in the foreseeable future will be funded through available cash and cash equivalents and funds from operations.

Stockholders' equity at September 30, 1997 was \$10.19 per share, a decrease of \$2.89 from December 31, 1996, due to total distributions of \$310.2 million, including the special distribution and the regular \$.02 per share dividend paid each quarter.

The Company has historically not incurred debt in the development of its various real estate projects or for other expenditures, funding instead from internally generated cash flows. However, as the Company moves forward, debt may be incurred in those situations where the use of financing leverage is deemed appropriate. See "Business and Properties -- Investments."

## BUSINESS AND PROPERTIES

## GENERAL

St. Joe Corporation is a diversified company engaged in the real estate, forestry, transportation and sugar industries in the State of Florida. The Company is the single largest private landowner in Florida, owning more than 1.1 million acres, or approximately 3% of the land area of the state (an area slightly smaller than the land area of the State of Delaware). Although the vast majority of the Company's properties consist of timberlands, St. Joe owns a large portfolio of income producing properties and sizable tracts suitable for commercial, industrial and residential as well as resort and entertainment development. The Company is currently engaged in four principal lines of business:

- Real Estate -- the development, ownership and management of commercial, industrial and residential properties as well as the prospective development of resort and entertainment properties;
- Forestry -- the management and harvesting of extensive timberland holdings;
- Transportation -- the operation of two railroads within Florida; and
- Sugar -- the cultivation, harvesting and processing of sugar cane.

St. Joe is currently undergoing a number of important changes in its mix of businesses and its overall business strategy. In early 1997, the Company hired a new chairman and chief executive officer, Peter Rummell, the former President of Disney Development Company and Chairman of Walt Disney Imagineering, as well as several other senior members of management with strong backgrounds in large-scale real estate development, the complex Florida entitlement process, and financial and asset management. Under the direction of this new management team, the Company intends to focus more closely on the development of its large land portfolio. In addition, the Company is implementing a new strategy in its forestry segment by extending the harvest rotation of certain sections of its timberlands in order to effect a shift toward higher-margin products. In order to focus more closely on its core assets, the Company sold its linerboard mill as well as its container and communications businesses in 1996. In addition, on December 6, 1997, management announced that it had reached an agreement in principle to sell the Company's sugar lands to certain federal and state government agencies on or before June 6, 1998, although the Company will retain the right to farm the sugar lands through the 2002-2003 crop year.

Management believes that the Company has a number of key business strengths and competitive advantages, including, in its opinion, the largest inventory of private land suitable for development in the State of Florida, a very low cost basis in its land assets, a strong cash position and no material indebtedness, which management believes will allow St. Joe the financial flexibility to aggressively pursue development opportunities. Management is also focusing on optimizing the value of the Company's other operating assets and may employ financially-driven strategies to improve returns, such as acquisitions, joint ventures and dispositions.

## COMPANY BACKGROUND AND HISTORY

The Company was organized as a Florida corporation in 1936 by the executors of the Estate of Alfred I. duPont to implement Mr. duPont's plans to establish a paper company in northwestern Florida. The Company's Port St. Joe paper mill began operations in 1938. The Company subsequently expanded into other lines of business primarily by acquiring companies in financial difficulty whose assets the Company perceived to be undervalued. For example, the Company acquired control of FEC when it emerged from reorganization in 1961 and subsequently made large capital investments in FEC to rehabilitate its operations.

Since 1940, the Company has continued to purchase additional parcels of real property located throughout Florida and over time has acquired a sizable portfolio of land. Included in these holdings are approximately 45,000 acres in northwestern Florida that the Company has identified as potentially suitable for development over the near to long term. For a more complete description of the Company's land holdings, see "-- Real Estate Operations."

The current ownership structure of the Company's principal lines of business is as follows:

[GRAPH]

#### OPERATIONS

Real Estate. The Company currently conducts its real estate operations in two principal segments: commercial/industrial development and management and community/residential development.

The Company owns and manages commercial and industrial properties through Gran Central Corporation ("GCC"), a wholly-owned subsidiary of Florida East Coast Industries, Inc. ("FECI"), in which the Company has a 54% equity interest. At October 30, 1997, GCC owned and operated 59 buildings with approximately 5.6 million square feet of rentable commercial/industrial space. On the same date, GCC's buildings in service for one year or more were 91% leased (82% for its portfolio as a whole, including newly constructed buildings). GCC's buildings are primarily Class "A" office space and high quality commercial/industrial facilities constructed after 1987 and are well-located in business parks near major transportation hubs, primarily in the Jacksonville and Miami, Florida areas. At October 30, 1997, GCC had an additional 479,000 square feet under construction and had entitlements to develop an additional approximately 14.2 million square feet of buildings, primarily in its Miami, Jacksonville and Orlando parks. GCC also owns over 15,400 acres of unentitled land that management believes are suitable for future commercial, industrial and residential development, primarily situated adjacent to the Florida East Coast Railway right-of-ways in attractive markets that the Company believes will provide significant growth opportunities.

In the community/residential real estate sector, the Company intends to develop large-scale mixed-use communities, primarily on Company-owned land. The Company's land holdings include large tracts near Tallahassee, the state capital, and in northwestern Florida that the Company believes to be well-suited for community/residential as well as resort and second-home development. These holdings include significant Gulf of Mexico frontage (with over five miles of white sand beaches), and bay and riverfront properties, as well as properties adjacent to existing communities. The Company intends to design and entitle well-conceived master plans, install major infrastructure improvements and either sell permitted lots to merchant builders for construction or build and sell finished residential units to end purchasers. The Company recently initiated master-planning of 800 acres with over 7,000 feet of white sand beach frontage in south Walton County near the Town of Seaside for development as second-home and resort communities and 3,000 acres of a Tallahassee parcel for development as a mixed-use residential community. The Company is currently evaluating other properties for development as resort and second-home communities and believes that its holdings in northwestern Florida offer unique opportunities to create high amenity projects, with gulf, lake and river access, at comparatively low costs due to the Company's low basis in its long-term land holdings.

In order to increase the pace of community/residential development and to gain a foothold in the home building industry, the Company recently acquired the personnel, trademark and selected assets of the Arvida Company ("Arvida") through a majority-owned joint venture (the "Arvida Venture"). Arvida is a prominent Florida-based community and residential real estate developer, which in 1996 and the first nine months of 1997 closed contracts on 2,077 houses and 566 lots.

Forestry. The Company is the largest private owner of timberlands in Florida, with over 700,000 acres of planted pine forests, primarily in northwestern Florida, and an additional 300,000 acres of mixed timberland, wetlands and lake and canal properties. The principal product of the Company's forestry operations is softwood pulpwood. In addition, the Company produces and sells sawtimber. The Company estimates that it can increase its long-term sustainable yearly harvest over the next decade to 1.6 million tons of softwood pulpwood and .9 million tons of softwood sawtimber. The major customer for the Company's timber has been and continues to be the Company's former linerboard mill, which it sold to Florida Coast Paper Company, L.L.C. ("Florida Coast") in May 1996. In 1996, the Company harvested 697,398 tons of timber, of which 610,418 tons were sold to Florida Coast, and the balance to a number of other market participants, including Georgia-Pacific Corporation, Champion International Corporation and Louisiana-Pacific Corporation.

After the closure of the mill for several months in 1997, the Company renegotiated its 15 year supply contract with Florida Coast to allow it to supply pulpwood to the mill at a level (700,000 tons per year beginning June 1, 1998) significantly lower than historical levels. The Company sought to reduce its obligation to supply pulpwood under the agreement and intends to extend growing periods for certain portions of its timber and to sell such timber in the form of higher-margin products, which the Company anticipates will increase the long-term profitability of its forestry operations. The Company estimates that its standing pine inventory on January 1, 1998 totaled 10.6 million tons and its hardwood inventory totaled 5.9 million tons.

Transportation. FECI's subsidiary, Florida East Coast Railway Company ("FEC"), provides rail and freight service over 351 miles of main line track between Jacksonville and Miami, Florida and 71 miles of branch line track between Fort Pierce and Lake Harbor, Florida. FEC has the only coastal right-of-way between Jacksonville and West Palm Beach, Florida and is the exclusive rail-service provider to the Port of Palm Beach, Port Everglades and the Port of Miami. Principal commodities carried by FEC, by weight, include trailers-on-flatcars, containers-on-flatcars, crushed stone, foodstuffs, vehicles and cement. FEC is pursuing a number of opportunities to enhance returns, including through leasing its right-of-ways for the laying of fiber-optic conduit and the construction of communications towers. The Company also owns the Apalachicola Northern Railroad Company ("ANRR"), a short-line railroad that operates on 96 miles of track between Port St. Joe and Chattahoochee, Florida.

Sugar. Talisman Sugar Corporation ("Talisman"), a wholly-owned subsidiary of the Company, grows sugarcane on over 52,000 acres in the Belle Glade region of south central Florida. Talisman processes this sugarcane at its mill facility and sells all of the output of raw sugar to the Everglades Sugar Refinery, Inc., a wholly owned subsidiary of Savannah Foods & Industries, Inc. During the 1996-1997 crop year, Talisman produced 117,000 tons of raw sugar. As part of its efforts to focus more intently on the Company's core assets, the Company has agreed in principle to sell its sugar lands to certain federal and state government agencies on or before June 6, 1998 for \$133.5 million in cash. In the event the proposed sale is consummated, Talisman would retain the right to farm the sugar lands through the 2002-2003 crop year. The proposed transaction is subject to both government and board approval.

#### KEY BUSINESS STRATEGIES

The Company's principal objective is to optimize the value of its substantial asset base. The Company's management team is focused on the following key strategies:

**Increase the Pace of Development.** Through its new management team, the Company intends to take a more aggressive approach to the development of its properties. In the commercial/industrial sector, GCC has secured entitlements to develop an additional 14.2 million square feet of buildings. In the community/residential development sector, the Company's inventory includes approximately 51,000 acres, including land adjacent to existing developments and prime gulf-front properties as well as numerous lake and riverfront parcels that management believes can be developed in a variety of formats. As part of its strategy to increase the pace of development, St. Joe intends to initiate home-building activity, primarily through the Arvida Venture. During the near term, the Arvida Venture will accelerate development through the acquisition of land from third parties. Over the longer term, management

believes the Company's large raw land portfolio will allow the Company to maintain low development costs relative to its competitors and that its existing large portfolio of income-producing properties, together with its other businesses, will generate cash to fund a significant portion of its long-term projects.

**Pursue Strategic Acquisitions and Joint Ventures in Real Estate.** The Company believes that its diverse capabilities and access to capital provide a competitive advantage in identifying and acquiring additional development opportunities. The Company intends to pursue such development opportunities through potential acquisitions, joint ventures and other strategic alliances, particularly with established Florida-based developers. Management believes that joint venture relationships will provide the Company with immediate access to the human resources, local market expertise and information systems necessary to enable the Company to compete effectively for development opportunities. As part of this strategy, the Company recently entered into the Arvida Venture. The Company also recently formed a joint venture with CNL Group, Inc. ("CNL"), a large privately held real estate investment, finance and development company, to develop commercial properties primarily in the central Florida region along the U.S. Interstate Highway 4 corridor, including Tampa, Orlando and Daytona Beach. On December 9, 1997, the Company entered into a letter of intent with Codina Group, Inc. ("Codina") and Weeks Corporation ("Weeks") under which the Company and Weeks, among other things, each agreed to purchase a one-third interest in Codina, a commercial/industrial developer active principally in southern Florida.

**Pursue Resort and Location-Based Entertainment Development Opportunities.** The Company plans to actively pursue the development of resorts (including hotels, golf courses and other recreational facilities) and location-based entertainment facilities as a new line of business. Resort development may be in the form of stand alone projects or in conjunction with the Company's large-scale community development projects. The Company believes it has the land inventory (including attractive beach and other waterfront properties) necessary to enter the resort development business effectively. As part of the Company's strategy to enter the resort development business, in December 1997 the Company acquired the Riverside Golf Management Company, which manages three daily fee public golf courses in Jacksonville, Florida, Atlanta, Georgia and Clemson, South Carolina. In addition, the Company is evaluating potential development opportunities in the location-based entertainment business, both inside and outside of Florida, to be developed by the Company alone or in conjunction with joint venture partners. Location-based entertainment takes the form of stand alone facilities, often part of regional or national chains, that provide entertainment, food and beverage and/or retail experiences. The Company's management has extensive experience in the resort and entertainment segments of the real estate development industry and is seeking avenues to take advantage of that expertise.

**Aggressively Pursue the Entitlement Process.** The Company believes that the complex Florida land entitlement process can be a significant entry barrier to less capitalized developers. In developing new residential real estate projects, the Company intends to capitalize on its large existing land portfolio by, if appropriate, deeding or donating portions of its existing properties in exchange for long-term development rights. The Company believes its large, established land inventory provides an advantage relative to competitors that must purchase real estate before beginning development projects.

**Enhance Operating Performance.** The Company believes it can improve its operating performance through the following means:

**Implement Aggressive Leasing Policy.** Due to currently favorable market conditions, the Company believes that it can generate incremental earnings through enhanced management of its existing rental portfolio and through more aggressive leasing. Leases for approximately 73% of GCC's 4.6 million rented square feet expire over the next five years. In exercising this strategy, the Company intends to balance rental revenue with occupancy levels in order to optimize project revenues.

**Increase Long-Term Profitability of Forestry Operations.** The Company intends to improve returns in its forestry operations by growing portions of its timber for longer periods in order to capitalize on higher margins for older-growth timber. In 1996, the Company shed the lower-margin component of its forestry operations through the sale of its linerboard mill and container facilities,

and in 1997, the Company reduced employment in its forestry operations by 72% through outsourcing. In addition, the Company is considering potential transactions to increase the nearer term value of the Company's timberlands, such as asset swaps, sales, joint ventures or lease arrangements.

**Achieve Cost Reductions in Transportation Operations.** The Company believes it can improve the profitability of its transportation segment through reductions in its cost structure, including more efficient use of its railyards and equipment.

**Capital Structure and Financing Strategy.** The Company has historically financed expansion with internally generated funds, held large cash balances and avoided the incurrence of debt. Although the Company expects to continue to employ conservative financing policies, management intends to use the Company's balance of cash and cash equivalents to invest more aggressively in development, acquisitions and joint ventures and to incur debt in appropriate circumstances in order to more effectively leverage the value of the Company's assets. The Company had cash, cash equivalents and marketable securities of approximately \$505 million at January 12, 1998.

#### THE FLORIDA ECONOMY

The Company's businesses are centered in Florida and the state's economic health and growth rate will be important factors in creating demand for the Company's products and services. According to the Bureau of Economic Analysis of the WEFA Group, from 1992 to 1996 Florida's gross domestic product grew at an average rate of approximately 6.1% per year compared to 5.3% per year for the United States as a whole, and from 1997 to 2001 is expected to grow at an average annual rate of approximately 5.8% compared to 5.3% for the nation as a whole. According to U.S. Census Bureau statistics, Florida's annual population growth over the last ten years has been 2.0%, while the average U.S. rate of population growth has been approximately 1.0%. According to the Bureau of Economic and Business Research at the University of Florida (the "Bureau"), Florida's population will increase 26% between 1995 and 2010 compared to a U.S. Census Bureau projection of 13.5% for the United States as a whole. Population growth rates on the eastern coast of Florida, where many of GCC's properties are located, are projected by the Bureau to be significantly higher than the statewide rate. With the exception of Walton County (where population growth rates have exceeded those of the State of Florida), population growth rates in northwestern Florida, where most of the Company's properties are located, have not been as high as those of the State as a whole, but have still exceeded the national average. The Bureau estimates that employment in Florida grew at an average annual rate of 3.5% from 1980 to 1995 and will continue to increase at an average annual rate of 2.2% from 1996 to 2010. According to the Bureau, personal incomes in Florida grew at 4.1% from 1980 to 1995 and are expected to continue to grow at approximately 3% per year from 1996 to 2010. Florida's population, job and income growth have created substantial demand for new residential and commercial construction. According to a study conducted by the Bureau, in 1995 Florida ranked first in the nation with respect to the number of housing units permitted for construction and second in the nation on a value per unit basis. Housing starts in the state of Florida are expected to reach an aggregate level of 113,200 for 1996 and 1997 combined and to increase to 116,000 for 1998 alone. Management expects Florida's economic and population growth to continue and believes that St. Joe is well positioned to benefit from increasing demand for housing as well as office and industrial space in the Florida real estate market.

#### REAL ESTATE

The Company conducts its real estate operations through two principal segments: commercial/industrial development and management, and community/residential development. In addition, the Company plans to pursue resort and entertainment-based development in the future. The general locations of the Company's real estate holdings are indicated on the map on the inside front cover of this Prospectus.

## COMMERCIAL AND INDUSTRIAL DEVELOPMENT

The Company owns and manages commercial and industrial properties through FECCI's wholly-owned subsidiary, Gran Central Corporation. The primary focus of GCC's development activities has been the Miami, Jacksonville and Orlando areas, all of which are highly active with local, regional and national development companies competing for land and tenants. The Company plans to continue operating in these markets, and to evaluate Florida and southeastern markets to increase the geographic diversity of its current portfolio. GCC is aggressively pursuing commercial/industrial development opportunities on its entitled land and actively seeks attractive land acquisition opportunities. A summary of GCC's properties is set forth below:

## GCC PROPERTY SUMMARY

Rentable Square Feet(1).....	5,591,994
Percent Leased(1)(2).....	82.4%
Rental Revenue(3).....	\$24,116,385
Average Age of Buildings(1).....	5.5 yrs.
Square Feet under Construction(1).....	479,000
Entitled Square Feet(4)(5).....	14,150,000
Entitled Land (acres)(4).....	1,823
Unentitled Land (acres)(4).....	15,439
Developed Land (acres)(4).....	418
	-----
Total Land (acres)(4).....	17,680
	=====

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(1) At October 30, 1997.

(2) At October 30, 1997, buildings in service for one year or more were approximately 91% leased.

(3) Through October 31, 1997.

(4) At December 1, 1997.

(5) Several of the Development of Regional Impact ("DRI") applications under which GCC has vested rights to develop property contain conversion formulas. These formulas vary the number of square feet GCC may construct in a given project depending on the type of buildings constructed. Accordingly, actual square footage constructed may vary significantly from currently entitled square footage.

Because GCC was formed to conduct the real estate activities of the Florida East Coast Railway Company, its undeveloped properties are generally located near transportation corridors along the eastern coast of Florida. GCC's developable holdings include sizable parcels adjacent to FEC tracks which are suitable for development into office and industrial parks, offering both rail and non-rail-served parcels. Certain of GCC's other holdings are in urban or suburban locations offering opportunities for development of office building structures or business parks containing both office building sites and sites for flexible space structures such as office/showroom/warehouse buildings.

On December 3, 1997, the Company formed a 50/50 joint venture ("St. Joe/CNL") with Orlando-based CNL Group, Inc. to develop and acquire commercial real estate in the central Florida area. CNL is a large privately held real estate, finance, and development company with substantial market knowledge and relationships in the Orlando and central Florida commercial and industrial markets. At September 8, 1997, according to the CNL Group, Inc., CNL and its affiliates owned assets totaling more than \$2 billion, representing more than 1,500 properties in 47 states. St. Joe/CNL's strategy is to accumulate a portfolio of profitable, stabilized real estate assets through a combination of development and acquisition and hold those assets in anticipation of ultimate sale. St. Joe/CNL will initially focus on single and multi-tenant office buildings and industrial and flex space, primarily in 17 central Florida counties and along the U.S. Interstate Highway 4 corridor, including Tampa, Orlando and Daytona Beach. St. Joe/CNL has significant investments planned for the greater Orlando market, including a 14-story 345,000 square foot downtown Orlando office building, together with an approximately 1,800 space parking garage, which will serve as CNL's new corporate headquarters.



## Income Producing Projects

At October 30, 1997, GCC's commercial and industrial income-producing portfolio included ten projects with 59 buildings aggregating 5,591,994 square feet. At October 30, 1997, these buildings were 82.4% leased. GCC's income-producing projects are detailed below:

## GCC INCOME-PRODUCING PROJECTS

(AT OCTOBER 30, 1997)

LOCATION	NUMBER OF BUILDINGS	TYPE	RENTABLE SQUARE FEET	LEASED SQUARE FEET	PERCENT LEASED	MONTHLY BASE RENT	AVERAGE BASE RENT/SQUARE FOOT	YEAR BUILT
duPont Center..... Jacksonville, FL	2	Office	162,669	157,040	96.5%	\$ 178,951	\$13.67	1987-89
Gran Park at Deerwood(1).... Jacksonville, FL	3	Office	385,213	302,091	78.4	406,163	16.13	1996-97
Gran Park at Interstate South..... Jacksonville, FL	6	Industrial	260,064	223,247	85.8	123,598	6.64	1986-88
Gran Park at Jacksonville(2)..... Jacksonville, FL	3	Industrial	354,153	108,060	30.5	71,819	7.98	1997
Gran Park at the Avenues(3)..... Jacksonville, FL	8	Mixed use	713,877	594,741	83.3	492,723	9.94	1992-97
Gran Park at Riviera Beach..... Riviera Beach, FL	5	Industrial	311,392	279,935	89.9	98,810	4.24	1982-91
Gran Park at McCahill(4).... Miami, FL	5	Industrial	878,439	566,420	64.5	249,063	5.28	1992-97
Gran Park at Miami(5)..... Miami, FL	24	Industrial	2,422,101	2,297,185	94.8	1,060,331	5.54	1988-97
Hialeah, FL.....	2	Industrial	50,150	24,075	48.0	11,975	5.97	1975/87
Pompano Beach, FL.....	1	Industrial	53,936	53,936	100.0	23,040	5.13	1987
Total.....	59		5,591,994	4,606,730	82.4%(6)	\$2,716,473	\$ 7.08	

- (1) An office building totaling 126,228 square feet was constructed and placed in service during 1997 at Gran Park at Deerwood and has not yet been fully leased.
- (2) All buildings in Gran Park at Jacksonville were constructed and placed in service in 1997.
- (3) An office/showroom/warehouse building totaling 70,400 square feet was constructed and placed in service during 1997 at Gran Park at the Avenues and has not yet been fully leased.
- (4) Two 159,520 square feet warehouse buildings were constructed and placed in service in 1997 at Gran Park at McCahill and have not yet been fully leased.
- (5) An office/warehouse building totaling 103,200 square feet was constructed and placed in service during 1997 at Gran Park at Miami.
- (6) At October 30, 1997, GCC's buildings in service for one year or more were approximately 91% leased.

A description of the most significant existing projects in GCC's portfolio is set forth below:

duPont Center. The duPont Center is comprised of two office buildings totaling 162,669 rentable square feet located in downtown Jacksonville, Florida. Its occupancy rate at October 30, 1997 was 96.5%. GCC owns an additional 17 acres at this location of which approximately five acres, capable of supporting an additional 160,000 square feet, have been entitled. The remaining 12 acres which lie to the south of Interstate 95 have not been entitled; however, GCC believes that it can construct additional office or industrial space on this site once entitlements are secured.

Gran Park at Deerwood. Built between 1995 and 1997, Gran Park at Deerwood ("Deerwood Park") is a 385,213 square foot Class A suburban office complex situated on 41 acres in the Deerwood area of Jacksonville, Florida. Deerwood Park is located in one of the fastest growing markets in Jacksonville. When it purchased Deerwood Park in 1994, GCC obtained vested development rights to build 540,000 square feet of office space. The three buildings constructed at Deerwood Park to date had

an occupancy rate of approximately 78.4% at October 30, 1997. A fourth building is under construction and is expected to be completed by mid-1998. This building will provide an additional 134,200 square feet, approximately 85,000 of which has been pre-leased to Chase Manhattan Bank, N.A. Deerwood Park will be fully built upon completion of the fourth building.

Gran Park at Interstate South. Gran Park at Interstate South ("Interstate South") is located near the intersection of U.S. Highway 1 and Interstate 95 in Jacksonville, Florida. Interstate South consists of six office/showroom/warehouses totaling 260,064 rentable square feet, located on approximately 25 acres. Its occupancy rate at October 30, 1997 was 85.8%.

Gran Park at Jacksonville. Gran Park at Jacksonville ("Jacksonville Park") is situated upon approximately 935 acres between U.S. Highway 1 and Interstate 95 in Jacksonville, Florida. This park is served by a rail spur connecting to FEC's main track. During 1997, GCC constructed three buildings at Jacksonville Park totaling 354,153 rentable square feet. By early January 1998, the project, including a new 62,800 square foot office/showroom/warehouse completed in January 1998, was 33.9% leased. GCC believes that the majority of the balance of the currently vacant space will be leased by the middle of 1998. GCC has secured entitlements to construct a total of approximately 5.2 million square feet of industrial space, 500,000 square feet of office space and 80,000 square feet of retail space at Jacksonville Park, and has the flexibility to convert industrial space to office or retail space based upon market conditions. During 1997, GCC also completed construction of a 350,000 square foot build-to-suit rail served warehouse at Jacksonville Park for General Motors.

Gran Park at the Avenues. Gran Park at the Avenues ("Avenues Park") is located at the intersection of U.S. Highway 1 and Southside Boulevard in Jacksonville, Florida. Avenues Park consists of eight buildings totaling 713,877 rentable square feet. Its occupancy rate at October 30, 1997 was 83.3%. Approximately 30% of Avenues Park's capacity is utilized as office space while the remaining 70% is industrial. GCC completed construction of a 70,400 square foot office/showroom/warehouse at Avenues Park in 1997. GCC has completed additional infrastructure development at the site and has entitlements to construct approximately 80,000 additional square feet.

Gran Park at Riviera Beach. Gran Park at Riviera Beach is a 311,392 square foot park consisting of five industrial buildings which were 89.9% leased at October 30, 1997. The remainder of this property's 82 acres are platted and zoned for industrial development and GCC intends to sell individual parcels to others.

Gran Park at McCahill. Gran Park at McCahill ("McCahill Park"), a 878,439 square foot office/industrial park, is located in Dade County, northwest of the Miami International Airport near the intersection of State Road 826, a multi-lane limited access road, and U.S. Highway 27. At October 30, 1997, McCahill Park was 64.5% leased. GCC believes it will enter into leases for the majority of the currently vacant space by the middle of 1998. Management believes McCahill Park is well-situated to capitalize on saturated market conditions immediately adjacent to the airport. Development of McCahill Park is complete.

Gran Park at Miami. The Gran Park at Miami development ("Miami Park") consists of 24 buildings on 928 acres between U.S. Highway 27 and the Florida Turnpike. Miami Park features over 2.4 million square feet of rentable office, showroom and warehouse space, with an occupancy rate of 94.8% at October 30, 1997. This Park is served by a rail spur. GCC has secured entitlements to develop an additional 7.0 million square feet at Miami Park. Due to the scarcity of available land adjacent to the airport, GCC believes that Miami Park is well-positioned to benefit as prospective tenants begin seeking accessible bulk distribution space outside of the congested airport vicinity.

#### New Construction

Through December 1, 1997, GCC's holdings grew significantly through the construction and placing in rental status of eight buildings offering approximately 973,000 square feet of leasable space. New construction in 1997 included one office building at Gran Park at Deerwood; one office/showroom/warehouse, one front

load warehouse and one rail building at Gran Park at Jacksonville; one office/showroom/warehouse at Gran Park at the Avenues; two office/warehouses at Gran Park at McCahill; and one office/warehouse at Gran Park at Miami.

At October 30, 1997, buildings under construction included a 134,200 square foot office building at Gran Park at Deerwood, of which 85,000 square feet has been pre-leased, a 62,800 square foot office/showroom/warehouse at Gran Park at Jacksonville, and both a 150,000 square foot office building and a 132,000 square foot office/showroom/warehouse at Gran Park at Southpark, a new park being established by the Company in Orlando, Florida. Following completion, expected in the first half of 1998, these buildings will add approximately 479,000 square feet to GCC's total leasable space. Set forth below are details of GCC's new construction:

## GCC NEW CONSTRUCTION

LOCATION	NUMBER OF BUILDINGS	TYPE	COMPLETION OR ESTIMATED COMPLETION DATE	RENTABLE SQUARE FEET	LEASED SQUARE FEET (10/30/97)	MANAGEMENT-ESTIMATED BASE RENT/SQUARE FEET
COMPLETED IN 1997:						
Gran Park at Deerwood..... Jacksonville, FL	1	Office	July 1997	126,228	72,540	\$17.50-\$18.00
Gran Park at Jacksonville..... Jacksonville, FL.....	1	Office/Showroom/Warehouse	July 1997	147,553	108,060	\$9.10
	1	Front Load Warehouse	July 1997	98,800	--	\$4.25
	1	Rail Building	May 1997	107,800	--	\$4.50
Gran Park at the Avenues... Jacksonville, FL	1	Office/Showroom/Warehouse	June 1997	70,400	--	\$6.75
Gran Park at McCahill..... Miami, FL.....	1	Office/Warehouse	January 1997	159,520	159,520	\$6.00-\$6.50
	1	Office/Warehouse	April 1997	159,520	--	\$6.00-\$6.50
Gran Park at Miami..... Miami, FL	1	Office/Warehouse	July 1997	103,200	46,240	\$6.00
	-			-----		
Total.....	8			973,021	===== -----	
UNDER CONSTRUCTION AT OCTOBER 31, 1997:						
Gran Park at Deerwood..... Jacksonville, FL	1	Office	May 1998	134,200	85,000	\$17.50-\$18.00
Gran Park at Jacksonville..... Jacksonville, FL	1	Office/Showroom/Warehouse	January 1998	62,800	51,523	\$9.50
Gran Park at Southpark..... Orlando, FL.....	1	Office	June 1998	150,000	--	\$18.50
	1	Office/Showroom/Warehouse	June 1998	132,000	--	\$10.00
	-			-----		
Total.....	4			479,000	===== -----	

GCC has received expressions of interest from prospective tenants relating to leasing portions of its recently completed buildings and current sites under construction and is actively seeking to lease its currently vacant space.

In addition to those buildings presently under construction, GCC expects to commence construction in 1998 on a 134,200 square foot office building at Deerwood North, a 62,800 square foot office/showroom/warehouse at Gran Park at Jacksonville and a 134,200 square foot office building at Gran Park at Southpark. A description of new commercial/industrial parks upon which the Company has commenced or expects to commence construction in 1998 is set forth below:

Gran Park at Deerwood North. Gran Park at Deerwood North ("Deerwood North") is located near Deerwood Park in Jacksonville, Florida on approximately 35 acres purchased in 1997. As part of the purchase, GCC obtained vested development rights to build 513,000 square feet of office space. In addition, GCC was granted a right of first refusal to purchase certain adjacent property. The infrastructure for this project is in the design stage and GCC anticipates that infrastructure construction and construction of a 134,200 square foot office building will commence during 1998.

Gran Park at Southpark. Gran Park at Southpark ("Southpark") is situated upon approximately 85 acres near the Florida turnpike in Orlando, Florida. GCC has commenced construction of infrastruc-

ture and a 150,000 square foot office building and a 132,000 square foot office/showroom/warehouse building. It expects to construct an additional 134,200 square foot office building in 1998. The site is zoned for approximately 915,000 square feet of office and industrial space, of which 282,000 square feet is currently under construction.

#### Leasing

At October 30, 1997, approximately 4,606,730 square feet or 82.4% of GCC's rentable square feet was leased. On the same date, in GCC's buildings in service for one year or more, approximately 4,220,370 square feet, or 91% of rentable square feet, was leased.

GCC's portfolio has limited tenant concentration, with the largest tenants being Seaboard Marine, Ltd., occupying 166,400 square feet or 3.6% of leased space, and Perfumania, occupying 138,600 square feet or 3.0% of leased space, in each case at October 30, 1997. The following table summarizes the lease expirations in GCC's portfolio for 1998 and thereafter:

#### LEASE EXPIRATION SCHEDULE

	1998	1999	2000	2001	2002	2003
	-----	-----	-----	-----	-----	-----
Square Feet.....	861,873	856,327	547,943	482,358	598,119	457,413
Percent of Rented Space (annual).....	18.7%	18.6%	11.9%	10.5%	13.0%	10.0%
Percent of Rented Space (cumulative).....	18.7	37.3	49.2	59.7	72.7	82.7

#### Entitlements

In addition to properties under construction or upon which construction is expected to commence in the near term, at October 30, 1997, GCC had secured entitlements to construct up to 14,150,000 square feet of additional buildings. The Company's entitled land is located as indicated in the table set forth below:

#### GCC ENTITLED LAND SUMMARY

(AT OCTOBER 30, 1997)

PROJECT	ENTITLEMENTS
-----	-----
	(SQUARE FEET)
duPont Center.....	160,000
Jacksonville, FL	
Gran Park Deerwood North.....	513,000
Jacksonville, FL	
Gran Park at the Avenues.....	80,000
Jacksonville, FL	
Gran Park at Jacksonville.....	5,764,000
Jacksonville, FL	
Gran Park at Southpark.....	633,000
Orlando, FL	
Gran Park at Miami.....	7,000,000
Miami, FL	
Total.....	14,150,000(1)
	=====

(1) Several of the DRIs under which GCC has vested rights to develop property contain conversion formulas. These formulas vary the number of square feet GCC may construct in a given project depending on the type of buildings constructed. Accordingly, actual square footage constructed may vary significantly from currently entitled square footage.

In addition to the foregoing, GCC owns an 8.88 acre tract adjacent to the Dade County government center in Miami. This property is subject to the "Downtown Miami DRI", which allows construction of high rise office buildings in the Central Business District of Miami by GCC and other property owners. GCC previously explored the possibility of constructing one or more high rise office buildings on this site. At that time, it was determined that the DRI would allow the construction of two buildings totaling over one million square feet. GCC believes that there is currently capacity under the DRI to construct at least that amount of space. There can be no assurance, however, that this capacity will be available at the time building permits are issued. Because this DRI covers the entire Central Business District, other developers owning property subject to the DRI could exhaust all the capacity prior to GCC securing permits.

#### Land Holdings

GCC owns approximately 17,680 acres of land within fourteen counties, including several high-growth areas along Florida's east coast, such as West Palm Beach, Melbourne-Titusville, Daytona Beach, Jacksonville, Miami-Hialeah and the Fort Pierce area. GCC's land holdings were as follows at December 1, 1997:

#### GCC LAND HOLDINGS (ACRES)

(AT DECEMBER 1, 1997)

COUNTY	VACANT	DEVELOPED	ENTITLED	TOTAL
Brevard.....	2,396	--	--	2,396
Broward.....	46	6	--	52
Dade.....	605	260	757	1,622
Duval.....	423	121	981	1,525
Flagler.....	3,462	--	--	3,462
Indian River.....	5	--	--	5
Martin.....	661	--	--	661
Manatee.....	897	--	--	897
Palm Beach.....	147	31	--	178
Orange.....	--	--	85	85
St. Johns.....	3,321	--	--	3,321
St. Lucie.....	567	--	--	567
Seminole.....	1	--	--	1
Volusia.....	2,908	--	--	2,908
Total:.....	15,439	418	1,823	17,680

#### COMMUNITY AND RESIDENTIAL DEVELOPMENT

In the community/residential development sector, the Company's strategy is to develop large-scale mixed-use communities on Company-owned land. Development of master-planned communities is a long-term endeavor, with build-out typically occurring over a five- to fifteen-year period. The Company also intends to develop smaller scale residential projects that offer good uses of existing Company and acquired land.

On November 12, 1997 the Company purchased a 74% general partnership interest in a limited partnership, St. Joe/Arvida Company, L.P., through a joint venture with JMB Southeast Development, L.L.C. and JMB Southeast Development, L.P. The principal assets acquired through the Arvida Venture were the "Arvida" name, proprietary information systems and the Arvida management team. Through the Arvida Venture, the Company intends to develop certain of its existing lands as well as to acquire additional land for development. Although the Company has not in the past built homes, the Company intends to initiate home-building through the Arvida Venture. Between 1958 and 1996, Arvida completed more than 50 master-planned communities (including Weston, near Ft. Lauderdale, Florida; Sawgrass at Ponte Vedra Beach, Florida; Longboat Key Club in Sarasota, Florida; Boca West and Broken Sound in Boca Raton, Florida; and Eagle Watch in Atlanta, Georgia) which comprised more than 35,000 new homes. Although the Company's

residential development activities have historically been conducted primarily through its Southwood Properties division, the Company expects to direct most of its future community and residential development efforts through the Arvida Venture and to conduct the majority of its residential development activity under the Arvida trademark.

#### Company Land Holdings Identified for Residential Development

The Company owns approximately 45,000 acres in northwestern Florida and approximately 6,435 acres in St. John's County on the northeastern coast of Florida near Jacksonville, including substantial gulf, lake and riverfront acreage, that it believes to be potentially suited to community/residential and resort development. The Company continually evaluates its holdings and local market conditions to determine the market's readiness for additional development and, as a result, may identify additional significant developable tracts among its over 1.1 million acres in the future.

The Company's most significant land holdings potentially suitable for community and residential development are set forth below:

#### LAND HOLDINGS FOR COMMUNITY AND RESIDENTIAL DEVELOPMENT

(AT OCTOBER 30, 1997)

COUNTY - - - - -	ACRES - - - - -
Bay.....	25,933
Franklin.....	7,003
Leon.....	9,556
St. John's.....	6,435
Walton.....	1,583
Wakulla.....	1,143

Approximately 244 acres listed above are currently entitled for development.

In evaluating whether to develop a mixed-use residential community, the Company analyzes current demographic and economic data, such as (i) population growth, including net migration and natural increase trends, (ii) increases in household formation, (iii) job growth and job/household imbalance, (iv) income levels, (v) transportation, and (vi) new home occupancy levels. Once a site is identified, the Company designs the project to meet the needs of the target market, based on specific demographic information and the characteristics of the site itself. Items such as project design and unit mix, construction materials and finishes and common area amenities are reviewed in relation to the preferences of the target market. The Company believes that market segmentation during the planning process maximizes the overall returns of development.

Although the Company has completed a number of real estate developments and has begun to develop certain other parcels, in the aggregate these projects amount to a small fraction of the Company's land holdings that it believes to be suitable for development. The Company believes there is generally a two-year lag between the submission of a master plan to the appropriate regulatory body and the commencement of first phase construction. Accordingly, the Company expects that it will take many years for the Company to complete the development of significant portions of its developable land portfolio.

#### New Communities and Residential Development Projects

The Company is currently master-planning two tracts of land near the Town of Seaside and one large tract in suburban Tallahassee as part of its development program. The master-planning of these tracts is expected to be completed in mid-to-late 1998, and the Company anticipates submission of such plans to the relevant entitlement authorities soon thereafter. Described below are the Company's plans for development of these tracts:

Walton County, Seagrove and Camp Creek. The Company owns a 500 acre tract located between the Town of Seaside to the east and the Grayton Beach State Recreation Area to the west (the "Seagrove

Tract"). The Seagrove Tract has an approximately 1,400 foot frontage on the Gulf of Mexico as well as significant frontage on a large interior fresh water lake, Western Lake. The Company also owns a 300 acre tract four miles to the east of the Seagrove Tract with one mile of frontage on the Gulf of Mexico (the "Camp Creek Tract"). These tracts constitute the largest privately-owned undeveloped beach frontage remaining in South Walton County and feature high dunes and white sand beaches. In addition, these tracts are adjacent to or near the Town of Seaside, an eighty acre planned-resort community of 350 homes that has received wide acclaim as a model resort community and has an average home value of \$460,000. Seaside is located midway between Panama City and Pensacola on the northwestern coast of Florida. The Company intends to develop the Seagrove and Camp Creek Tracts as second home/resort communities, each with an image and identity separate from the Town of Seaside, but capitalizing on the positive image Seaside has created over the past decade. The Company's preliminary plans for the Seagrove and Camp Creek Tracts include gulf front inns or hotels and beach clubs to provide beach access and facilities for neighborhood property owners and guests. Management believes the Seagrove and Camp Creek Tracts' gulf frontage presents an opportunity for the Company to enhance the value of several thousand acres it owns nearby that are off the beach and to the north, by providing "windows" of beach access for such properties. The Company anticipates that the first phase of construction of these tracts will begin approximately two years after submission of master-plans to the Walton County entitlement authority. The following map shows a detail of the Seagrove and Camp Creek Tracts' locations.

#### Seagrove Map

Leon County, Tallahassee. The Company is currently master-planning a 3,000 acre tract located in Tallahassee for development as a residential and mixed-use planned community (the "Tallahassee Tract"). The Tallahassee Tract is characterized by rolling terrain, large lakes and heavily treed areas of live oaks and other hard woods. It is located approximately six miles from downtown Tallahassee and the State Capital building. The Tallahassee Tract is immediately adjacent to the Capital Circle complex, a 750,000 square foot state office complex located on land previously donated to the State by the Company. The Capital Circle complex has been entitled to expand to 2 million square feet and, when fully constructed, will provide employment for up to 8,000 persons. The Company anticipates that the favorable location of the Tallahassee Tract will create demand for new residential construction. The



Company intends to commence the first phase of construction on the Tallahassee Tract approximately two years after submission of master-plans to the Leon County entitlement authority, expected in mid-to-late 1998. The Company expects to engage in on-going master-planning of the Tallahassee Tract and, on a longer-term basis, of an additional 7,000 acres that it owns adjacent to the Tallahassee Tract in order to create a full-scale new town adjacent to the existing Tallahassee city limits. The following map shows a detail of the Tallahassee Tract's location.

#### Tallahassee Tract Map

The Company believes that its raw land inventory will provide a long-term supply of well-situated land and waterfront properties that may be suitable for similar developments in the future. In particular, the Company owns two developable parcels in St. John's County, on the northeastern coast of Florida. The Company's Riverton property, located near Jacksonville, is a 4,300 acre parcel with 4.5 miles of riverfront on the St. John's River, which at that location is approximately 3 miles wide. The Riverton property offers unobstructed western views across the waterfront as well as fishing and boating opportunities. Management believes that transportation improvements planned by the County and State should give the Riverton property strong transportation connections and access to employment centers in Jacksonville. The Company anticipates that master-planning of a residential community to be built on this tract will begin in the next year. In addition, GCC owns a 2,150 acre parcel in St. John's County located on the Intracoastal Waterway with a view across to the undeveloped beach front at the Guana River State Park. Management believes this property is suitable for development into a mixed-use community and the Company expects to begin master-planning in late 1998. As is typical of large scale development projects, development of these tracts could require significant infrastructure development costs and may raise environmental issues that require mitigation.

In addition, the Company has certain smaller developments underway or entitled in Bay and Walton counties. The Retreat, a 97-lot vacation home project in Walton County with 2,600 feet of gulf frontage, is fully entitled and construction is expected to begin shortly. The Company expects home values at the Retreat will range from \$375,000 to over \$1,000,000. In addition, first phase infrastructure is complete and sales are underway for Summerwood, a 200-lot subdivision in Panama City Beach intended for first and retirement home buyers. Home values at Summerwood are expected to range from \$90,000 to \$125,000. Woodrun, a 52-lot subdivision in Panama City, is currently under construction and sales are expected to begin in January

1998. Woodrun is intended to serve as primary housing for trade-up buyers, and the Company expects home prices will range from \$150,000 to \$250,000. In conjunction with the Arvida Venture, the Company intends to construct homes at these development sites and then sell them to end purchasers.

Several of the projects described above, including the Seagrove Tract, the Camp Creek Tract and the Tallahassee Tract, are still in the master-planning stage and have not yet been submitted to the state and local authorities for their review. No assurances can be given that the necessary entitlements for development will be secured, that any of the Company's projects can be successfully developed, if at all, or that they can be developed in a timely manner. It is not feasible to estimate project development costs until entitlements have been obtained.

#### Longer-Term Development Priorities

The Company owns several other developable properties in the northwestern portion of Florida. A large portion of this property is situated along major U.S. and state highways and has significant gulf, lake or river frontage. The most significant tracts include parcels situated near Panama City Beach, Mexico Beach, St. Joe Beach and the town of Apalachicola. The Company believes that these properties offer significant development opportunities that it expects to develop over the long-term.

Panama City Beach, Bay County. The Company's 5,000 acre holdings to the north and abutting the city limits of Panama City Beach are the only avenues for Panama City Beach to expand its limits. The City promotes itself as the home of the "World's Most Beautiful Beaches." The Company is currently conducting land use analyses and environmental studies to determine the suitability of this land for development. In addition, the Company has contracted to purchase a 1.4 acre beach-front "window" on Panama City Beach to provide beach access for its thousands of off-beach acres adjacent to the corporate limits of Panama City Beach. Management believes these tracts present an opportunity for mixed-use recreation and second home development with an entertainment/retail component.

Apalachicola, Franklin County. The Company owns 7,003 acres surrounding the town of Apalachicola, a coastal fishing town on Apalachicola Bay and the Gulf of Mexico that is emerging as a tourist destination. The Company's holdings include approximately twelve miles of frontage on the Apalachicola Bay and the Gulf of Mexico to the west of the town. Management believes this tract presents an opportunity for the development of vacation and second homes with a golf and water orientation.

St. Joe Beach/Mexico Beach, Gulf and Bay Counties. Company holdings at St. Joe and Mexico Beach contain slightly over four miles of gulf frontage. At St. Joe Beach, the white sand beaches of the Florida panhandle begin. The Company owns several thousand acres of off-beach property behind its beach exposure. These parcels are traversed by U.S. Highway 98, which runs along the coast providing access east and west. Management believes these tracts present an opportunity for the development of vacation and second homes with a golf and water orientation.

#### Other

Through the Arvida Venture, the Company has acquired an option expiring March 31, 1998 to purchase certain real estate management contracts and a limited ownership stake in certain existing Arvida developments. The Arvida Venture will also provide management services for a number of non-Company large-scale residential housing projects on a cost reimbursement basis, and accordingly it is expected that the Arvida Venture management team will dedicate significant time and resources to non-Company projects in the near to medium term.

#### RESORT AND LOCATION-BASED ENTERTAINMENT DEVELOPMENT

The Company plans actively to pursue development of resorts and recreational facilities as a new business line. The development of resorts, including hotels, recreation facilities and golf courses, may be in the form of stand-alone projects or in conjunction with the Company's large scale community developments. Resort developments may be the best use for some of the Company's prime waterfront lands. The Company's inventory of raw land, management's knowledge of the permitting process and extensive experience in resort

development should allow the Company to begin to develop these lands in the near future. Resort projects typically require large tracts of undeveloped land, and regulatory agencies may require that a developer of such a property dedicate land for public use in order to secure the requisite permits. The Company may be able to utilize its large land holdings to facilitate the permitting process with local communities in appropriate circumstances.

As part of its strategy to pursue resort and recreational facility development, on December 3, 1997, the Company purchased 100% of the capital stock of Riverside Golf Management Company ("Riverside") from Steven Melnyk. Riverside is currently the manager of three daily fee public courses in Jacksonville, Florida, Atlanta, Georgia and Clemson, South Carolina. The Company acquired Riverside, its information systems, current management contracts and the right to use the name "Champions Club" on any course it develops or manages. Management intends to utilize Riverside in conjunction with the Arvida Venture to create attractive residential communities with a golf course component. Riverside will also develop golf courses unrelated to Company residential developments.

The Company is also evaluating potential development opportunities in the location-based entertainment business, both inside and outside of Florida, and to be developed by the Company alone or in conjunction with joint venture partners. Location-based entertainment takes the form of standalone facilities, often part of regional or national chains, that provide multiple forms of entertainment experiences in a single setting. Such facilities may offer only entertainment or may offer a combination of entertainment, food and beverage and retail experiences. The Company's management has extensive experience in the entertainment segment of the real estate development industry and is seeking avenues to take advantage of that experience.

#### REGULATION

Development of real property in Florida entails an extensive approval process involving overlapping regulatory jurisdictions. Real estate projects must generally comply with the provisions of the Local Government Comprehensive Planning and Land Development Regulation Act (the "Growth Management Act"). In addition, development projects that exceed certain specified regulatory thresholds require approval of a comprehensive DRI application. Compliance with the Growth Management Act and the DRI process is usually lengthy and costly and can be expected to materially affect the Company's real estate development activities.

The Growth Management Act requires counties and cities to adopt comprehensive plans guiding and controlling future real property development in their respective jurisdictions. After a local government adopts its comprehensive plan, all development orders and development permits that it issues must be consistent with the plan. Each such plan must address such topics as future land use, capital improvements, traffic circulation, sanitation, sewerage, potable water, drainage and solid wastes. The local governments' comprehensive plans must also establish "levels of service" with respect to certain specified public facilities and services to residents. Local governments are prohibited from issuing development orders or permits if facilities and services are not operating at established levels of service, or if the projects for which permits are requested will reduce the level of service for public facilities below the level of service established in the local government's comprehensive plan. If the proposed development would reduce the established level of services below the level set by the plan, the development order will require that, at the outset of the project, the developer either sufficiently improve the services to meet the required level or provide financial assurances that the additional services will be provided as the project progresses.

The Growth Management Act is in some instances significantly affecting the ability of developers to obtain local government approval in Florida. In many areas, infrastructure funding has not kept pace with growth. As a result, substandard facilities and services are delaying or preventing the issuance of permits. The Growth Management Act could adversely affect the ability of Florida developers, including the Company and GCC, to develop real estate projects.

The DRI review process includes an evaluation of the project's impact on the environment, infrastructure and government services, and requires the involvement of numerous federal, state and local environmental, zoning and community development agencies and authorities. Local government approval of any DRI is

subject to appeal to the Governor and Cabinet by the Florida Department of Community Affairs, and adverse decisions by the Governor or Cabinet are subject to judicial appeal. The DRI approval process is usually lengthy and costly, and there are no assurances as to what specific factors will be considered in the approval process, or what conditions, standards or requirements may be imposed on a developer with respect to a particular project. The DRI approval process is expected to have a material impact on the Company's real estate development activities in the future.

In addition, a substantial portion of the developable property in Florida, including much of the Company's property, is raw land located in areas where its development may affect the natural habitats of various endangered or protected wildlife species or in sensitive environmental areas such as wetlands and coastal areas, which are subject to extensive and evolving federal, state and local regulation. Accordingly, federal, state and local wildlife protection, zoning and land use restrictions, as well as community development requirements, may become increasingly restrictive and, as a result, significant limitations may be imposed on the Company's ability to develop its real estate holdings in accordance with their most profitable uses.

The Company's ownership and development of real estate are subject to extensive and changing federal, state and local environmental laws, the provisions and enforcement of which are expected to become more stringent in the future. Pursuant to those laws, the owner or operator of real estate may be required to perform remediation regardless of whether it caused the contamination. The sale or development of properties may also be restricted due to environmental concerns, the protection of endangered species, or the protection of wetlands. In addition, violations of various statutory and regulatory programs can result in civil penalties, remediation expenses, natural resource damages, potential injunctions, cease and desist orders and criminal penalties.

The Company is not presently aware of any material contaminations at or any material adverse environmental development issues relating to its real estate operations. However, there can be no assurance that environmental issues will not arise in the future relating to the real estate operations. See "Risk Factors -- Environmental Matters."

#### FORESTRY

The Company's forestry operations, conducted through its wholly-owned subsidiary, St. Joe Timberland Company, are in the business of growing, harvesting and selling timber and wood fiber. The Company is the largest private holder of timberlands in Florida, with over 700,000 acres of planted pine forests, primarily in northwestern Florida, and an additional 300,000 acres of mixed timberland, wetlands, lake and canal properties. Over 639,000 acres of the Company's timberlands have been planted as managed pine plantations to facilitate harvesting and reforestation and to maximize timber yields. Although no detailed inventory has been conducted, the Company estimates that approximately 150,000 acres of hardwood are located on its remaining timberlands. Six forestry units and a wood procurement unit manage the timberlands. The timberlands are harvested by local independent contractors pursuant to agreements which are generally renewed annually. The Company also owns a wood chipping facility located at Lowry, Florida. The principal product of the Company's forestry operations is softwood pulpwood, but the Company also produces and sells softwood and hardwood sawtimber.

On May 30, 1996, the Company sold its former linerboard mill and container plants as part of its strategy of focusing its forestry operations on the business of growing and harvesting timber. By divesting itself of these assets, the Company can now focus on achieving the highest margin usage for its products, consistent with sustainable harvest practices, without the competing imperative of supplying fiber to manufacturing operations that typically only operate efficiently at full capacity. As a result, the Company can now seek to operate its forestry operations as a stable and sustainable business, shielded from the highly cyclical nature of the conversion business.

#### THE TIMBERLANDS

The Company's timberlands are located in northwestern Florida and southern Georgia, near key transportation links including roads, waterways and railroads, allowing the Company to deliver fiber to its

customers on a cost efficient basis. The Company's principal productive timberlands are near the facilities of Florida Coast in Port St. Joe, the Company's major customer. Numerous other major conversion facilities located near the Company's timber assets could serve to further expand the markets for the Company's timber products.

The Company's strategy in its forestry segment is to increase the average age of its timber by extending growing periods before final harvesting in order to capitalize on the higher margins of older-growth timber. The Company intends to extend growing periods for its softwood forests from a historical average of approximately 18-22 years to approximately 28-30 years. This change is expected to shift the Company's product mix from approximately 85% pulpwood and 15% higher-margin products in 1997 to approximately 60% pulpwood and 40% higher-margin products by 2005. Although revenues in the forestry segment will likely be flat or decline slightly in the near term, this strategy should ultimately increase the revenues and returns of the Company's timber operations when a sustainable harvest of older-growth timber is achieved, although there can be no assurances in this regard. The Company will also seek to maximize sustainable harvest volumes through the continued use and development of genetically improved seedlings, soil mapping, extensive fertilization, vegetation control, thinning and selective harvesting practices. In addition, the Company is considering potential transactions to increase the nearer term value of the Company's timberlands, such as asset swaps, sales, joint ventures or lease arrangements.

At November 3, 1997, the distribution of the Company's pine timberland, by age class, was as follows:

SOFTWOOD FORESTS -- FIVE YEAR AGE CLASSES

AGE	ACRES
- - - -	- - - - -
0- 5.....	161,334
6-10.....	174,936
11-15.....	153,426
16-20.....	107,164
21-25.....	62,252
26-30.....	20,436
31-35.....	1,937
36 +.....	2,115
	- - - - -
Total.....	683,600
	=====

The Company views its timberlands as a renewable resource and manages its timberlands to achieve sustainable harvests. During the 1996-1997 planting season, the Company planted approximately 13 million seedlings on 17,944 acres. St. Joe maintains a research facility in Capps, Florida, which conducts research to produce faster-growing, more disease-resistant species of pine trees.

## Harvest Levels

In 1996, the Company harvested 697,398 tons of softwood pulpwood and sawtimber. The Company estimates that it can increase its long-term sustainable yearly harvest over the next decade to 1.6 million tons of softwood pulpwood and .9 million tons of softwood sawtimber. The Company estimates that its timberlands will yield a sustainable harvest of approximately 2.5 million tons a year of softwood and .3 million tons of hardwood, commencing in 2008. The following tables set forth the Company's historical and projected annual softwood and hardwood harvest volumes for the years 1992 to 2008:

SOFTWOOD AND HARDWOOD HARVEST PLAN  
(TONS)

YEAR	SOFTWOOD PULPWOOD	SOFTWOOD SAWTIMBER AND OTHER PRODUCTS	TOTAL ANNUAL SOFTWOOD HARVEST	HARDWOOD PULPWOOD	HARDWOOD SAWTIMBER AND OTHER PRODUCTS	TOTAL ANNUAL HARDWOOD HARVEST	TOTAL ANNUAL HARVEST
<b>ACTUAL:</b>							
1992.....	773,051	195,691	968,742	*	*	*	968,742
1993.....	823,625	177,109	1,000,734	*	*	*	1,000,734
1994.....	912,979	167,502	1,080,540	*	*	*	1,080,540
1995.....	836,289	98,308	934,597	*	*	*	934,597
1996.....	610,418	86,980	697,398	*	*	*	697,398
<b>PROJECTED:</b>							
1997.....	665,000	135,000	800,000	*	*	*	800,000
1998.....	829,000	135,000	964,000	100,000	150,000	250,000	1,214,000
1999.....	910,000	190,000	1,100,000	100,000	150,000	250,000	1,350,000
2000.....	925,000	275,000	1,200,000	125,000	175,000	300,000	1,500,000
2001.....	925,000	275,000	1,200,000	125,000	175,000	300,000	1,500,000
2002.....	950,000	350,000	1,300,000	125,000	175,000	300,000	1,600,000
2003.....	950,000	350,000	1,300,000	125,000	175,000	300,000	1,600,000
2004.....	1,000,000	500,000	1,500,000	125,000	175,000	300,000	1,800,000
2005.....	1,150,000	600,000	1,750,000	125,000	175,000	300,000	2,050,000
2006.....	1,300,000	700,000	2,000,000	125,000	175,000	300,000	2,300,000
2007.....	1,450,000	800,000	2,250,000	125,000	175,000	300,000	2,550,000
2008.....	1,600,000	900,000	2,500,000	125,000	175,000	300,000	2,800,000

\* Historically, the Company has harvested minimal amounts of hardwood.

## Inventory Levels

The Company estimates that its standing inventory on January 1, 1998 totaled 10.6 million tons of softwood timber and 5.9 million tons of hardwood timber. The following table sets forth the Company's projected standing inventory levels by product, at January 1, 2008:

PROJECTED STANDING INVENTORY AT JANUARY 1, 2008  
(TONS)

SOFTWOOD PULPWOOD	HARDWOOD PULPWOOD	SOFTWOOD SAWTIMBER	HARDWOOD SAWTIMBER	TOTAL
15,938,372	2,456,869	6,904,607	6,274,983	31,574,832

## PRICING

While the supply of timber in the United States has been subject to constraint, demand has remained relatively strong, driven by economic expansion and population increases, which in turn drive growth in housing starts, repair and remodeling activities and industrial wood use. The Company expects demand for timber to remain strong as economies in the United States and abroad continue to expand. This stable demand in the face of a constrained supply has resulted in real price appreciation for timber. As the following charts illustrate, between 1988 and 1996 stumpage prices for two of the Company's largest timber products, southern pine pulpwood and sawtimber, increased at real compound annual growth rates of 4% and 5%, respectively.

[CHART]

[CHART]

The Company anticipates that increasing demand and continuing constraints on timber supply will continue to support higher real timber prices.

## SALES AND MARKETING

The major customer for the timber harvested from the Company's timberlands has been and continues to be the Company's former linerboard mill at Port St. Joe, Florida, which was sold on May 30, 1996 and which now operates as the Florida Coast Paper Company, L.L.C. Pursuant to a supply contract entered into with Florida Coast upon the sale of the mill, the Company was obligated to sell Florida Coast between 900,000 and 1.6 million tons of pulpwood a year on a long-term basis. However, from April to September 1997, Florida Coast shut down due to soft market conditions in the paper industry and breached its obligations to buy specified amounts of pulpwood from the Company. In August 1997, the Company negotiated an amendment to the supply agreement with Florida Coast, which will reduce the Company's supply obligations to 700,000 tons a year beginning in June 1998 and which also contains certain protections for the Company, including liquidated damages in the event of future shutdowns. The Company views the reduction of its supply obligations to Florida Coast as a key to its future business strategy because the reduction will allow the Company to sell a greater portion of its timber in the form of higher-margin products over the long term. The Company's amended supply contract with Florida Coast expires in 2011, subject to two five year extensions at the option of Florida Coast. Under the supply contract, prices for the Company's pulpwood are set at a base level and readjusted quarterly based on a four-quarter rolling average of market prices. Although quarterly

price variation is capped at 5%, the base price level is reset every two years. The Company mitigated the short-term financial impact of Florida Coast's shutdown through sales to various mills and other producers in Florida, Georgia and Mississippi in the spot market, although the shutdown adversely affected the forestry segment's results of operations for 1997.

Although the Company has historically provided pulpwood softwood primarily to the Florida Coast mill, management believes that wood harvested from the Company's lands has the potential to provide products to several regional manufacturing facilities. Several companies have consulted with the Company regarding potential long-term timber supply contracts and the possible location of substantial new conversion facilities near the Company's lands. In 1996, the Company sold 697,398 tons of timber, of which approximately 610,418 tons were sold to Florida Coast, and the balance to other customers.

#### OTHER BUSINESSES

As part of its strategy to maximize the cash flows from its timberlands, the Company engages in several business activities complementary to its land holdings. The Company leases approximately 881,000 acres of its timberlands to private clubs and state agencies for hunting, 280 acres in north Gadsden County for the mining of Fullers earth, and 600 acres to Martin Marietta for the mining of limerock. Revenues from these businesses totaled \$369,309 in 1996 and are estimated to be \$1,260,000 for 1997. The Company has not conducted an exhaustive survey of its timberlands for potential mineral reserves.

#### REGULATION

The Company's forestry operations are subject to extensive and changing federal, state and local environmental laws and regulations, the provisions and enforcement of which are expected to become more stringent in the future. Forestry operations generate air emissions through controlled burning and discharge industrial wastewater and stormwater. The forestry operations are subject to regulation under the ESA, the federal Clean Water Act, the federal Clean Air Act, the Federal Insecticide, Fungicide and Rodenticide Act and the Toxic Substances Control Act as well as similar state laws and regulations. Violations of various statutory and regulatory programs can result in civil penalties, remediation expenses, natural resource damages, potential injunctions, cease and desist orders and criminal penalties. Some environmental statutes impose strict liability, rendering a person liable for environmental damage without regard to negligence or fault on the part of such person.

The ESA and counterpart state legislation protect species threatened with possible extinction. A number of species indigenous to the Company's timberlands have been, and in the future may be, protected under these laws, including the red cockaded woodpecker, the bald eagle and various other species. Protection of endangered and threatened species may include restrictions on timber harvesting, road building and other silvicultural activities on the Company's land containing the affected species. There can be no assurance that such laws or future legislation or administrative or judicial action with respect to protection of the environment will not adversely affect the Company's forestry operations.

In conducting its harvesting activities, the Company voluntarily complies with the "Best Management Practices" recommended by the Florida Division of Forestry. From time to time, proposals have been made in state legislatures regarding the regulation of timber harvesting methods. There can be no assurance that such proposals, if adopted, will not adversely affect the Company or its ability to harvest and sell logs or timber in the manner currently contemplated.

The Company is not presently aware of any facts that indicate that the Company will be required to incur material costs relating to environmental matters in relation to its forestry operations. However, there can be no assurances that environmental regulation or regulation relating to endangered species or wetlands will not have a material adverse effect on the forestry operations in the future. See "Risk Factors -- Environmental Matters."

#### TRANSPORTATION

The Company owns 54% of Florida East Coast Industries, Inc., which in turn owns 100% of Florida East Coast Railway Company. The Company also owns and operates the Apalachicola Northern Railroad Company.



## FLORIDA EAST COAST RAILWAY COMPANY

FEC operates a railroad along 351 miles of main line track between Jacksonville and Miami, Florida and along 91 miles of branch track between Fort Pierce and Lake Harbor, Florida. FEC also maintains approximately 157 miles of switching track and 184 miles of other track. FEC has the only coastal right-of-way between Jacksonville and West Palm Beach, Florida and is the exclusive rail-service provider to the Port of Palm Beach, Port Everglades and the Port of Miami. To complement and facilitate its railroad operations, FEC also provides drayage and interstate trucking services. FEC owns 82 diesel electric locomotives, approximately 2,633 freight cars, approximately 7 tractors, 1,352 trailer units for highway service, and numerous pieces of work equipment and automotive vehicles. FEC also owns three four-story buildings in downtown St. Augustine, which it uses for its corporate headquarters, and approximately 12,000 acres of land along the east coast of Florida devoted to its railroad operation. All property and equipment owned is in good physical condition.

## OPERATING STATISTICS

	YEAR ENDED DECEMBER 31,		
	1994	1995	1996
	(IN THOUSANDS, EXCEPT PERCENTAGE DATA)		
Operating revenues.....	\$ 144,467	\$ 142,858	\$ 143,802
Operating income.....	\$ 25,646	\$ 22,210	\$ 22,854
Operating margin.....	17.3%	15.3%	15.9%
Revenue ton miles.....	4,388	4,122	4,098

Railroad Traffic. FEC carries automotive vehicles, consumer goods and various intermodal traffic southbound and carries aggregates and intermodal traffic northbound. FEC's principal customers include the Ford Motor Company, Chrysler Corporation, Tarmac-Florida, Inc., Rinker Materials Corporation, and the United Parcel Service. In general, the volume of the railroad's traffic is heaviest from October to May. The mix of commodities shipped by FEC and each component's contribution to FEC's revenues have remained relatively constant over the past five years. Set forth below is the mix of goods transported by FEC in 1996 and the respective contribution each category made to revenues:

## TRAFFIC

COMMODITY	YEAR ENDED DECEMBER 31, 1996			
	UNITS	%	REVENUE	%
	(IN THOUSANDS, EXCEPT PERCENTAGE DATA)			
TOFC/COFC.....	236.8	63%	\$ 51,117.1	38%
Crushed stone.....	88.7	24	34,509.2	26
Vehicles.....	18.3	5	20,116.0	15
Foodstuffs.....	10.4	3	7,683.1	6
Cement.....	5.0	1	3,049.1	2
Other.....	17.2	4	16,692.6	13
Total.....	376.4	100%	\$133,167.1	100%

At Jacksonville, FEC connects with Norfolk Southern Corporation and with CSX Transportation, Inc. ("CSXT"). FEC relies upon both of these carriers for Florida-bound rail freight traffic which originates elsewhere in the United States. In 1996, approximately 48% of FEC's revenues were attributable to traffic that originated on other railroads, approximately 6% were attributable to traffic that originated on FEC but was bound for other destinations and 46% were attributable to traffic that both originated and terminated on FEC's system. FEC is a terminating railroad and, consequently, does not receive traffic from one railroad to be passed over its track to another railroad. Because all of FEC's traffic either originates in or is bound for Florida, FEC's revenues fluctuate seasonally and with economic conditions in southern Florida, rising as the economy of southern Florida expands and declining as it contracts.

Capital Expenditures. FEC believes that its railway system is in excellent condition and intends to continue to reinvest a portion of the cash generated by its operations to maintain it and to make selected additional improvements. In 1995 and 1996, FEC invested approximately \$26.6 million and \$14.6 million, respectively, to upgrade and maintain its property, track, structures and equipment. FEC has installed concrete crossties over substantially all of its main line track and main line sidings. While installing concrete crossties is more expensive initially, their significantly longer useful life makes them less expensive over the long term. FEC has also installed sophisticated detection equipment to monitor the condition of its rolling stock to detect flat wheels, hot wheels and axles, cracked wheels, shifted loads and similar problems. Set forth below is certain information relating to FEC's expenditures for road and equipment for the past three years:

## CAPITAL EXPENDITURES

	YEARS ENDED DECEMBER 31,					
	1994		1995		1996	
	ROAD	EQUIPMENT	ROAD	EQUIPMENT	ROAD	EQUIPMENT
	(IN THOUSANDS)					
Capital expenditures.....	\$13,940	\$ 7,319	\$11,814	\$14,758	\$10,856	\$ 3,741
Maintenance expense.....	22,630	33,347	24,359	30,645	24,271	27,801
Total.....	\$36,570	\$40,666	\$36,173	\$45,403	\$35,127	\$31,542

Competition. FEC's railroad operations are subject to intense competition from common motor carriers and, with respect to the section of FEC's main line track from West Palm Beach south to Miami, from CSXT. FEC also competes to some extent with air carriers as well as barges and other vessels plying the coastwise trade between Jacksonville and Miami. FEC's competitiveness depends upon its ability to provide its customers with efficient, dependable service at an attractive price. Management at FEC stresses maintaining a high level of customer service and satisfaction.

Miscellaneous Operations. In addition to its rail and other related services, FEC leases the use of its right-of-ways to various tenants, including several telecommunications companies' fiber optics systems, pursuant to long-term leases. Under such leases, FEC currently receives approximately \$2.5 million per year in revenue, nearly all of which represents profit.

## APALACHICOLA NORTHERN RAILROAD COMPANY

ANRR is a short-line railroad operating between Port St. Joe and Chattahoochee, Florida, where it connects with an unaffiliated carrier. Its transportation facilities include 96 miles of main track, 13 miles of yard switching track and 3 miles of other track. ANRR owns 14 diesel locomotives, 274 freight cars, and numerous pieces of work equipment and automotive vehicles. ANRR also owns a three-story building in Port St. Joe which it uses partially for its corporate offices. All property and equipment owned is in good physical condition.

Although it is a common carrier, most of ANRR's business consists of carrying coal from Port St. Joe to Chattahoochee pursuant to a contract with Seminole Electric Cooperative, Incorporated ("Seminole") and carrying wood chips, pulpwood and linerboard used or produced at the paper mill in Port St. Joe, Florida. The other items carried by ANRR are tall oil, chemicals, stone and clay products and recyclable items. The mix of commodities carried by ANRR during 1996, which is representative of the traffic carried by ANRR over the last several years, was as follows:

## TRAFFIC

COMMODITY	YEAR ENDED DECEMBER 31, 1996			
	CARLOADS	%	REVENUE	%
	(IN THOUSANDS, EXCEPT PERCENTAGE DATA)			
Coal.....	30.6	70.1%	\$ 5,963.6	53.2%
Wood products.....	10.2	23.2	3,635.8	32.4
Other.....	2.9	6.7	1,613.5	14.4

Total.....	43.7	100.0%	\$11,212.9	100.0%
	====	====	=====	=====

Between April and September, 1997, the linerboard mill at Port St. Joe, Florida shut down. Shipment of wood and wood products produces a significant portion of ANRR's revenues. ANRR entered into a coal contract with Seminole in order to mitigate the financial impact of the shutdown and limit its dependence on a single customer. Nevertheless, if the linerboard mill shuts down in the future or if Seminole does not renew its contract which expires in 2004, ANRR's revenue, operating profit and net income would be significantly impacted.

Historically, the Company has upgraded, modernized and maintained ANRR's road and equipment through the reinvestment of internally-generated cash without incurring any long-term indebtedness. As with FEC's track, substantially all of ANRR's main track is laid with concrete crossties. Certain operating statistics are shown below:

#### OPERATING STATISTICS

	YEAR ENDED DECEMBER 31,		
	1994	1995	1996
	(IN THOUSANDS EXCEPT PERCENTAGE DATA)		
Operating revenues.....	\$12,886	\$13,345	\$12,589
Operating income.....	\$ 1,398	\$ 2,326	\$ 1,646
Operating margin.....	10.8%	17.4%	13.1%
Revenue ton miles.....	397	411	383

ANRR faces competition from motor carriers and barge lines.

#### INTERNATIONAL TRANSIT, INC.

International Transit, Inc. ("ITI") operates a common motor carrier with service throughout the Southeastern United States. FECI acquired an 80% interest in ITI on April 1, 1995, and the remaining 20% on June 25, 1997, as a strategic purchase designed to enable FEC to reach intermodal traffic not being solicited by FEC's connections due to the short-haul nature of the traffic.

#### REGULATION

Both FEC and ANRR are subject to regulation by the Surface Transportation Board of the U.S. Department of Transportation and, in some areas, the State of Florida. These governmental agencies must approve, prior to implementation, changes in areas served and certain other changes in operations of FEC and ANRR.

The Company's transportation operations are subject to extensive local, state and federal environmental laws and regulations, including the federal Clean Air Act, CERCLA and various other state and local environmental laws and regulations. Violations of various statutory and regulatory programs can result in civil penalties, remediation expenses, natural resource damages, potential injunctions, cease and desist orders and criminal penalties. Some environmental statutes impose strict liability, rendering a person liable for environmental damage without regard to negligence or fault on the part of such person. In addition, the Company's present and historic ownership and operation of real property, including yards, in connection with its transportation operations involve the storage, use or disposal of hazardous substances that have contaminated and may in the future contaminate the environment. The Company may also be liable for the costs of cleaning up a site at which it has disposed (intentionally or unintentionally by virtue of, for example, an accident, derailment or leak) or to which it has transported hazardous substances. The Company is currently involved in various remediations of properties relating to its transportation operations. In addition, FEC, along with many other companies, has been named a potentially responsible party in proceedings under Federal statutes for the clean up of designated Superfund sites at Hialeah, Florida; Jacksonville, Florida; and Portsmouth, Virginia. See "-- Environmental Proceedings." Based on presently available information, the Company does not believe that the costs of addressing any known environmental issues relating to its transportation operations will be material. However, the future cost of complying with environmental laws and containing or remediating contamination cannot be predicted with any certainty, and there can be no

assurances that such liabilities or costs would not have a material adverse effect on the Company in the future. See "Risk Factors -- Environmental Matters."

#### SUGAR

The Company owns Talisman Sugar Corporation, a grower of sugarcane located in the Belle Glade area in south central Florida. Talisman owns approximately 48,600 acres of agricultural land and leases approximately 6,400 acres. The Company also operates a sugar mill at which sugar cane is converted into raw sugar.

On December 6, 1997, the Company signed an agreement in principle with the United States of America and the State of Florida (the "Governments"), under which the Governments agreed to purchase the Company's sugar lands, including 45,731 acres of Company-owned land and 5,121 acres of leased land, for \$133.5 million in cash. Under the agreement, the Company will retain the right to farm the transferred lands through the 2002-2003 crop year. Thereafter, the Company will be required to deliver the lands in compliance with all federal and state environmental laws and will be responsible for and bear the expenses of environmental cleanup of such lands and the sugar mill. At that time, the Company has agreed to close its sugar mill and remove it and all associated structures designated by the Governments. The Company will retain any salvage value from the disposition of its mill. The Company and the Governments have agreed to enter into an appropriate purchase agreement reflecting these terms by June 6, 1998. The proposed transaction is subject to board and government approval, and there can be no assurances that an agreement will be concluded or that the sale of the Company's sugar lands will be consummated.

Talisman sells its entire production to Everglades Sugar Refinery, Inc., a wholly-owned subsidiary of Savannah Foods & Industries, Inc., pursuant to an annually renewed contract. The amount Talisman is paid for its sugar under the current contract is a function of market prices.

#### MILL OPERATIONS

The Company's sugar mill has a grinding capacity of approximately 11,500 tons of sugarcane per day. The Company ground approximately 1,202,000 tons of sugarcane in 1996, approximately 1,386,000 tons in 1995 and approximately 1,184,000 tons of sugarcane in 1994 from Company operated lands. Total raw sugar production for the Company was approximately 117,000 tons in 1996, 138,000 tons in 1995, and 111,000 tons in 1994. The sugar mill is virtually energy self-sufficient, with almost all of its energy requirements supplied through the use of bagasse, a by-product of the mill's cane grinding operations.

#### HARVESTING OPERATIONS

Sugarcane plantings generally yield two harvests before replanting is necessary. The Company harvests its sugarcane crop in one-year cycles, as do other Florida producers. The Company generally plants sugarcane in the fall of each year. Harvesting of a crop generally commences in October of each year and continues into the following March. During the 1996-1997 crop year, Talisman grew sugarcane on approximately 43,000 acres of land.

The majority of the Florida sugarcane producers, including Talisman, harvest sugarcane using mechanical cane harvesters which reduce significantly the labor requirements, resulting in substantial cost savings and more efficient and timely grinding of the sugarcane. Mechanized harvesting, however, is less precise than manual harvesting, results in greater amounts of chaff and trash being mixed in with the harvested sugarcane, causes small amounts of sucrose to be lost through leaching into the trash and chaff, damages cane fields more than manual harvesting and results in slightly lower cane yields in subsequent crops. Yields of sucrose from such harvested sugarcane and its crop yields per acre are generally slightly lower than those cut by hand. These negative effects, however, are far outweighed by cost savings and other efficiencies which result from mechanized harvesting.

## REGULATION

The Company's sugar operations are subject to and may be severely restricted by various federal, state and local environmental laws, including, but not limited to, the federal Clean Water Act, the federal Clean Air Act and CERCLA. Violations of these laws can result in civil penalties, remediation expenses, natural resource damages, potential injunctions, cease and desist orders and criminal penalties. The Company's sugar operations are located in the Florida Everglades, which are the subject of extensive environmental review by a variety of government entities. In 1994, the State of Florida enacted the Everglades Forever Act which significantly affects agriculture in the Everglades Agricultural Area ("EAA"). The Act calls for the creation of six Stormwater Treatment Areas ("STA") as buffers between the Everglades Protection Area and the EAA. The Act imposes substantial taxes on Talisman (approximately \$1.3 million was paid in each of 1995 and 1996) and other agricultural interests to pay for construction of the STAs. As part of its environmental compliance efforts, Talisman has installed equipment to monitor the quality and quantity of water being pumped out of its pumping stations as required by the local Water Management District.

Except as described above, the Company is not presently aware of any material environmental issues relating to its sugar operations. However, there can be no assurance that environmental issues that could have a material adverse effect on the Company will not arise in the future relating to its sugar operations. See "Risk Factors -- Environmental Matters."

## INVESTMENTS

The Company, in addition to its operations, has cash, cash equivalents and investments in U.S. government securities, corporate debt securities, municipal securities, and common and preferred stocks. At January 12, 1998, the market value of the Company's cash, cash equivalents, and marketable securities was approximately \$505 million, valued as follows: cash and money market deposits, \$38 million; government and municipal securities with less than a one year term, \$80 million; government and municipal securities with a greater than one year term, \$168 million; corporate debt securities with less than a one year term, \$77 million; and corporate debt securities with a greater than one year term and corporate equity securities, \$142 million.

## EMPLOYEES

The Company (excluding its subsidiaries) had approximately 44 employees at October 31, 1997. The Company effected a substantial reduction in its workforce during 1996 primarily due to the sale of its former linerboard mill and container operations. None of the Company's employees are covered by collective bargaining agreements. The Company considers its relations with its employees to be good.

The Company's forestry operations, through St. Joe Timberland Company, had 28 employees at October 31, 1997. The Company effected a 72% reduction in its forestry workforce during 1997 in order to improve the cost structure of forestry operations. The reduction in employment was primarily due to the outsourcing of replanting land preparation operations to independent contractors. The Company estimates that this outsourcing will achieve cost savings of approximately \$1 million per year on an ongoing basis.

At September 30, 1997, FECI had 9 employees, FEC had 854 employees and ANRR had 83 employees. At October 31, 1997, Talisman had 714 employees. Most FEC and ANRR employees are covered by collective bargaining agreements which set wage levels and establish work rules and working conditions. Most of FEC's non-salaried employees are represented by the United Transportation Union or the International Brotherhood of Electrical Workers. The Company and FEC consider their working relationship with the various unions that represent railroad employees to be satisfactory. Approximately 160 Talisman employees are covered by collective bargaining agreements. They are represented by the International Association of Machinists and Aerospace Workers. Talisman believes its relations with its employees to be satisfactory.

## ENVIRONMENTAL PROCEEDINGS

The Company is named as a Potentially Responsible Party ("PRP") for the remediation of a designated Superfund site near Tampa, Florida. The United States Environmental Protection Agency ("USEPA") has

alleged that the Company caused certain materials to be disposed at the site over a period of years in the late 1970s or 1980s. The Company has provided USEPA with certain evidence indicating the Company did not dispose of any materials at the site. The Company has declined an invitation to join a PRP group as a de minimis party. While the Company believes that its liability would be de minimis, it nonetheless continues to deny liability and vigorously opposes any attempt to impose any liability upon the Company for the remediation of the site.

The Company received notice of potential involvement in a Superfund Site in Sharonville, Ohio, during the third quarter of 1996. The site was formerly owned and operated by the Company as a container plant. It was sold in the late 1970's. At this time the extent of the contamination and magnitude of the cleanup is unknown. The Company does not believe, based on its preliminary investigation of the Company's use of the property, that it is responsible for the contamination, and if found partially responsible, the Company does not believe its liability would be material.

FEC has been named as a PRP for the remediation of two designated Superfund sites near Jacksonville, Florida. On the first site, the USEPA has alleged that FEC caused certain materials to be disposed at the site over a period of years. The USEPA has offered all named PRPs an opportunity to participate in the pilot allocation program. This program is similar to binding arbitration. If FEC participates in this program, its share of the liability for the remediation will be fixed. The USEPA has also offered to negotiate a separate settlement with certain parties, including FEC. FEC believes that, whichever alternative is chosen, its liability for the remediation of the site will not be material. On the second site, FEC was contacted by the USEPA during 1996, at which time FEC was asked to provide certain information about the manner in which FEC disposes of steel drums. The USEPA is attempting to determine whether or not FEC should be a PRP at the steel drum site in Jacksonville, Florida. There is some evidence that FEC may have sent a small number of steel drums to the site for disposal. FEC believes its responsibility, if any, for the remediation of the site will not be material.

FEC has been named as a PRP for the remediation of a designated Superfund site in Portsmouth, Virginia. The USEPA has alleged that FEC caused certain materials to be sent to the site over a period of years. These materials were utilized by the owner of the site in the course of its business which, FEC believes, caused the site to become contaminated. The owner of the site has filed suit in the United States District Court for the Eastern District of Virginia, Norfolk Division seeking to impose liability upon the defendants, including FEC, for remediation of the site. A settlement between the owner of the site and FEC was achieved late in 1996. The settlement as to FEC, of approximately \$.2 million, was approved by the Court and the USEPA. Unless additional contamination is discovered at the site or it becomes necessary to remediate areas beyond the original clean-up, FEC will have no further liability at the site.

FEC was contacted by the USEPA during 1996, seeking reimbursement of costs associated with the remediation of a Superfund site in Hialeah, Florida, part of which includes a FEC right-of-way. An individual operated a business on this site for a number of years. The owner of the business slightly encroached upon FEC's right-of-way. Upon discovering this, FEC entered into a lease agreement with the business owner rather than require the building be removed. The individual has ceased doing business. The USEPA is seeking reimbursement from FEC of the approximately \$2 million spent in remediation on the grounds that FEC was an "owner" of the site. Settlement negotiations are ongoing at this time and the ultimate cost is not expected to be material.

The Company, through its subsidiaries, is a party to various proceedings before state regulatory agencies relating to environmental issues. The Company is not aware of any monetary sanctions to be proposed, which, in the aggregate, are likely to exceed \$100,000, nor does it believe that corrections, if any, will necessitate significant capital outlays or cause material changes in the business.

#### LEGAL PROCEEDINGS

Kahn

During April 1996, a shareholder of FECI instituted a class action in Florida state court against FECI, St. Joe Industries, Inc., the Company and members of the FECI Board of Directors (Messrs. Thornton, Belin,

Nedley, Zellers, Fairbanks, Foster, Harper, Mercer and Parrish). Certain of the individuals named in the action are also officers or directors of the Company. The action, which was brought on behalf of all shareholders of FECI, other than the defendants and their affiliates, is styled Kahn v. St. Joe Industries, Inc., St. Joe Paper Co., Thornton, Belin, Nedley, Zellers, Fairbanks, Foster, Harper, Mercer, Parrish and Florida East Coast Industries, Inc., Case No. 96-01874 CA (Circuit Court, Fourth Judicial Circuit, Duval County, Florida, Division CV-G). On November 21, 1997 the Company withdrew its offer to purchase outstanding shares of FECI.

In January 1998, the same plaintiffs instituted a new class action against the Company, FECI and FECI's directors. The action is styled Kahn v. St. Joe Corporation, Thornton, Belin, Nedley, Zellers, Fairbanks, Foster, Harper, Mercer, Parrish and Florida East Coast Industries, Inc., Case No. 98-00025 CA (Circuit Court, Fourth Judicial Circuit, Duval County, Florida, Division CV-G). The complaint alleges that the defendants breached their fiduciary duties to the minority shareholders of FECI in connection with (i) the February 26, 1996 announcement by FECI that it was considering the sale of its real estate subsidiary, GCC, to the Company and the sale of its railroad subsidiary, FEC, to a third party, (ii) the Company's May 5, 1997 offer to purchase all outstanding shares of FECI's Common Stock not owned by it at \$102 per share and (iii) the Company's November 21, 1997 withdrawal of such offer. According to the complaint, by withdrawing its offer, the Company is allegedly attempting to coerce FECI's minority shareholders to sell their shares to the Company at an inadequate price. The action seeks, among other things, to certify the litigation as a class action, to appoint a receiver to assume control of FECI for the purpose of liquidating it and to enjoin the Company from squeezing out minority shareholders at an inadequate price. The Company believes the complaint is without merit and intends to vigorously litigate the claims.

#### EXECUTIVE OFFICES

The Company's principal executive offices are located at 1650 Prudential Drive, Jacksonville, Florida 32207 and its telephone number is (904)396-6600.



## MANAGEMENT

## DIRECTORS AND EXECUTIVE OFFICERS

The Company's directors and executive officers, their ages and their respective positions with the Company are as follows:

NAME	AGE	POSITIONS
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Peter S. Rummell.....	52	Chairman of the Board and Chief Executive Officer
Charles A. Ledsinger, Jr.....	48	Senior Vice President and Chief Financial Officer
Robert M. Rhodes.....	55	Senior Vice President and General Counsel
David D. Fitch.....	43	Senior Vice President and General Manager -- Commercial and Industrial Development
J. Malcolm Jones, Jr.....	44	Senior Vice President -- Forestry Operations
Michael F. Bayer.....	39	Vice President -- Human Resources and Administration
Jacob C. Belin.....	83	Director
Russell B. Newton, Jr.....	73	Director
John J. Quindlen.....	65	Director
Walter L. Revell.....	62	Director
Frank S. Shaw, Jr.....	66	Director
Winfred L. Thornton.....	69	Director
John D. Uible.....	61	Director
Carl F. Zellers, Jr.....	65	Director

Executive officers serve at the discretion of the Board of Directors. Each director holds office until his successor is duly elected and qualified or until his resignation or removal. There are no family relationships among any of the directors or executive officers of the Company.

PETER S. RUMMELL was appointed Chairman and CEO of the Company in January 1997. From 1985 until 1996, Mr. Rummell was employed by The Walt Disney Company, most recently as Chairman of Walt Disney Imagineering, the division responsible for Disney's worldwide creative design, real estate and research and development activities. Mr. Rummell also served as President of Disney Development Company, the community development arm of Walt Disney, from 1992 to 1994 and as President of the Arvida Resort Communities Division during 1985. From 1983 until 1985, Mr. Rummell was Vice Chairman of the Rockefeller Center Management Corporation in New York City. Mr. Rummell was general manager and then President of Sawgrass, near Jacksonville, Florida, from 1977 until 1983. Mr. Rummel also held management positions for the Sea Pines Company in Hilton Head, South Carolina, and the Amelia Island Plantation and spent two years as an employee of the Ocean Reef Club in Key Largo, Florida.

CHARLES A. LEDSINGER, JR. was named Senior Vice President and Chief Financial Officer in May 1997. From 1990 to 1997, Mr. Ledsinger served as Senior Vice President and Chief Financial Officer of Harrah's Entertainment/The Promus Companies, where from 1988 to 1990 he served as Treasurer, from 1986 to 1988 as Vice President, Project Finance, and from 1983 to 1986 in the Embassy Suites Division. From December 1993 to April 1997, Mr. Ledsinger served as Senior Vice President and Treasurer of Harrah's Jazz Finance Company, a non-consolidated special-purpose finance subsidiary of Harrah's Entertainment created in connection with the Harrah's Jazz project, which filed for bankruptcy in November 1995. Mr. Ledsinger was employed by Holiday Inns from 1978 to 1983, where he held a variety of financial management positions. Prior to his employment at Holiday Inns, Mr. Ledsinger held various management positions in the restaurant business and was a commercial property manager for a regional property developer in Atlanta. Mr. Ledsinger is a Director of TBC Corporation, Perkins Management Company, Inc., Friendly Ice Cream Corporation and FelCor Suite Hotels, Inc.

ROBERT M. RHODES was named Senior Vice President and General Counsel in February 1997. Prior to joining the Company, Mr. Rhodes was a partner in the law firm of Steel, Hector and Davis L.L.P., specializing in land development. From 1985 to 1988 Mr. Rhodes served as Senior Vice President and General Counsel of Arvida/Disney Corporation and Disney Development Company. Mr. Rhodes also served in Florida state government as counsel to the Speaker of the Florida House of Representatives and chaired the State's Environmental Land Management Study Committee.

DAVID D. FITCH was named Senior Vice President and General Manager -- Commercial and Industrial Development in September 1997. Prior to joining the Company, Mr. Fitch served as Senior Vice President at Insignia Financial Corporation responsible for commercial acquisitions. Mr. Fitch served as Senior Vice President at the Paragon Group, Inc. from 1991 until Insignia's purchase of Paragon in 1996. From 1987-91, Mr. Fitch served as Executive Vice President at Mason Hirst Companies, a Virginia commercial developer. From 1978-1987, Mr. Fitch was a Vice President with the Cadillac Fairview Corporation, responsible for a number of large scale commercial development projects.

J. MALCOLM JONES, JR. was named the Company's Senior Vice President -- Forestry Operations in April 1997. From 1995 to 1997 Mr. Jones served as the Company's Vice President and Chief Financial Officer. Mr. Jones served as President of AmSouth Bank of Jacksonville in 1994 and 1995 and as President and CEO of FloridaBank from 1990 to 1994.

MICHAEL F. BAYER was named Vice President -- Human Resources and Administration in February, 1997. From 1987 until 1995, Mr. Bayer was employed by The Walt Disney Company in a variety of executive positions in Human Resources. Most recently he was Vice President of Human Resources of Walt Disney Imagineering. Previously, Mr. Bayer served as Director -- Human Resources for the Sarasota division of the Arvida Corporation.

JACOB C. BELIN was President of the Company from 1968 to 1984, and Chairman of the Board and Chief Executive Officer from 1982 to June 1991. He is a director of the Company and has served as such since 1953. Mr. Belin also serves as a member of the Board of Directors of the Nemours Foundation, and as a Trustee of the Trust and as a director of FECl.

RUSSELL B. NEWTON, JR. has been a director of the Company since 1994. Mr. Newton is Chairman of Timucuan Asset Management Company, which is involved in investment portfolio management. Mr. Newton is also a director of East Coast Oil Company and Alliance Mortgage Company, as well as other smaller, closely held companies. Since 1981, Mr. Newton has been an investor in oil, marketing, shipping, public utilities, construction, direct mail solicitation and cable television. From 1975 to 1981, Mr. Newton was principal owner and Chairman of Kern County Refineries, Inc. From 1968 to 1975, Mr. Newton was President of Charter Oil Company. Mr. Newton spent his early employment years with Booz, Allen & Hamilton, Management Consultants and as President of Southern Stores, Inc.

JOHN J. QUINDLEN has been a director of the Company since 1995. Mr. Quindlen retired as Senior Vice President and Chief Financial Officer of E. I. duPont de Nemours & Company in 1993 ("duPont"). Mr. Quindlen worked for duPont from 1954 until his retirement, except for three years as a naval Supply Officer. Mr. Quindlen is a trustee of the Rodney Square Funds and the Kalmar Pool Investment Trust. Mr. Quindlen is a member of the Finance Council of the Archdiocese of Philadelphia and the President of its Board of Education.

WALTER L. REVELL has been a director of the Company since 1994. Mr. Revell is presently Chairman of the Board and CEO of H. J. Ross Associates, Inc., a consulting, engineering, architectural and planning firm in Coral Gables, Florida, and Chairman of the Board and CEO of Revell Investments International, Inc. and Infinity Technologies, Inc. Mr. Revell was President, CEO and Director of Post, Buckley, Schuh and Jernigan, Inc. until 1983 after serving as Secretary of Transportation for the State of Florida from 1972 to 1975. Mr. Revell is also a director of Dycom Industries, Inc., RISCORP, Inc., Hotelcopy, Inc. and other closely-held companies, and is chairman of the Greater Miami Foreign Trade Zone, Inc.

FRANK S. SHAW, JR. has been a director of the Company since 1995. Mr. Shaw is President of Shaw Securities, Inc., a financial services company, and of Cherry Bluff, Inc., a northern Florida development firm

based in Tallahassee, Florida. Mr. Shaw also serves on the Board of Directors of First South Bank, Regional Financial Company, The Southern Scholarship Foundation, Maclay School Foundation, Leon County Library Foundation and the James Madison Institute.

WINFRED L. THORNTON has been a director of the Company since 1968. Mr. Thornton was Chairman of the Board and CEO from June 1991 to January 1997, and was President and Chief Operating Officer of the Company from 1984 to June 1991. Mr. Thornton also serves as a member of the Board of Directors of the Nemours Foundation, a Trustee of the Trust and a director of FECl.

JOHN D. UIBLE has been a director of the Company since 1994. Since 1990, Mr. Uible has been an investor and Director of First Union Corporation. Mr. Uible was Chairman of the Board and CEO of Florida National Bank from 1982 to 1990, when it was acquired by First Union Corporation. From 1976 to 1982, Mr. Uible was Chairman of the Board and CEO of Jacksonville National Bank. Mr. Uible was employed by the Charter Company from 1958 to 1976.

CARL F. ZELLERS, JR. has been a director of the Company since 1995. Mr. Zellers is Chairman, President and Chief Executive Officer of FECl, and President and a director of FEC and GCC. Mr. Zellers served as President and Chief Operating Officer of FECl during 1996 and 1997 and as a Vice President of FECl from 1984 to 1996.

#### EMPLOYMENT ARRANGEMENTS OF NEW MANAGEMENT

Peter S. Rummell. On January 7, 1997, the Company entered into an Employment Agreement (the "Rummell Agreement") with Peter S. Rummell, its Chairman of the Board and Chief Executive Officer. The Rummell Agreement has a five-year term but may be terminated earlier under certain circumstances. The Rummell Agreement provides for a salary of not less than \$600,000 per year and a performance-based incentive bonus ranging from 0% to 100% of salary, except that the minimum bonus for the year 1997 is \$250,000 and is contingent upon the timely submission to, and acceptance by, the Board of Directors, of a business plan for the Company. The Rummell Agreement also provides for the reimbursement of relocation costs and related income taxes. Mr. Rummell was paid a bonus for 1997 of \$300,000 on January 9, 1998.

Pursuant to the Rummell Agreement, the Company has granted Mr. Rummell an option to purchase 4,043,520 shares of the Company's Common Stock under the St. Joe Corporation 1997 Stock Incentive Plan (the "Incentive Plan"). The exercise price of the options is \$19.14 per share, which was equal to the closing price of the Company's Common Stock on the day preceding the execution of the Rummell Agreement. The exercise price shall be adjusted equitably in the event that the Company makes a partial liquidation distribution to its shareholders. The option becomes exercisable in equal installments on the first five anniversaries of the date of grant, but the entire option becomes exercisable in the event that the Company terminates Mr. Rummell's employment without cause, in the event of Mr. Rummell's death or in the event that the Company is subject to a "change in control" (as defined below). In the event that the Company terminates Mr. Rummell's employment because of his disability, the option shall become exercisable to the extent that it would have become exercisable during the 12 months immediately following such termination had Mr. Rummell's employment continued. The option expires 10 years after the date of grant (or two years after Mr. Rummell's death, if earlier).

Under the Rummell Agreement, the Company has also granted Mr. Rummell 201,861 restricted shares of its Common Stock under the Incentive Plan. The restricted shares are intended to compensate Mr. Rummell for the value of the stock options he forfeited upon resigning his position with his former employer, based on the closing prices of the two companies' Common Stock on the day preceding the execution of the Rummell Agreement. The restricted shares vest in equal installments on the first five anniversaries of the date of grant but the entire award vests in the event that the Company terminates Mr. Rummell's employment without cause, in the event of Mr. Rummell's death or disability (as defined in the Rummell Agreement), or in the event that the Company is subject to a "change in control." If Mr. Rummell's employment terminates for any other reason, he forfeits any restricted shares that have not vested.

The Company may terminate Mr. Rummell's employment at any time for "cause" (as described in the Rummell Agreement), in which event no further compensation will be due. The Company may also terminate Mr. Rummell's employment if he has been "disabled" for more than six months, in which event no further cash compensation is due but benefit coverage continues for the remaining term of the Rummell Agreement and the option and restricted shares vest to the extent described above. Following a change in control, Mr. Rummell may resign for "good reason" (as defined in the Rummell Agreement) and receive his salary for the balance of the term of the Rummell Agreement, subject to certain restrictions. For one year following a resignation for good reason, the Rummell Agreement precludes Mr. Rummell from competing with the Company in certain respects.

"Change in control" is defined in the Rummell Agreement to mean (i) 30% or more of the outstanding voting stock of the Company is acquired by any person or group other than the Trust and the Nemours Foundation if such person or group owns more voting stock of the Company than the Trust and the Nemours Foundation, (ii) stockholders of the Company other than the Trust and the Nemours Foundation vote in a contested election for directors resulting in the replacement of 50% or more of the Company's directors or (iii) as a result of a merger or similar transaction the Company's stockholders own 50% or less of the surviving entity's voting securities. The Rummell Agreement provides that notwithstanding items (i), (ii) and (iii) above, no "change in control" shall occur as long as the Trust and the Nemours Foundation combined own more than 50% of the voting stock of the Company.

Charles A. Ledsinger, Jr.; Robert M. Rhodes; David D. Fitch; Michael F. Bayer; and J. Malcom Jones, Jr. The Company has entered into employment agreements (the "Executive Agreements") with Messrs. Ledsinger (Senior Vice President and Chief Financial Officer), Rhodes (Senior Vice President and General Counsel), Fitch (Senior Vice President and General Manager -- Commercial and Industrial Development), Bayer (Vice President -- Human Resources and Administration) and Jones (Senior Vice President -- Forestry Operations) (each, individually, an "Executive," and collectively, the "Executives"), that are based on substantially the same form of agreement. The specific terms of each of the Executive Agreements are tailored to each of Messrs. Ledsinger, Rhodes, Fitch, Bayer and Jones, while the general terms of each of the Executive Agreements are substantially similar. The Executive Agreements of Messrs. Ledsinger, Rhodes, Fitch, Bayer and Jones, are dated April, 1997, November 3, 1997, September 15, 1997, February 1, 1997 and February 21, 1997, respectively.

The Executive Agreements provide that each of the Executives is an "at will" employee. The Executive Agreements further provide that each Executive shall receive (i) a base salary and (ii) a performance based incentive bonus in an amount equal to between 0% and 60% of the Executive's base salary. The Executive Agreements provide that the amount of each Executive's base salary and the range of his bonus may be increased but not decreased during his period of employment with the Company. The base salaries provided in the Executive Agreements for Messrs. Ledsinger, Rhodes, Fitch, Bayer and Jones are \$350,000, \$275,000, \$225,000, \$167,500 and \$170,000, respectively. On January 9, 1998, Messrs. Ledsinger, Rhodes, Fitch, Jones and Bayer were paid bonuses for 1997 of \$210,000, \$165,000, \$100,000, \$85,000 and \$100,500, respectively. In addition, the Executive Agreements of Messrs. Ledsinger, Rhodes, Fitch and Bayer provide for the reimbursement of relocation costs and related income taxes.

The Executive Agreements also provide that each of the Executives shall receive an option to purchase shares of the Company's Common Stock under the Incentive Plan. In most cases, the exercise price of each option is equal to the closing price of the Company's Common Stock on the day preceding the date the Executive was granted such option. The exercise price of any unexercised option shall be adjusted equitably in the event that the Company makes a partial liquidation distribution to its shareholders. Each of the options becomes exercisable in equal installments on the first five anniversaries following the date of grant; provided, however, that the Executive's option shall become exercisable in its entirety in the event that the Company terminates the Executive's employment without "cause" (as defined in the respective Executive Agreements) or the Company is subject to a "change in control" ("change in control" is defined in the respective Executive Agreements as in the Rummell Agreement). Each of the options expires on the tenth anniversary following the date of grant. The per share exercise prices for the options of Messrs. Ledsinger, Rhodes, Fitch, Bayer and Jones are \$23.71, \$23.00, \$31.38, \$22.11 and \$22.11, respectively.

The Executive Agreements further provide that, in the event the Company terminates the employment of any of the respective Executives for any reason other than for cause or disability, such Executive will receive a severance payment ("Severance Payment") in a lump sum amount equal to a specified percentage of the Executive's base salary, plus a specified percentage of the amount of any bonus awarded to the Executive in the year prior to the termination. Each of Mr. Ledsinger's, Mr. Rhodes' and Mr. Fitch's Executive Agreements provides that any Severance Payment shall be in the amount of 150% of base salary, plus 50% of the prior year's bonus, while each of Mr. Bayer's and Mr. Jones' Executive Agreements provides that any Severance Payment shall be in the amount of 100% of base salary, plus 50% of the prior year's bonus. Mr. Ledsinger's, Mr. Bayer's and Mr. Jones' Executive Agreements also provide for an augmented Severance Payment in the event that the Executive's employment is terminated within 12 months following a change in control of the Company, although such provisions are superseded by their Severance Agreements to the extent that any such Severance Agreement provides for greater payments than the applicable Executive Agreement. See "Management -- Severance Agreements."

#### STOCK INCENTIVE PLAN

Effective January 7, 1997, the Company adopted the Incentive Plan which was approved by the Company's stockholders on May 13, 1997. The principal purposes of the Incentive Plan is to promote the long-term success of the Company and the creation of stockholder value by (a) encouraging employees and non-employee directors to focus on critical long-range objectives, (b) encouraging the attraction and retention of employees and non-employee directors with exceptional qualifications and (c) linking employees and non-employees directly to stockholder interests through increased stock ownership. The Incentive Plan seeks to achieve this purpose through the granting of options exercisable with respect to, or restricted shares of, the Company's Common Stock. Under the Incentive Plan, the maximum number of options or restricted shares that may be awarded may not exceed 6,030,480. Furthermore, under the Incentive Plan, the maximum number of shares of Common Stock which may be subject to options or which may be granted as restricted shares to any individual in any fiscal year cannot exceed 3,000,000, except that an option granted to an employee during such employee's first year of service may be exercisable with respect to up to 4,500,000 shares of Common Stock.

The Incentive Plan is administered by the Compensation Committee of the Board of Directors (the "Committee"). Subject to certain limitations contained in the Incentive Plan, the Committee selects the individuals who receive awards, determines the size of any such award and establishes the vesting and other conditions with respect thereto. The Committee consists of at least two members of the Board of Directors, each of whom satisfies the applicable requirements of Rule 16b-3 under the Exchange Act and Section 162(m) of the Internal Revenue Code of 1986, as amended. The Committee is authorized, in accordance with the provisions of the Incentive Plan, to amend the terms of outstanding restricted shares, to modify or extend outstanding options or to exchange new options for outstanding options, including outstanding options with a higher exercise price than the new options.

The Incentive Plan provides for awards in the form of restricted shares or options.

**Restricted Shares.** Restricted shares are shares of Common Stock that are subject to forfeiture in the event that the applicable vesting conditions are not satisfied. Restricted shares, unlike options, have the same voting and dividend rights as other shares of Common Stock.

**Options.** An option may be either (i) an incentive stock option ("ISO") intended to qualify for special tax treatment under the Code, or (ii) a nonqualified stock option ("NSO"). The Incentive Plan provides that the term of an option cannot exceed 10 years following the date of grant, and the exercise price must be equal to or greater than the fair market value of the Common Stock on the most recent trading day before the date of grant. In addition, the Incentive Plan provides that, in the case of an ISO granted to an individual who owns more than 10% of the total combined voting power of all classes of outstanding stock of the Company, certain additional requirements set forth in the Code must be satisfied.

Restricted shares and NSOs may be granted to any individual who is an employee or a non-employee director of the Company (or a parent, subsidiary or affiliated company) and who is selected by the Committee

for participation in the Incentive Plan. In contrast, ISOs may be granted to an individual only if such individual is an employee of the Company (or a parent or subsidiary corporation) and who is selected by the Committee for participation in the Incentive Plan.

The exercise price of an option may be paid in any lawful form permitted by the Committee, including (without limitation) a full-recourse promissory note or the surrender of shares of Common Stock or restricted shares already owned by the optionee. In addition, the Committee may permit an optionee to satisfy his or her withholding tax obligation upon exercise of an NSO by surrendering a portion of his or her option shares to the Company. The Committee may at any time offer to buy out an outstanding option for cash or give an optionee the right to surrender his or her option for cash.

The Incentive Plan provides that the terms of options granted, or restricted shares awarded, under the Incentive Plan are to be set forth in a written agreement. Such written agreements describe when an option becomes exercisable, or when any restrictions with respect to restricted shares lapse, based upon the length of the recipient's service, his or her individual performance, the Company's performance or other appropriate criteria. Such written agreements may provide that vesting shall be accelerated in the event of the recipient's death, disability or retirement or in the event of a "change in control" of the Company.

"Change in control" is defined in the Incentive Plan to mean (i) as a result of a merger or consolidation, 50% of the surviving entity's voting stock is owned by stockholders who were not stockholders of the Company prior to the merger or consolidation, (ii) the sale, transfer, exchange or other disposition of all or substantially all of the Company's assets, (iii) a change in two thirds of the composition of the board of the Company under certain circumstances, (iv) the liquidation or dissolution of the Company or (v) any transaction resulting in a person (other than the Company, an affiliate, an employee, the Trust or the Nemours Foundation) being the beneficial owner of 25% of the Company's voting stock.

The Incentive Plan will remain in effect until it is terminated, except that no ISO may be granted after January 6, 2007. The Board of Directors may amend or terminate the Incentive Plan at any time and for any reason. Amendments require the approval of the Company's shareholders only to the extent required by applicable laws, regulations or rules.

The following table discloses options granted during 1997 to the Company's executive officers:

OPTION GRANTS IN 1997

NAME	INDIVIDUAL GRANTS				POTENTIAL REALIZABLE VALUE AT ASSUMED ANNUAL RATES OF STOCK PRICE APPRECIATION FOR OPTION TERM	
	PERCENT OF TOTAL OPTIONS GRANTED TO EMPLOYEES IN FISCAL YEAR	NUMBER OF SECURITIES UNDERLYING OPTIONS GRANTED	EXERCISE OR BASE PRICE (\$/SH)	EXPIRATION DATE	5% (\$)	10% (\$)
Peter S. Rummell..... Chairman of the Board and Chief Executive Officer	73.4%	4,043,520	\$ 19.14	1/8/07	\$48,683,981	\$123,367,795
Charles A. Ledsinger, Jr..... Senior V.P. and Chief Financial Officer	4.4	240,000	23.71	5/5/07	3,578,800	9,068,400
Robert M. Rhodes..... Senior V.P. and General Counsel	3.1	168,480	23.00	3/3/07	2,436,782	6,175,915
David D. Fitch..... Senior V.P. and General Manager -- Commercial and Industrial Development	2.2	120,000	31.38	9/22/07	2,367,800	6,000,600
J. Malcolm Jones, Jr..... Senior V.P. Forestry Operations	1.5	84,240	22.11	2/25/07	1,171,217	2,968,337
Michael F. Bayer..... V.P. -- Human Resources and Administration	1.5	84,240	22.11	2/25/07	1,171,217	2,968,337

SEVERANCE AGREEMENTS

The Company has entered into severance agreements containing substantially identical terms and conditions (collectively, the "Severance Agreements") with Messrs. Rummell, Ledsinger, Rhodes, Fitch, Jones and Bayer (the "Named Executive Officers"), pursuant to which each such executive shall be entitled to severance benefits in the event of a "change in control" of the Company ("change of control" is defined in the Severance Agreements as in the Incentive Plan) during the term of his employment.

Under the terms of the Severance Agreements, if an executive who has entered into a Severance Agreement (i) resigns for any reason during the last six months of the first year following the date of a change in control, (ii) resigns for "good reason" (as defined in the Severance Agreements) within the first 36 months following a change in control, or (iii) is terminated by the Company within 36 months following the date of a change in control, then the Company is obligated to provide the executive with certain payments and benefits. Such payments and benefits that the Company is obligated to provide to the executive include (A) payment of a lump sum amount equal to the sum of three times the executive's annual base salary plus three times the executive's bonus (as described in the Severance Agreement), (B) payment of a lump sum supplemental pension benefit amount, (C) payment of a pro-rated bonus for the year during which such executive's employment is terminated, (D) continued participation in the Company's group insurance plans, at the Company's expense, until the expiration of three years following the change in control (or the date of the executive's death, if earlier), (E) senior executive level outplacement services, and (F) "gross-up" payments, if applicable, in the amount necessary to satisfy any excise tax incurred by the executive, if any, under

Section 4999 of the Code; provided, however, that if payment of such excise tax could be avoided by reducing total payments under the Change in Control Agreement by \$50,000 or less, the total amount of such payments shall be reduced to the level necessary to ensure that no excise tax shall be paid. In addition, under the terms of the Severance Agreements, all stock options previously granted to the executive shall become fully exercisable upon a change in control, and shall remain exercisable until the earlier of the first anniversary following such change in control or the date such options would have otherwise expired by their terms, and any right of the Company to repurchase shares subject to the executive's options shall lapse in full.

The Severance Agreements entered into by the executives do not supersede the respective employment agreements entered into by such executives, except to the extent that severance pay and benefits provided under the Severance Agreements are greater than under the applicable employment agreement. Likewise, the Severance Agreements do not supersede any respective stock option agreements entered into by such executives, except to the extent that the applicable Severance Agreement provides for earlier exercisability or a longer post-termination exercise period than under such stock option agreement.



## PRINCIPAL AND SELLING STOCKHOLDERS

The following table sets forth information with respect to persons known by the Company to be the beneficial owners of more than five percent (5%) of its outstanding Common Stock as well as information concerning the beneficial ownership of Common Stock by each director, Named Executive Officer and directors and officers as a group. The information is presented as of January 12, 1998 except where expressly noted, and as adjusted to reflect the sale of 13,800,000 shares of Common Stock by the Trust (assuming exercise of the U.S. Underwriters' over-allotment option). Under the rules of the Securities and Exchange Commission, beneficial ownership is deemed to include shares for which the individual, directly or indirectly, has or shares voting and/or dispositive power.

NAME AND ADDRESS -----	BENEFICIAL OWNERSHIP -----	PERCENT OF OUTSTANDING SHARES OWNED(1)	
		BEFORE OFFERING -----	AFTER OFFERING -----
Alfred I. duPont Testamentary Trust(2)(3)..... P.O. Box 1380 Jacksonville, FL 32201	63,875,700	68.8%	54.0%
Franklin Resources, Inc.(4)..... Charles B. Johnson Rupert H. Johnson 777 Mariners Island Blvd. San Mateo, CA 94404	5,384,325	5.8	5.8
Peter S. Rummell.....	1,010,565(5)	1.1	1.1
Charles A. Ledsinger.....	--	--	--
Robert M. Rhodes.....	33,696(6)	*	*
David D. Fitch.....	--	--	--
J. Malcolm Jones, Jr. ....	17,568(7)	*	*
Michael F. Bayer.....	16,848(8)	*	*
Jacob C. Belin.....	63,903,465(9)	68.9	54.0
Russel B. Newton, Jr. ....	6,000	*	*
John J. Quindlen.....	600	*	*
Walter L. Revell.....	300	*	*
Frank S. Shaw, Jr. ....	--	--	--
Winfred L. Thornton.....	63,881,733(9)	68.0	54.0
John D. Uible.....	3,000	*	*
Carl F. Zellers, Jr. ....	--	*	*
Directors and officers as a group (14 persons).....	65,032,179(10)	70.1	55.2

(1) All percentages are rounded to the nearest tenth of one percent. An asterisk(\*) indicates that the percentage is less than one percent.

(2) The Trust owns 61,643,292 shares or 66.4% in its name and the Nemours Foundation owns 2,232,408 shares or 2.4% in its name. The Trustees constitute the entire Board of Directors of the Nemours Foundation and, therefore, have sole voting and sole dispositive power over these shares.

(3) Under the provisions of the Will creating the Trust, the Trustees of the Trust having the power to vote the shares of stock specified above are J. C. Belin, H. H. Peyton, J. F. Porter, W. T. Thompson, III, W. L. Thornton and Wachovia Bank, N.A., a subsidiary of Wachovia Corporation. A majority of the Trustees have the right to vote all the stock of the Company owned by the Trust.

(4) According to Franklin Resources, Inc. ("FRI"), as of December 31, 1997, the above shares are beneficially owned by one or more open or closed end investment companies or other managed accounts which are advised by direct and indirect advisory subsidiaries (the "Advisory Subsidiaries") of FRI. Charles B. Johnson and Rupert H. Johnson, Jr. (the "Principal Shareholders") each own in excess of 10% of the outstanding common stock of FRI and are the principal shareholders of FRI. FRI and the

Principal Shareholders may be deemed to be, for purposes of Rule 13d-3 under the 1934 Act, the beneficial owner of securities held by persons and entities advised by FRI and its subsidiaries. FRI, the Principal Shareholders and each of the Advisory Subsidiaries has disclaimed any economic interest or beneficial ownership in any of the above shares. According to the Schedule 13G, Templeton Global Advisors Limited has the sole power to vote or to direct the vote and the sole power to dispose or direct the disposition of 3,436,500 shares and Franklin Mutual Advisers, Inc. has the sole power to vote or to direct the vote and the sole power to dispose or direct the disposition of 1,947,825 shares of the Company's Common Stock.

- (5) Includes 201,861 restricted shares of Common Stock granted to Mr. Rummell under the Company's Incentive Plan. In addition, 808,704 of his 4,043,520 options under the Incentive Plan vested on January 8, 1998.
- (6) Represents 33,696 of Mr. Rhodes' 168,480 options under the Incentive Plan that will vest on March 3, 1998.
- (7) Includes 720 shares held in the Company's 401(k) plan and 16,848 options under the Company's Incentive Plan that will vest on February 25, 1998.
- (8) Represents 16,848 of Mr. Bayer's 84,240 options under the Incentive Plan that will vest on February 25, 1998.
- (9) Includes 61,643,292 shares of the Company's Common Stock owned by the Trust, on which the named individuals serve as trustees, and 2,232,408 shares owned by the Nemours Foundation, of which the named individuals are directors. Mr. Belin owned 27,765 shares as to which he had sole dispositive voting power, and Mr. Thornton owned 6,033 (including those held in the Company's 401(k) plan).
- (10) Includes 33,000 shares held in the Company's 401(k) plan for which the trustee of the plan has sole voting power and the participants have sole dispositive power. The trustee of this plan is Merrill Lynch.

#### CERTAIN TRANSACTIONS

Jacob C. Belin and Winfred L. Thornton are trustees of the Trust and also serve as directors of the Company and FECI. In addition, Carl F. Zellers, Jr. serves as a director of the Company and of FECI.

On May 1, 1997, the Company entered into consulting agreements with Mr. Belin and Mr. Thornton (the "Consulting Agreements"). Pursuant to the Consulting Agreements, Messrs. Belin and Thornton will advise and counsel the Company on various corporate matters at the request of the Chairman and Chief Executive Officer. The Consulting Agreements provide that Messrs. Belin and Thornton will receive annual compensation of \$100,000 and \$112,000, respectively, and will be reimbursed for expenses actually incurred up to \$10,000 per year.

In addition, the Nemours Foundation and the Company rent office space from GCC at rates approximating market rentals.

#### DESCRIPTION OF COMMON STOCK

As of January 12, 1998 the authorized capital stock of the Company consisted of 180,000,000 shares of common stock, no par value, of which 91,697,811 shares were issued and outstanding (not including 5,845,341 shares subject to outstanding options).

The Company's Common Stock consists of one class of common voting stock with each share being entitled to one vote. A majority of the holders of the Common Stock represented at any meeting of stockholders constitutes a quorum and a majority of such quorum is entitled to vote on any matter coming before the meeting. Directors are elected at the annual meeting of stockholders by a plurality of the votes cast at such election. The Company's Board of Directors is not staggered.

Stockholders are entitled to receive such dividends as may be declared by the Board of Directors out of funds legally available therefor and share proportionately in any such liquidating distribution.

There are no redemption, conversion or sinking fund provisions with respect to the Common Stock. The Common Stock is not entitled to preemptive rights or cumulative voting rights.

Transfer Agent and Registrar. The transfer agent and registrar for the Common Stock is First Union National Bank Corporate Trust, 1525 West W.T. Harris Blvd., 3C3, NC1153, Charlotte, North Carolina 28288-1153.

#### TAX CONSEQUENCES TO NON-U.S. HOLDERS

In the opinion of Latham & Watkins, counsel to the Company, the material federal income tax consequences to Non-U.S. Holders expected to result from the purchase, ownership and sale or other taxable disposition of the Common Stock, under currently applicable law, are summarized below. A "Non-U.S. Holder" is a person or entity that, for U.S. federal income tax purposes, is a non-resident alien individual, a foreign corporation, a foreign estate or trust or a foreign partnership as such terms are defined in the Internal Revenue Code of 1986, as amended (the "Code").

This summary is based upon the current provisions of the Code, applicable Treasury Regulations and judicial and administrative decisions and rulings. There can be no assurance that the Internal Revenue Service (the "IRS") will not take a contrary view, and no ruling from the IRS has been or will be sought. Future legislative, judicial or administrative changes or interpretations could alter or modify the statements set forth herein, and any such changes or interpretations could be retroactive and could affect the tax consequences to Non-U.S. Holders of Common Stock.

The following summary is for general information only and does not purport to deal with all aspects of federal income taxation that may affect particular Non-U.S. Holders in light of their individual circumstances and is not intended for (a) stockholders other than Non-U.S. Holders, (b) Non-U.S. Holders who would not hold the Common Stock as capital assets or (c) Non-U.S. Holders who are otherwise subject to special treatment under the Code (including insurance companies, tax-exempt entities, financial institutions, broker-dealers and persons who would hold the Common Stock as part of a straddle, hedge or conversion transaction). In addition, the summary does not consider the effect of any applicable state, local or foreign tax laws on Non-U.S. Holders. EACH PROSPECTIVE NON-U.S. HOLDER OF COMMON STOCK SHOULD CONSULT HIS OWN TAX ADVISOR WITH RESPECT TO THE TAX CONSEQUENCES OF THE ACQUISITION, OWNERSHIP AND DISPOSITION OF COMMON STOCK, INCLUDING THE APPLICABILITY AND EFFECT OF STATE, LOCAL AND FOREIGN TAX LAWS, AND OF CHANGES IN APPLICABLE TAX LAWS.

#### DIVIDENDS ON COMMON STOCK

Dividends paid to a Non-U.S. Holder of Common Stock that are not effectively connected with the conduct by the Non-U.S. Holder of a trade or business within the United States will generally be subject to withholding of United States federal income tax at a rate of 30% of the gross amount of the dividends unless the rate is reduced by an applicable income tax treaty. Except to the extent that an applicable tax treaty otherwise provides, a Non-U.S. Holder will be taxed in the same manner as United States citizens, resident aliens and domestic corporations on dividends paid (or deemed paid) that are effectively connected with the conduct of a trade or business in the United States by the Non-U.S. Holder. If such Non-U.S. Holder is a foreign corporation, it may also be subject to a United States branch profits tax on such effectively connected income at a 30% rate or such lower rate as may be specified by an applicable income tax treaty. However, a Non-U.S. Holder may claim exemption from withholding under the effectively connected income exception by filing Form 4224 (Exemption from Withholding of Tax on Income Effectively Connected with the Conduct of Business in the United States) or a successor form with the Company or its paying agent.

Under the currently applicable Treasury regulations, dividends paid to an address in a country other than the United States are presumed to be paid to a resident of such country for purposes of the withholding discussed above (unless the payor has knowledge to the contrary) and, under the current interpretation of Treasury regulations, for purposes of determining the applicability of a reduced rate of withholding under an

income tax treaty. However, under certain recently finalized Treasury Regulations (the "New Withholding Regulations") a Non-U.S. Holder of Common Stock who wishes to claim the benefit of an applicable treaty rate would be required to satisfy certain certification and other requirements. In addition, under the New Withholding Regulations, in the case of Common Stock held by a foreign partnership, the certification requirement would generally be applied to the partners of the partnership and the partnership may be required to provide certain information, including a United States taxpayer identification number. The New Withholding Regulations also provide look-through rules for tiered partnerships. The New Withholding Regulations are generally effective for payments made after December 31, 1998, subject to certain transition rules. Non-U.S. Holders are encouraged to consult with their own tax advisors with respect to the application of the New Withholding Regulations.

Generally, the Company must report to the IRS the amount of dividends paid, the name and address of the recipient and the amount, if any, of the tax withheld. A similar report is sent to the holder. Pursuant to income tax treaties or certain other agreements, the IRS may make its reports available to tax authorities in the recipient's country of residence.

If paid to an address outside the United States, dividends on Common Stock held by a Non-U.S. Holder will generally not be subject to backup withholding, provided that the payor does not have actual knowledge that the holder is a United States person. However, under the New Withholding Regulations (which are effective for dividends paid after December 31, 1998), dividend payments may be subject to backup withholding imposed at a rate of 31% unless applicable certification requirements are satisfied. See the discussion above with respect to rules applicable to foreign partnerships under the New Withholding Regulations.

#### GAIN ON DISPOSITION OF COMMON STOCK

Subject to the discussion below under "FIRPTA Treatment of Non-U.S. Holders," a Non-U.S. Holder generally will not be subject to United States federal income tax or withholding on gain recognized upon the sale or other disposition of Common Stock unless (i) the gain is effectively connected with the conduct of a trade or business within the United States by the Non-U.S. Holder, or (ii) in the case of a Non-U.S. Holder who is a non-resident alien individual and holds the Common Stock as a capital asset, such holder is present in the United States for 183 or more days in the taxable year and certain other conditions are met, or (iii) the Non-U.S. Holder is subject to tax pursuant to the provisions of United States federal income tax law applicable to certain United States expatriates. If a Non-U.S. Holder falls under clause (i) above, the holder will be taxed on the net gain derived from the sale at regular graduated United States federal income tax rates (the branch profits tax also may apply if the Non-U.S. Holder is a corporation). If an individual Non-U.S. Holder falls under clause (ii) above, the holder generally will be subject to a 30% tax on the gain derived from the sale, which gain may be offset by U.S. capital losses recognized within the same taxable year of such sale.

#### FIRPTA TREATMENT OF NON-U.S. HOLDERS

Under the Foreign Investment in Real Property Tax Act of 1980, as amended ("FIRPTA"), and subject to the exception discussed below for 5% or less shareholders, Non-U.S. Holders generally are subject to United States federal income tax on capital gain realized on the disposition of Common Stock which constitutes a United States real property interest by reason of that Company's status as a United States real property holding corporation ("USRPHC"), as well as United States withholding in respect to such tax equal to 10% of the amount realized on such disposition. Under FIRPTA, a corporation is a USRPHC if the fair market value of the United States real property interests held by the corporation equals 50% or more of the aggregate fair market value of the Company's real property interests and any other assets of the Company used or held for use in a trade or business. In the event that a sale or disposition of Common Stock constitutes a sale or disposition of a United States real property interest, a greater than 5% Non-U.S. Holder will generally be subject to United States tax on such sale or disposition.

The Company currently believes that, in light of the nature and extent of its real estate interests in the United States, it is a USRPHC. Even if a corporation meets the test for a USRPHC, a Non-U.S. Holder

would generally not be subject to U.S. federal income tax on gain from a sale or other disposition of Common Stock solely by reason of such USRPHC status if the Common Stock is regularly traded on an established securities market during the calendar year in which such sale or disposition occurs and such holder does not own, actually or constructively, Common Stock with a fair market value in excess of 5% of the fair market value of all Common Stock outstanding at any time during the shorter of the five-year period preceding such disposition or the holder's holding period. In addition, a Non-U.S. Holder will not be subject to withholding in respect to such tax if the Company's Common Stock is so regularly traded during the calendar year of such disposition. The Company believes that the Common Stock will be treated as regularly traded on an established securities market. Accordingly, a Non-U.S. Holder that owns more than 5% of the fair market value of the Common Stock during the period described above may be subject to U.S. federal income tax on a sale or disposition.

#### FEDERAL ESTATE TAXES

An individual Non-U.S. Holder who owns, or is treated as owning, Common Stock at the time of his or her death or has made certain lifetime transfers of an interest in Common Stock will be required to include the value of such Common Stock in his gross estate for United States federal estate tax purposes, unless an applicable estate tax treaty provides otherwise.

#### INFORMATION REPORTING AND BACKUP WITHHOLDING

Information reporting requirements and backup withholding tax will not apply to any payment of the proceeds of the sale of Common Stock effected outside the United States by a foreign office of a "broker" (as defined in applicable Treasury Regulations), unless such broker is (i) a United States person, (ii) a foreign person that derives 50% or more of its gross foreign income for certain periods from activities that are effectively connected with the conduct of a trade or business in the United States, (iii) a controlled foreign corporation for United States federal income tax purposes or (iv) effective December 31, 1998, certain brokers that are foreign partnerships with partners who are Non-U.S. Holders or that are engaged in a United States trade or business. Payment of the proceeds of any such sale effected outside the United States by a foreign office of any broker that is described in (i), (ii), (iii) or (iv) of the preceding sentence will not be subject to backup withholding tax, but will be subject to information reporting requirements unless such broker has documentary evidence in its records that the beneficial owner is a Non-U.S. Holder and certain other conditions are met, or the beneficial owner otherwise establishes an exemption. Payment of the proceeds of any such sale to or through the United States office of a broker is subject to information reporting and backup withholding requirements, unless the beneficial owner of the Common Stock either (a) provides a Form W-8 (or a suitable substitute form) signed under penalties of perjury that includes its name and address and certifies as to its Non-U.S. Holder status in compliance with applicable law and regulations, or (b) otherwise establishes an exemption. Effective for payments after December 31, 1998 (and subject to certain transition rules), the New Withholding Regulations unify certain certification procedures and forms and the reliance standards relating to information reporting and backup withholding.

THE FOREGOING DISCUSSION OF CERTAIN FEDERAL INCOME TAX CONSEQUENCES IS FOR GENERAL INFORMATION ONLY AND IS NOT TAX ADVICE. ACCORDINGLY, EACH PROSPECTIVE NON-U.S. HOLDER OF COMMON STOCK SHOULD CONSULT HIS OWN TAX ADVISOR WITH RESPECT TO THE TAX CONSEQUENCES OF THE ACQUISITION, OWNERSHIP AND DISPOSITION OF COMMON STOCK.

## UNDERWRITERS

Under the terms and subject to the conditions in the Underwriting agreement dated the date hereof (the "Underwriting Agreement"), the U.S. Underwriters named below for whom Morgan Stanley & Co. Incorporated, Donaldson, Lufkin & Jenrette Securities Corporation, Merrill Lynch, Pierce, Fenner & Smith Incorporated and Raymond James & Associates, Inc. are acting as U.S. Representatives, and the International Underwriters named below for whom Morgan Stanley & Co. International Limited, Donaldson, Lufkin & Jenrette International, Merrill Lynch International and Raymond James & Associates, Inc. are acting as International Representatives, have severally agreed to purchase, and the Trust has agreed to sell to them, severally, the respective number of shares of Common Stock set forth opposite the names of such Underwriters below:

NAME - - - - -	NUMBER OF SHARES -----
U.S. Underwriters:	
Morgan Stanley & Co. Incorporated.....	
Donaldson, Lufkin & Jenrette Securities Corporation.....	
Merrill Lynch, Pierce, Fenner & Smith Incorporated.....	
Raymond James & Associates, Inc.....	
Subtotal.....	----- 10,200,000
International Underwriters:	
Morgan Stanley & Co. International Limited.....	
Donaldson, Lufkin & Jenrette International.....	
Merrill Lynch International.....	
Raymond James & Associates, Inc.....	
Subtotal.....	----- 1,800,000 -----
Total.....	----- 12,000,000 =====

The U.S. Underwriters and the International Underwriters, and the U.S. Representatives and the International Representatives, are collectively referred to as the "Underwriters" and the "Representatives," respectively. The Underwriting Agreement provides that the obligations of the several Underwriters to pay for and accept delivery of the shares of Common Stock offered hereby are subject to the approval of certain legal matters by their counsel and to certain other conditions. The Underwriters are obligated to take and pay for all of the shares of Common Shares offered hereby (other than those covered by the U.S. Underwriters' over-allotment option described below) if any such shares are taken.

Pursuant to the Agreement between U.S. and International Underwriters, each U.S. Underwriter has represented and agreed that, with certain exceptions: (i) it is not purchasing any Shares (as defined herein) for the account of anyone other than a United States or Canadian Person (as defined herein) and (ii) it has not offered or sold, and will not offer or sell, directly or indirectly, any Shares or distribute any prospectus relating to the Shares outside the United States or Canada or to anyone other than a United States or Canadian Person. Pursuant to the Agreement between U.S. and International Underwriters, each International Underwriter has represented and agreed that, with certain exceptions: (i) it is not purchasing any Shares for the account of any United States or Canadian Person and (ii) it has not offered or sold and will not offer or sell, directly or indirectly, any Shares or distribute any prospectus relating to the Shares in the United States or Canada or to any United States or Canadian Person. With respect to any Underwriter that is a U.S. Underwriter and an International Underwriter, the foregoing representations and agreements (i) made by it in its capacity as a U.S. Underwriter apply only to in its capacity as a U.S. Underwriter and (ii) made by it in its capacity as an International Underwriter apply only to it in its capacity as an International Underwriter. The foregoing limitations do not apply to stabilization transactions or to certain other transaction specified in the Agreement between U.S. and International Underwriters. As used herein, "United States or Canadian Person" means any national or resident of the United States or Canada or of any corporation, pension, profit-

sharing or other trust or other entity organized under the laws of the United States and Canada or of any political subdivision thereof (other than branch located outside the United States of any United States or Canadian person), and includes any United States or Canadian branch of a person who is otherwise not a United States or Canadian Person. All shares of Common Stock to be purchased by the Underwriters under the Underwriting Agreement are referred to herein as the "Shares."

Pursuant to the Agreement between U.S. and International Underwriters, sales may be made between the U.S. Underwriters and International Underwriters of any number of Shares as may be mutually agreed. The per share price of any Shares sold shall be the public offering price set forth on the cover page hereof, in United States dollars, less an amount not greater than the per share amount of the concession to dealers set forth below.

Pursuant to the Agreement between U.S. and International Underwriters, each U.S. Underwriter has represented that it has not offered or sold, and has agreed not to offer to sell, any Shares, directly or indirectly, in any province or territory of Canada or to, or for the benefit of any resident of any province or territory of Canada in contravention of the Securities laws thereof and has represented that any offer or sale of Shares in Canada will be made only pursuant to an exemption from the requirement to file a prospectus in the province or territory of Canada will be made only pursuant to an exemption from the requirement to file a prospectus in the province or territory of Canada in which such offer or sale is made. Each International Underwriter has further agreed to send to any dealer who purchases from it any of the Shares a notice stating in substance that, by purchasing such Shares, such dealer represents and agrees that it has not offered or sold, and will not offer or sell, directly or indirectly, any of such Shares in any province or territory of Canada or to, or for the benefit of, any resident or any province or territory of Canada in contravention of the securities laws thereof and that any offer or sale of Shares in Canada will be made only pursuant to an exemption from the requirement to file a prospectus in the province or territory of Canada in which such offer is made, and that such dealer will deliver to any other dealer to whom it sells any of such Shares a notice containing substantially the same statement as is contained in this sentence.

Pursuant to the Agreement between U.S. and International Underwriters, each International Underwriter has represented and agreed that (i) it has not offered or sold and, prior to the date six months after the closing date for the sale of Shares to the International Underwriters, will not offer or sell, any Shares to persons in the United Kingdom except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their business or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offerings of Securities Regulations 1995; (ii) it has complied and will comply with all applicable provisions of the Financial Services Act 1986 with respect to anything done by it in relation to the Shares in, from or otherwise involving the United Kingdom; and (iii) it has only issued or passed on and will only issue or pass on in the United Kingdom any document received by it in connection with the offering of the Shares to a person who is of a kind described in Article 11(3) of the Financial Services Act 1986 (Investment Advertisements) (Exemptions) Order 1996 or is a person to whom such document may otherwise lawfully be issued or passed on.

Pursuant to the Agreement between the U.S. and International Underwriters, each International Underwriter has further represented that it has not offered or sold and has agreed not to offer or sell, directly or indirectly, in Japan or to or for the account of any resident thereof, any of the Shares acquired in connection with the distribution contemplated hereby, except for offers or sales to Japanese International Underwriters or dealers and except pursuant to any exemption from the registration requirements of the Securities and Exchange Law and otherwise in compliance with applicable provisions of Japanese law. Each International Underwriter has further agreed to send to any dealer who purchases from it any of the Shares a notice stating in substance that, by purchasing such Shares, such dealer represents and agrees that it has not offered or sold, and will not offer or sell, any of such Shares, directly or indirectly, in Japan or to or for the account of any resident thereof except for offers or sales to Japanese International Underwriters or dealers and except pursuant to any exemption from the registration requirements of the Securities and Exchange Law and otherwise in compliance with applicable provisions of Japanese law, and that such dealer will send to any other

dealer to whom it sells any of such Shares a notice containing substantially the same statement as is contained in this sentence.

The Underwriters initially propose to offer part of the Shares directly to the public at the public offering price set forth on the cover page hereof and part to certain dealers at a price that represents a concession not in excess of \$ \_\_\_\_\_ a share under the public offering price. The Underwriters may allow, and such dealers may reallow, a concession not in excess of \$ \_\_\_\_\_ a share to other Underwriters or to certain dealers. After the initial offering of the Shares, the offering price and other selling terms may from time to time be varied by the Representatives.

Pursuant to the Underwriting Agreement, the Trust has granted to the U.S. Underwriters an option, exercisable for 30 days from the date of this Prospectus, to purchase up to an aggregate of 1,800,000 additional shares of Common Stock at the public offering price set forth on the cover page hereof, less underwriting discounts and commissions. The U.S. Underwriters may exercise such option to purchase solely for the purpose of covering over-allotments, if any, made in connection with the offering of the shares of Common Stock offered hereby. To the extent such option is exercised, each U.S. Underwriter will become obligated, subject to certain conditions, to purchase approximately the same percentage of such additional shares of Common Stock as the number set forth next to such U.S. Underwriter's name in the preceding table bears to the total number of share of Common Stock set forth next to the names of all U.S. Underwriters in the preceding table.

The Common Stock is listed on the New York Stock Exchange under the symbol "SJP."

Each of the Company, the Selling Stockholder and certain other stockholders and officers and directors of the Company has agreed that, without the prior written consent of Morgan Stanley & Co. Incorporated on behalf of the Underwriters, it will not, during the period ending 180 days from the date of this Prospectus, directly or indirectly, (i) offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend or otherwise transfer or dispose of, directly or indirectly, any shares of Common Stock or any securities convertible into or exercisable or exchangeable for Common Stock or (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Common Stock, whether any such transaction described in clause (i) or (ii) above is to be settled by delivery of shares of Common Stock or such other securities, in cash or otherwise, other than (w) the Shares, (x) the issuance by the Company of shares of Common Stock upon the exercise of an option or a warrant or the conversion of a security outstanding on the date of this Prospectus of which the Underwriters have been advised in writing, (y) the issuance of shares of Common Stock as consideration for future acquisitions by the Company or (z) the grant of options under the Company's stock option plans; provided such options do not vest prior to the termination of the 180-day period referenced herein, and provided further that, in the case of subclauses (x) and (y), the recipient of any such issued shares agrees to be bound by the transfer restrictions set forth herein.

In order to facilitate the offering of the Common Stock, the Underwriters may engage in transactions that stabilize, maintain or otherwise affect the price of the Common Stock. Specifically, the Underwriters may over-allot in connection with the Offerings, creating a short position in the Common Stock for their own account. In addition, to cover over-allotments or to stabilize the price of the Common Stock, the Underwriters may bid for, and purchase, shares of Common Stock in the open market. Finally, the underwriting syndicate may reclaim selling concessions allowed to an Underwriter or a dealer for distributing the Common Stock in the Offerings, if the syndicate repurchases previously distributed Common Stock in transactions to cover syndicate short positions, in stabilization transactions or otherwise. Any of these activities may stabilize or maintain the market price of the Common Stock above independent market levels. The Underwriters are not required to engage in these activities, and may end any of these activities at any time.

The Company, the Trust and the Underwriters have agreed to indemnify each other against certain liabilities, including liabilities under the Securities Act.



## LEGAL MATTERS

The validity of the Common Stock offered hereby and certain other legal matters will be passed upon for the Company by Robert M. Rhodes, Senior Vice President and General Counsel of the Company, and by Latham & Watkins, Chicago, Illinois. Certain legal matters will be passed upon for the Trust by McGuire, Woods, Battle & Boothe L.L.P., Richmond, Virginia. Certain legal matters will be passed upon for the Underwriters by Davis Polk & Wardwell, New York, New York.

## EXPERTS

The consolidated financial statements of St. Joe Corporation as of December 31, 1996 and 1995, and for each of the years in the three-year period ended December 31, 1996, have been included herein and in the registration statement in reliance upon the report of KPMG Peat Marwick LLP, independent certified public accountants, appearing elsewhere herein, and upon the authority of said firm as experts in accounting and auditing.

ST. JOE CORPORATION  
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## INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders  
St. Joe Corporation:

We have audited the accompanying consolidated balance sheets of St. Joe Corporation and subsidiaries as of December 31, 1996 and 1995, and the related consolidated statements of income, changes in stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 1996. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of St. Joe Corporation and subsidiaries as of December 31, 1996 and 1995, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 1996, in conformity with generally accepted accounting principles.

KPMG PEAT MARWICK LLP

Jacksonville, Florida  
March 7, 1997

ST. JOE CORPORATION  
CONSOLIDATED BALANCE SHEETS

	DECEMBER 31,		SEPTEMBER 30,
	1995	1996	1997
	(UNAUDITED)		
	(DOLLARS IN THOUSANDS)		
<b>ASSETS</b>			
Current Assets:			
Cash and cash equivalents.....	\$ 16,802	\$ 449,013	\$ 200,986
Short-term investments.....	96,923	88,011	38,200
Accounts receivable.....	44,390	57,517	39,343
Income taxes refundable.....	4,314	--	--
Inventories.....	20,592	18,677	12,692
Other assets.....	18,162	17,455	35,665
Net assets of discontinued operations.....	296,001	--	--
	497,184	630,673	326,886
Investments and Other Assets:			
Marketable securities.....	189,865	282,827	337,526
Note receivable.....	--	10,000	--
Other assets.....	38,971	48,571	67,231
	228,836	341,398	404,757
Property, plant and equipment, net.....	804,974	834,167	853,217
	\$1,530,994	\$1,806,238	\$1,584,860
	=====	=====	=====
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>			
Current Liabilities:			
Accounts payable.....	\$ 26,024	\$ 28,480	\$ 26,903
Accrued liabilities.....	18,445	21,615	25,920
Income taxes payable.....	--	6,864	3,876
	44,469	56,959	56,699
Accrued casualty reserves and other liabilities.....	11,681	18,361	19,950
Deferred income taxes.....	192,036	254,873	279,690
Minority interest in consolidated subsidiaries.....	266,741	279,104	293,915
Stockholders' Equity:			
Common stock, no par value; 180,000,000 shares authorized; 91,495,950 shares issued and outstanding at December 31, 1995 and 1996 and 91,697,811 at September 30, 1997.....	8,714	8,714	13,054
Retained earnings.....	955,239	1,125,161	843,198
Net unrealized gains on marketable securities available for sale.....	52,114	63,066	82,043
Restricted stock deferred compensation.....	--	--	(3,689)
	1,016,067	1,196,941	934,606
Total liabilities and stockholders' equity.....	\$1,530,994	\$1,806,238	\$1,584,860
	=====	=====	=====

See notes to consolidated financial statements.

ST. JOE CORPORATION  
CONSOLIDATED STATEMENTS OF INCOME

	YEAR ENDED DECEMBER 31,			NINE MONTHS ENDED SEPTEMBER 30,	
	1994	1995	1996	1996	1997
	(UNAUDITED)				
	(DOLLARS IN THOUSANDS EXCEPT PER SHARE AMOUNTS)				
Net sales.....	\$155,122	\$150,564	\$245,704	\$173,401	\$ 79,566
Operating revenues.....	175,784	184,360	185,485	162,307	172,328
Total revenues.....	330,906	334,924	431,189	335,708	251,894
Cost of sales.....	111,014	116,014	112,163	64,765	63,282
Operating expenses.....	133,091	139,875	139,640	120,524	118,493
Selling, general and administrative expenses.....	26,836	31,718	31,215	24,373	28,103
Operating profit.....	59,965	47,317	148,171	126,046	42,016
Other income (expense):					
Dividends.....	2,187	2,595	2,968	2,196	2,583
Interest income.....	9,678	12,666	29,914	20,887	21,955
Interest expense.....	(1,982)	(2,235)	(600)	(426)	(331)
Gain on sales and other dispositions of property, plant and equipment, net.....	13,895	2,674	3,423	5,745	3,305
Other, net.....	1,386	3,070	5,152	3,603	5,138
Total other income (expense).....	25,164	18,770	40,857	32,005	32,650
Income from continuing operations before income taxes and minority interest.....	85,129	66,087	189,028	158,051	74,666
Provision for income taxes					
Current.....	24,692	5,778	30,288	12,399	22,372
Deferred.....	6,754	18,757	52,829	58,812	10,609
Total provision for income taxes.....	31,446	24,535	83,117	71,211	32,981
Income from continuing operations before minority interest.....	53,683	41,552	105,911	86,840	41,685
Minority interest.....	15,827	12,194	14,002	9,922	13,404
Income from continuing operations.....	37,856	29,358	91,909	76,918	28,281
Income from discontinued operations:					
Earnings (loss) from discontinued operations, net of income taxes of \$2,491, \$26,116, \$(2,785) and \$(2,785), respectively.....	4,253	44,461	(4,528)	(4,528)	--
Gain on the sale of discontinued operations, net of income taxes of \$48,705 and \$64,950, respectively.....	--	--	88,641	95,644	--
Income from discontinued operations.....	4,253	44,461	84,113	91,116	--
Net income.....	\$ 42,109	\$ 73,819	\$176,022	\$168,034	\$ 28,281
	=====	=====	=====	=====	=====
PER SHARE DATA:					
Income from continuing operations.....	\$ 0.41	\$ 0.32	\$ 1.00	\$ 0.84	\$ 0.31
Earnings (loss) from discontinued operations.....	0.05	0.49	(.05)	(.05)	--
Gain on the sale of discontinued operations.....	--	--	0.97	1.05	--
Net income.....	\$ 0.46	\$ 0.81	\$ 1.92	\$ 1.84	\$ 0.31
	=====	=====	=====	=====	=====

See notes to consolidated financial statements.

## ST. JOE CORPORATION

## CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

	YEARS ENDED DECEMBER 31,			NINE MONTHS ENDED
	1994	1995	1996	SEPTEMBER 30, 1997
				(UNAUDITED)
	(DOLLARS IN THOUSANDS EXCEPT PER SHARE AMOUNTS)			
Common Stock:				
Balance, at end of period (1994, 1995 and 1996 -- 91,495,950 shares, September 30, 1997 -- 91,697,811).....	\$ 8,714	\$ 8,714	\$ 8,714	\$ 13,054
	=====	=====	=====	=====
Retained Earnings:				
Balance, at beginning of period.....	\$851,511	\$887,520	\$ 955,239	\$1,125,161
Net income.....	42,109	73,819	176,022	28,281
Dividends:				
Cash (\$.07 per share -- 1994, 1995 and 1996, \$.05 per share in 1997).....	(6,100)	(6,100)	(6,100)	(4,585)
Special distribution (\$3.33 per share in 1997)....	--	--	--	(305,659)
	-----	-----	-----	-----
Balance, at end of period.....	\$887,520	\$955,239	\$1,125,161	\$ 843,198
	=====	=====	=====	=====
Net Unrealized Gain on Marketable Securities Available for Sale:				
Balance, at beginning of period.....	\$ 41,485	\$ 40,747	\$ 52,114	\$ 63,066
Increase (decrease) in net unrealized gain, net of tax effect.....	(738)	11,367	10,952	18,977
	-----	-----	-----	-----
Balance, at end of period.....	\$ 40,747	\$ 52,114	\$ 63,066	\$ 82,043
	=====	=====	=====	=====
Restricted stock deferred compensation:				
Balance, at beginning of period.....	--	--	--	--
(Increase) decrease in restricted stock deferred compensation.....	--	--	--	\$ (3,689)
	-----	-----	-----	-----
Balance, at end of period.....	--	--	--	\$ (3,689)
	=====	=====	=====	=====

See notes to consolidated financial statements.

ST. JOE CORPORATION  
CONSOLIDATED STATEMENTS OF CASH FLOWS

	YEARS ENDED DECEMBER 31,			NINE MONTHS ENDED SEPTEMBER 30,	
	1994	1995	1996	1996	1997
	(UNAUDITED)				
	(DOLLARS IN THOUSANDS)				
Cash flows from operating activities:					
Net Income.....	\$ 42,109	\$ 73,819	\$176,022	\$168,034	\$ 28,281
Adjustments to reconcile net income to cash provided by operating activities:					
Depreciation and depletion.....	27,612	28,551	28,758	21,232	23,635
Minority interest in income.....	15,827	12,194	14,002	9,922	13,404
Gain on sale of property.....	(13,895)	(2,674)	(3,423)	(5,745)	(3,682)
Gain on sale of discontinued operations...	--	--	(88,641)	(95,644)	--
Deferred income tax provision.....	6,754	18,757	52,829	60,687	12,327
Changes in operating assets and liabilities:					
Accounts receivable.....	(1,375)	(3,139)	(13,127)	(377)	18,174
Inventories.....	6,545	(828)	1,915	3,459	5,985
Other assets.....	(406)	(4,790)	(8,893)	(14,151)	(26,870)
Accounts payable, accrued liabilities and casualty reserves.....	3,176	(4,279)	5,435	27,121	6,971
Income taxes payable.....	4,275	(7,012)	11,178	25,537	(2,988)
Discontinued operations -- noncash charges and working capital changes.....	12,096	43,483	(58,710)	(63,257)	--
Cash provided by operating activities.....	102,718	154,082	117,345	136,818	75,237
Cash flows from investing activities:					
Purchases of property, plant and equipment.....	(65,450)	(78,816)	(64,271)	(41,135)	(53,256)
Investing activities of discontinued operations.....	(19,513)	(28,102)	(4,327)	(4,327)	--
Proceeds from sales of property.....	18,135	5,119	9,743	4,806	14,904
Proceeds from sale of discontinued operations.....	--	--	445,055	454,949	--
Purchases of investments:					
Available for sale.....	(18,851)	(31,247)	(21,928)	(18,698)	(49,615)
Held-to-maturity.....	(105,091)	(168,607)	(180,797)	(216,570)	(100,336)
Maturity and redemption of investments:					
Available for sale.....	12,779	29,058	18,291	12,218	62,434
Held-to-maturity.....	95,241	135,480	121,111	153,194	114,096
Cash provided by (used in) investing activities.....	(82,750)	(137,115)	322,877	344,437	(11,773)
Cash flows from financing activities:					
Net change in short-term borrowings.....	(5,437)	(11,989)	--	--	--
Financing activities of discontinued operations.....	2,092	(9,917)	(245)	(245)	--
Dividends paid to stockholders.....	(6,100)	(6,100)	(6,100)	(4,575)	(310,244)
Repayment of long-term debt.....	(19)	(16,893)	--	--	--
Dividends paid to minority interest.....	(1,679)	(1,655)	(1,666)	(1,245)	(1,247)
Cash used in financing activities.....	(11,143)	(46,554)	(8,011)	(6,065)	(311,491)
Net increase (decrease) in cash and cash equivalents.....	8,825	(29,587)	432,211	475,190	(248,027)
Cash and cash equivalents at beginning of period.....	37,564	46,389	16,802	16,802	449,013
Cash and cash equivalents at end of period....	\$ 46,389	\$ 16,802	\$449,013	\$491,992	\$ 200,986
Supplemental disclosure of cash flow information:					
Cash paid during the period for certain expense items:					
Interest.....	\$ 3,973	\$ 4,541	\$ 1,009	\$ 835	\$ 331
Income taxes.....	\$ 20,494	\$ 45,283	\$120,789	\$ 93,172	\$ 25,776

See notes to consolidated financial statements.

## ST. JOE CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(DOLLARS IN THOUSANDS EXCEPT PER SHARE AMOUNTS)

## 1. NATURE OF OPERATIONS

St. Joe Corporation (the Company) is a diversified corporation engaged in transportation, real estate, forestry and sugar operations. Forestry has operations in both Florida and Georgia while the remaining businesses operate principally within the state of Florida.

## Transportation

Transportation operations accounted for 43% of the Company's net sales and operating revenues in 1996, and consist of both railway and trucking operations. The two railroads, one serving the northwest Florida area from Port St. Joe to Chattahoochee and the other serving the eastern seaboard of Florida from Jacksonville to Miami, provide transportation services for the common carriage of goods by rail between their terminating points. Since the rail operations are within the state of Florida, more than one-half of its transportation revenue is generated by shipments which originate and terminate within Florida. Additionally, a significant portion of the traffic handled is received from or transferred to other rail carriers. The principal commodities carried by rail include crushed stone, cement, automobile vehicles and parts, trailer-on-flatcar, container-on-flatcar, basic consumer goods such as foodstuffs and building material, coal, pulpboard, pulpwood, woodchips, tall oil chemicals, stone and clay products and recyclables. The trucking portion of the Company's operation is an interstate, irregular route, common carrier with terminals located throughout the eastern half of the United States.

## Real Estate

Real estate accounted for 31% of the Company's net sales and operating revenues in 1996, and consists of the development, construction and management of real estate projects within the state of Florida, both for long-term appreciation and for sale to third parties and the sale of both developed and undeveloped land. Along Florida's east coast, the Company concentrates in commercial property which it can manage, maintain and develop. In west Florida, the Company has concentrated on developing parcels for residential use. The Real Estate segment's competition is with other developers and brokers throughout its operating area.

## Forestry

Forestry accounted for 13% of the Company's net sales and operating revenues in 1996, and consists of the growing and harvesting of timber on approximately one million acres of timberlands in Florida and Georgia. The majority of the wood harvested by the Company is sold under a long term wood fiber supply agreement to one linerboard mill located in Port St. Joe, Florida. The Company plans in the future to shift its remaining fiber production from the Company's lands to higher margin timber products.

Wood is supplied to the mill pursuant to a negotiated wood fiber supply agreement entered into at the time of the sale of the mill. See Note 3. Discontinued Operations. Under that agreement, wood fiber will be supplied to the linerboard mill for a period of fifteen years, with two five year renewal periods. Tonnage to be provided, reduces from 1.6 million tons in year one to 1.4, 1.2, .9 million tons in years two, three and four respectively. Years four and thereafter remain at .9 million tons. The amount of tonnage required from Company's land is .9 million tons per year starting in the third year. At any time, the mill can elect to reduce in increments on a permanent basis the amount of tonnage to not less than 600,000 tons per year. Prices for the wood fiber were negotiated at the time of the negotiation of the agreement and were negotiated based on fixed prices from geographic zones for pulp wood and prices tied to designated chipping facilities for wood chips. Under the wood fiber supply agreement, prices are to be renegotiated every two years and are to be indexed on a quarterly basis to certain published prices resulting in quarterly adjustments that are not greater than five percent.



## ST. JOE CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)  
(DOLLARS IN THOUSANDS EXCEPT PER SHARE AMOUNTS)

On March 6, 1997 officials of the linerboard mill at Port St. Joe announced that the mill would be shutdown beginning in April, 1997 for an indefinite period of time due to soft market conditions in the paper industry.

In September 1997, the linerboard mill reopened. On August 25, 1997, the Company renegotiated certain terms of its wood fiber supply agreement with Florida Coast Paper Company. Under the revised agreement, the Company will supply 615,400 tons of pulpwood and wood chips between August 25, 1997 and May 30, 1998; thereafter the Company will supply 700,000 tons per year through December, 2011 with two five year renewal periods at the option of Florida Coast. The financial impact to transportation (ANRR) and forestry segments operations had a significant adverse impact on the segments' revenues, operating profit, net income and cash flow during the shutdown period.

## Sugar

Sugar accounted for 13% of the Company's net sales and operating revenues in 1996, and consists of a sugarcane plantation and a sugar mill which processes the sugarcane into raw sugar. The raw sugar from the mill is sold to one customer. The sugarcane crop is subject to varying weather conditions which can significantly reduce the harvest and crop yields.

## 2. MAJORITY STOCKHOLDERS

The Alfred I. duPont Testamentary Trust (the "Trust") and Nemours Foundation (the "Foundation"), beneficiary of the Trust, collectively own approximately 69.8% of the common stock of the Company. The Company and its subsidiaries had no significant transactions with the Trust or the Foundation during the period.

## 3. DISCONTINUED OPERATIONS

## Communications

On April 11, 1996, St. Joe Industries, Inc., a wholly owned subsidiary of the Company, sold the stock of St. Joe Communications, Inc. (SJCI) to TPG Communications, Inc. for \$96,098. TPG Communications, Inc. assumed \$17,963 of SJCI interest bearing debt. SJCI sold its interest in three remaining cellular partnerships for an aggregate of \$25,113. The Company recorded a \$39,154 gain on the sale net of tax. SJCI's revenues through the April 11, 1996 sale date were \$9,335. Revenues in 1995 and 1994 were \$32,826 and \$30,638, respectively. During 1995, the Company had previously sold a cellular partnership interest for \$2,104. Earnings for SJCI were \$1,120, \$6,767 and \$4,993 for 1996, 1995 and 1994, respectively

## Forest Products

On May 30, 1996, the Company sold its linerboard mill and container plants. Proceeds from the sale include \$323,844 cash and a \$10,000 senior subordinated note, (the Promissory Note). The Promissory Note bears interest at a rate of 13.25% and interest is payable quarterly in arrears commencing September 1, 1996, provided that any interest payable on its due date may, at the borrowers' option, be added to the principal amount outstanding. To date, interest payments have been added to the principal amount. All unpaid principal and interest is due June 1, 2007. The Promissory Note may be prepaid without penalty at any time. The gain on the sale was \$49,487, net of tax. Revenues for the linerboard mill and container plants through May 30, 1996 were \$156,305. Revenues in 1995 and 1994 were \$438,399 and \$378,088, respectively. Earnings (loss) for the linerboard mill and container plants were \$(5,648), \$37,694 and \$(740) for 1996, 1995 and 1994, respectively.

## ST. JOE CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)  
(DOLLARS IN THOUSANDS EXCEPT PER SHARE AMOUNTS)

Included in cash and cash equivalents at December 31, 1996 is approximately \$359,267 of proceeds from these sales which have been held in special accounts during 1996. A formal plan of liquidation was adopted on February 25, 1997, and a distribution of net proceeds of the sales in partial liquidation of \$3.33 per share was paid on March 31, 1997, for stockholders of record on March 21, 1997. It is currently anticipated that remaining net proceeds of \$.34 per share will also be distributed later this year after further costs and expenses of the sales have been accounted for. Also included in cash and cash equivalents at December 31, 1996 is approximately \$9,783 in earnings on the proceeds of sales.

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

## Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

## Principles of Consolidation

The consolidated financial statements include the accounts of the Company and all of its majority owned subsidiaries. All significant intercompany transactions and balances have been eliminated except for sales of continuing operations of \$18,988, \$59,535 and \$58,925 derived from discontinued operations in the years ended December 31, 1996, 1995 and 1994, respectively. The unrealized profit in ending inventories relating to these sales has been eliminated.

## Unaudited Interim Financial Information

The accompanying unaudited consolidated interim balance sheet as of September 30, 1997 and the results of operations and cash flows for the nine months ended September 30, 1996 and 1997 have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission and reflect only normal and recurring adjustments, which are, in the opinion of the Company considered necessary for a fair presentation, as permitted by these regulations. Certain information and footnotes required by generally accepted accounting principles for complete financial statements have been condensed or omitted pursuant to such regulations, although the Company believes that the disclosures made are adequate to make the information presented not misleading.

## Revenue Recognition

Transportation revenues are substantially recognized upon completion of transportation services at destination. Revenues from sales of forestry products and sugar are recognized generally on delivery of the product to the customer. Revenue from realty land sales is recognized upon closing of sales contracts for sale of land or upon settlement of condemnation proceedings. Rental revenues are recognized upon completion of rental and lease contracts, using the straight-line basis for recording the revenues over the life of the contract.

## Cash and Cash Equivalents

For purposes of the Consolidated Statements of Cash Flows, cash and cash equivalents include cash on hand, bank demand accounts, money market accounts, and repurchase agreements having original maturities at acquisition date of three months or less.

## ST. JOE CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)  
(DOLLARS IN THOUSANDS EXCEPT PER SHARE AMOUNTS)

## Inventories

Inventories are stated at the lower of cost or market. Costs for substantially all inventories are determined under the first in, first out (FIFO) or the average cost method.

## Property, Plant and Equipment

Depreciation is computed using both straight-line and accelerated methods over the useful lives of various assets.

Depletion of timber is determined by the units of production method. An adjustment to depletion is recorded, if necessary, based on the continuous forest inventory (CFI) analysis prepared every five years.

Railroad properties are depreciated and amortized using the straight-line method at rates established by regulatory agencies. Gains and losses on normal retirements of these items are credited or charged to accumulated depreciation.

## Deferred Cane Crop Costs

Sugar cane plantings generally yield two annual harvests, depending on weather conditions and soil quality, before replanting is necessary. New planting costs are amortized on a straight-line basis over two years.

## Earnings Per Common Share

Earnings per common share are based on the weighted average number of common shares outstanding during the period, as adjusted for the three-for-one stock split effective January 12, 1998.

## Income Taxes

The Company follows the asset and liability method of accounting for income taxes in accordance with Statement of Financial Accounting Standards (SFAS) No. 109 "Accounting for Income Taxes." Under SFAS 109, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Under SFAS 109, the effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. SFAS 109 also requires the recognition of a deferred tax liability on the undistributed earnings of subsidiaries applied on a prospective basis.

## Investments

Investments consist principally of corporate debt securities, government sponsored agency securities, mortgage backed securities, municipal bonds, common stocks, preferred stocks, and U.S. Government obligations. Investments maturing in three months to one year are classified as short term. Those having maturities in excess of one year are classified as marketable securities.

The Company follows the provisions of SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities". Under SFAS 115, the Company classifies its debt and marketable equity securities in one of three categories: trading, available-for-sale, or held-to-maturity. Trading securities are bought and held principally for the purpose of selling them in the near term. Held-to-maturity securities are those securities for which the Company has the ability and intent to hold the security until maturity. All other securities not included in trading or held-to-maturity are classified as available-for-sale.

## ST. JOE CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)  
(DOLLARS IN THOUSANDS EXCEPT PER SHARE AMOUNTS)

Trading and available-for-sale securities are recorded at fair value. Held-to-maturity securities are recorded at amortized cost, adjusted for the amortization or accretion of premiums or discounts. Unrealized holding gains and losses on trading securities are included in earnings. Unrealized holding gains and losses, net of the related income tax effect and minority interest in consolidated subsidiaries, on available-for-sale securities are excluded from earnings and are reported as a separate component of stockholders' equity until realized.

A decline in the market of any available-for-sale or held-to-maturity security below cost that is deemed other than temporary is charged to earnings resulting in the establishment of a new cost basis for the security.

Realized gains and losses for securities classified as available-for-sale and held-to-maturity are included in earnings and are derived using the specific identification method for determining the cost of securities sold.

## Long-Lived Assets

In March 1995, the Financial Accounting Standards Board issued SFAS 121, "Accounting for the Impairment of Long-Lived Assets to be Disposed Of," which requires impairment losses to be recorded on long-lived assets used in operations when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the asset's carrying amount. SFAS 121 also addresses the accounting for long-lived assets that are expected to be disposed of. The Company has historically reserved for losses related to the impairment of long-term assets. The adoption of SFAS No. 121 in 1996 had no material effect on the Company's financial statements.

## Stock-Based Compensation

Statement of Financial Accounting Standards ("SFAS") No. 123, Accounting for Stock-Based Compensation, permits entities to recognize as expense over the vesting period the fair value of all stock based awards on the date of grant. Alternatively, SFAS No. 123 also allows entities to apply the provisions of Accounting Principles Board ("APB") Opinion No. 25, Accounting for Stock Issued to Employees, and provide pro forma net income and pro forma earnings per share disclosures for employee stock option grants as if the fair-value-based method defined in SFAS No. 123 has been applied. Under APB No. 25, compensation expense would be recorded on the date of grant only if the current market price of the underlying stock exceeded the exercise price. The Company has elected to apply the provisions of APB Opinion No. 25 and provide the pro forma disclosure provisions of SFAS No. 123. The disclosures are not required for interim reporting.

## Reclassifications

Certain prior year amounts have been reclassified to conform with the current year's presentation.

## Restatements

All share numbers and per share amounts have been restated to reflect the three-for-one split of the Company's common stock, which became effective on January 12, 1998.

## ST. JOE CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)  
(DOLLARS IN THOUSANDS EXCEPT PER SHARE AMOUNTS)

## 5. INVENTORIES

Inventories consist of:

	DECEMBER 31,		SEPTEMBER 30,
	1995	1996	1997
			(UNAUDITED)
Materials and supplies.....	\$12,875	\$13,530	\$12,399
Sugar.....	7,717	5,147	293
	\$20,592	\$18,677	\$12,692
	=====	=====	=====

## 6. INVESTMENTS

Investments as of December 31, 1995, consist of:

	AMORTIZED COST	CARRYING VALUE	FAIR VALUE	UNREALIZED HOLDING GAIN	UNREALIZED HOLDING LOSS
			(IN THOUSANDS)		
Short term investments (maturing within one year)					
Held to maturity					
U.S. Government securities.....	\$ 50,077	\$ 50,818	\$ 51,203	\$ 385	\$ --
Tax exempt municipals.....	39,135	39,179	39,150	--	29
Mortgage backed securities.....	5,641	5,911	5,909	--	2
Certificates of deposit.....	1,000	1,015	1,015	--	--
	\$ 95,853	\$ 96,923	\$ 97,277	\$ 385	\$ 31
	=====	=====	=====	=====	=====
Marketable securities					
Available for sale					
U.S. Government securities					
Maturing in one to five years.....	\$ 872	\$ 887	\$ 887	\$ 15	\$ --
Tax exempt municipals					
Maturing in one to five years.....	6,968	7,181	7,181	213	--
Maturing in five to ten years.....	20,093	20,953	20,953	860	--
Maturing in more than ten years.....	5,610	5,820	5,820	210	--
Equity securities.....	11,633	94,027	94,027	82,394	--
Mortgage backed securities					
Maturing in five to ten years.....	3,801	3,877	3,877	76	--
Other corporate debt securities					
Maturing in five to ten years.....	1,842	1,897	1,897	55	--
	50,819	134,642	134,642	83,823	--
Held to maturity					
U.S. Government securities					
Maturing in one to five years.....	45,569	45,902	46,432	530	--
Tax exempt municipals					
Maturing in one to five years.....	1,283	113	113	--	--
Maturing in more than ten years.....	1,000	1,003	1,003	--	--
Mortgage backed securities					
Maturing in five to ten years.....	6,132	6,143	6,699	556	--
Other corporate debt securities					
Maturing in five to ten years.....	794	2,062	2,454	451	59
	54,778	55,223	56,701	1,537	59
	\$105,597	\$189,865	\$191,343	\$85,360	\$ 59
	=====	=====	=====	=====	=====

## ST. JOE CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)  
(DOLLARS IN THOUSANDS EXCEPT PER SHARE AMOUNTS)

Investments as of December 31, 1996, consist of:

	AMORTIZED COST	CARRYING VALUE	FAIR VALUE	UNREALIZED HOLDING GAIN	UNREALIZED HOLDING LOSS
	-----	-----	-----	-----	-----
	(IN THOUSANDS)				
Short term investments (maturing within one year)					
Held to maturity					
U.S. Government securities.....	\$ 87,007	\$ 87,007	\$ 87,226	\$ 296	\$ 77
Tax exempt municipals.....	1,004	1,004	1,005	1	--
	-----	-----	-----	-----	-----
	\$ 88,011	\$ 88,011	\$ 88,231	\$ 297	\$ 77
	=====	=====	=====	=====	=====
Marketable securities					
Available for sale					
U.S. Government securities					
Maturing in one to five years.....	\$ 1,226	\$ 1,226	\$ 1,226	\$ 3	\$ 3
Maturing in five to ten years.....	152	151	151	--	1
Tax exempt municipals					
Maturing in one to five years.....	10,624	10,945	10,945	321	--
Maturing in five to ten years.....	19,726	20,336	20,336	610	--
Maturing in more than ten years.....	4,281	4,265	4,265	--	16
Equity securities.....	13,534	117,128	117,128	103,594	--
Mortgage backed securities					
Maturing in one to five years.....	71	71	71	--	--
Maturing in five to ten years.....	342	343	343	1	--
Maturing in more than ten years.....	3,210	3,255	3,255	45	--
Other corporate debt securities					
Maturing in one to five years.....	920	931	931	11	--
Maturing in five to ten years.....	463	468	468	5	--
Maturing in more than ten years.....	95	105	105	10	--
	-----	-----	-----	-----	-----
	56,644	159,224	159,224	104,600	20
Held to maturity					
U.S. Government securities					
Maturing within one year.....	\$114,371	\$114,371	\$113,454	\$ 333	\$1,250
Tax exempt municipals					
Maturing in one to five years.....	\$ 7,079	\$ 7,079	\$ 7,121	\$ 42	\$ --
Maturing in more than ten years.....	56	56	725	669	--
Mortgage backed securities					
Maturing in one to five years.....	--	--	400	400	--
Maturing in more than ten years.....	41	41	44	3	--
Other corporate debt securities					
Maturing in one to five years.....	2,056	2,056	2,475	502	83
	-----	-----	-----	-----	-----
	123,603	123,603	124,219	1,949	1,333
	-----	-----	-----	-----	-----
	\$178,247	\$282,827	\$283,443	\$106,549	\$1,353
	=====	=====	=====	=====	=====

Marketable securities, including certain investments which mature within one year, are held as a developmental fund created to accumulate capital expected to be required for future improvement of the Company's real estate properties.

## ST. JOE CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)  
(DOLLARS IN THOUSANDS EXCEPT PER SHARE AMOUNTS)

Investments as of September 30, 1997 (unaudited), consist of:

	AMORTIZED COST	CARRYING VALUE	FAIR VALUE	UNREALIZED HOLDING GAIN	UNREALIZED HOLDING LOSS
	-----	-----	-----	-----	-----
	(IN THOUSANDS)				
Short term investments (maturing within one year)					
Available for Sale					
U.S. Government securities.....	\$ 8,496	\$ 8,495	\$ 8,495	\$ --	\$ (1)
Other corporate debt securities.....	29,751	29,705	29,705	--	(46)
	-----	-----	-----	-----	-----
	\$ 38,247	\$ 38,200	\$ 38,200	\$ --	\$ (47)
	=====	=====	=====	=====	=====
Marketable Securities					
Available for Sale					
U.S. Government securities					
Maturing in one to five years.....	\$135,420	\$135,796	\$135,796	\$ 376	\$ --
Maturing in five to ten years.....	547	558	558	11	--
Tax exempt municipals					
Maturing in one to five years.....	19,875	19,248	19,248	--	(627)
Maturing in five to ten years.....	18,223	19,011	19,011	788	--
Maturing in more than ten years.....	3,465	3,984	3,984	519	--
Equity securities.....	15,753	149,969	149,969	134,216	--
Mortgage backed securities					
Maturing in one to five years.....	99	99	99	--	--
Maturing in five to ten years.....	396	400	400	4	--
Maturing in more than ten years.....	4,049	4,363	4,363	314	--
Corporate debt securities					
Maturing in one to five years.....	3,323	3,795	3,795	472	--
Maturing in five to ten years.....	189	196	196	7	--
Maturing more than ten years.....	95	107	107	12	--
	-----	-----	-----	-----	-----
	\$201,434	\$337,526	\$337,526	\$136,719	\$(627)
	=====	=====	=====	=====	=====

During 1997, consistent with the Company's expected capital expenditure needs, approximately \$137,000 of securities classified as held to maturity were transferred to available for sale. Net unrealized gains were not material.

## 7. ACCRUED LIABILITIES

Accrued liabilities consist of:

	DECEMBER 31,		SEPTEMBER 30,
	1995	1996	1997
	-----	-----	-----
	(UNAUDITED)		
Payroll and benefits.....	\$ 1,433	\$ 5,716	\$ 5,139
Payroll taxes.....	246	403	--
Property and other taxes.....	3,418	4,248	13,806
Accrued casualty reserves.....	16,635	18,984	13,938
Other accrued liabilities.....	8,394	10,625	12,988
	-----	-----	-----
	30,126	39,976	45,871
Less: noncurrent accrued casualty reserves and other liabilities.....	11,681	18,361	19,951
	-----	-----	-----
	\$18,445	\$21,615	\$25,920
	=====	=====	=====

## ST. JOE CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)  
(DOLLARS IN THOUSANDS EXCEPT PER SHARE AMOUNTS)

## 8. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, at cost, consist of:

	DECEMBER 31,		SEPTEMBER 30, 1997	ESTIMATED USEFUL LIFE
	1995	1996		
			(UNAUDITED)	
Land and timber.....	\$ 132,393	\$ 134,811	\$ 134,808	--
Land improvements.....	19,149	19,770	21,107	20
Buildings.....	3,686	3,702	3,702	45
Machinery and equipment.....	623,183	630,847	616,447	12-30
Office equipment.....	799	1,150	1,557	10
Autos and trucks.....	2,375	2,829	3,044	3-6
Construction in progress.....	5,689	3,844	33,326	--
Investment property.....	318,181	359,689	366,272	various
	1,105,455	1,156,642	1,180,263	
Accumulated depreciation.....	300,481	322,475	327,046	
	\$ 804,974	\$ 834,167	\$ 853,217	
	=====	=====	=====	

Real estate properties having net book value of \$196,700 million at December 31, 1996 are leased under non-cancelable operating leases with expected aggregate rentals of \$106,200 of which \$32,100, \$26,500, \$20,900, \$15,800 and \$10,900 million is due in the years 1997 through 2001, respectively.

## 9. INCOME TAXES

Total income tax expense for the years ended December 31 was allocated as follows:

	1994	1995	1996
Income from continuing operations.....	\$31,446	\$24,535	\$ 83,117
Earnings (loss) from discontinued operations.....	2,491	26,116	(2,785)
Gain on the sale of discontinued operations.....	--	--	48,705
Shareholders' equity, for recognition of unrealized gain (loss) on debt and marketable equity securities.....	(2,377)	8,778	9,428
	\$31,560	\$59,429	\$138,465
	=====	=====	=====

Income tax expense attributable to income from continuing operations differed from the amount computed by applying the statutory federal income tax rate to pre-tax income as a result of the following:

	1994	1995	1996
Tax at the statutory federal rate.....	\$29,795	\$23,131	\$66,159
Dividends received deduction and tax free interest.....	(1,075)	(1,277)	(4,311)
Excise tax on reversion of prepaid pension asset.....	--	--	13,228
State income taxes (net of federal benefit).....	2,497	1,916	5,839
Undistributed earnings of FECl.....	1,245	916	1,262
Other, net.....	(1,016)	(151)	940
	\$31,446	\$24,535	\$83,117
	=====	=====	=====



## ST. JOE CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)  
(DOLLARS IN THOUSANDS EXCEPT PER SHARE AMOUNTS)

The tax effects of temporary differences that give rise to significant portions of deferred tax assets and deferred tax liabilities are presented below:

	DECEMBER 31,		SEPTEMBER 30,
	1995	1996	1997
			(UNAUDITED)
Deferred tax assets:			
Accrued casualty and other reserves.....	\$ 7,451	\$ 11,915	\$ 10,944
Other.....	1,912	1,287	1,287
Total deferred tax assets.....	9,363	13,202	12,231
Deferred tax liabilities:			
Tax in excess of financial depreciation.....	114,047	112,023	113,263
Deferred gain on land sales.....	6,893	7,224	7,224
Deferred gain on subsidiary's defeased bonds.....	2,139	1,929	1,929
Unrealized gain on debt and marketable equity securities.....	30,902	40,330	51,675
Deferred gain on involuntary conversion of land..	29,160	66,682	66,682
Prepaid pension asset recognized for financial reporting.....	8,085	26,712	34,186
Other.....	5,620	8,042	8,966
Total gross deferred tax liabilities.....	196,846	262,942	283,925
Net deferred tax liability.....	\$187,483	\$249,740	\$271,694
	=====	=====	=====

Based on the timing of reversal of future taxable amounts and the Company's history of reporting taxable income, the Company believes that the deferred tax assets will be realized and a valuation allowance is not considered necessary. The current deferred tax asset of \$5,133, \$4,553 and \$7,996 is recorded in other current assets as of December 31, 1996 and 1995, and September 30, 1997, respectively.

The Company has not recognized a deferred tax liability of approximately \$17,842 for the undistributed earnings of FECl that arose in 1992 and prior years because the Company does not currently expect those unremitted earnings to reverse and become taxable to the Company in the foreseeable future. A deferred tax liability will be recognized when the Company expects that it will recover those undistributed earnings in a taxable manner, such as through receipt of dividends or sale of the investment. As of December 31, 1996, the undistributed earnings of the subsidiary for which no deferred tax liability was provided were approximately \$48,454.

## ST. JOE CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)  
(DOLLARS IN THOUSANDS EXCEPT PER SHARE AMOUNTS)

## 10. PENSION AND RETIREMENT PLANS

The Company sponsors defined benefit pension plans which covered approximately 10% of its employees in 1996 and 70% of its employees in 1995. The reduction in employees covered resulted from the previously discussed sales of the communications segment and the linerboard mill and container plants. The benefits are based on the employees' years of service or years of service and compensation during the last five or ten years of employment. The Company's funding policy is to contribute annually the maximum contribution required by ERISA.

A summary of the net periodic pension credit follows:

	1995	1996
	-----	-----
Service cost.....	\$ 3,450	\$ 1,659
Interest cost.....	7,986	7,923
Actual return on assets.....	(40,436)	(26,606)
Net amortization and deferral.....	28,221	11,555
	-----	-----
Total pension income.....	\$ (779)	\$ (5,469)
	=====	=====

A summary of the plan's funded status as of December 31 was:

	1995	1996
	-----	-----
Accumulated benefit obligation, including vested benefits of \$105,627 and \$92,354 in 1996 and 1995, respectively.....	\$100,104	\$106,368
	=====	=====
Projected benefit obligation for service rendered to date...	125,136	108,726
Plan assets at fair value, primarily listed stocks and U.S. bonds.....	177,276	193,937
	-----	-----
Plan assets in excess of projected benefit obligation.....	52,140	85,211
Unrecognized net (gain) loss.....	(27,734)	(42,011)
Unrecognized prior service cost.....	12,956	768
Unrecognized transition asset.....	(15,395)	(12,829)
Additional cost for special termination benefits.....	--	(982)
	-----	-----
Prepaid pension cost.....	\$ 21,967	\$ 30,157
	=====	=====

The weighted-average discount rates for the plans were 7% in 1996 and 1995. The rate of increase in future compensation levels used in determining the actuarial present value of the projected benefit obligation for salaried employees was 6% in 1996 and 1995. The expected long-term rates of return on assets was 8% in 1996 and 1995.

As discussed in note 3, several of the Company's operations were sold during 1996, which significantly reduced the number of employees covered under the defined benefit plans. The defined benefit plans' assets were not a part of the sales. In accordance with SFAS No. 88, "Employers' Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits", the Company recognized a curtailment gain of approximately \$3,700 (\$500 net of tax). The Company's pension plans are in an overfunded position and with the reduction in employees resulting from the sales of several of the Company's operations, it is unlikely that the overfunding will be realized other than by a plan termination and reversion of excess assets. Accordingly, a 50% excise tax has been included in the tax effects of the prepaid asset as well as the curtailment gain. The Company has no immediate plans to terminate the pension plans and is in the process of evaluating other alternatives.

The Company had an Employee Stock Ownership Plan (the "ESOP") for the purpose of purchasing stock of the Company for the benefit of qualified employees. On November 21, 1996 the Pension Committee

## ST. JOE CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)  
(DOLLARS IN THOUSANDS EXCEPT PER SHARE AMOUNTS)

of the Board of Directors of the Company voted to terminate the ESOP effective December 31, 1996. Contributions to the ESOP were limited to .5% of compensation of employees covered under the ESOP. The Company also has other defined contribution plans which, in conjunction with the ESOP, cover substantially all its salaried employees. Contributions are at the employees' discretion and are matched by the Company up to certain limits. Expense for these defined contribution plans was \$1,081, \$1,322, and \$1,213 in 1996, 1995 and 1994, respectively.

On January 7, 1997, the Company adopted the 1997 Stock Incentive Plan (the "Incentive Plan"), whereby awards may be granted to certain employees and non-employee directors of the Company in the form of restricted shares of Company stock or options to purchase Company stock. Awards are discretionary and are determined by the Compensation Committee of the Board of Directors. The total amount of restricted shares and options available for grant under the Incentive Plan is 6.03 million shares. As of September 30, 1997 awards were granted to certain officers of the Company totaling 5.4 million shares. The options were granted at the Company's current market price on the date of grant and range from \$19.14 to \$31.38 after adjustment for the effects of the special distribution paid on March 31, 1997. The options are exercisable in equal installments on the first five anniversaries of the date of grant and expire generally 10 years after date of grant.

Effective January 6, 1997, the Company also granted Mr. Rummell, Chairman and CEO of the Company, 201,861 restricted shares of the Company's common stock. The restricted shares vest in equal installments on the first five anniversaries of the date of grant. The Company has recorded deferred compensation of \$3,700 for the unamortized portion of this grant as of September 30, 1997. Compensation expense related to this grant totaled approximately \$600 in 1997.

## ST. JOE CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)  
(DOLLARS IN THOUSANDS EXCEPT PER SHARE AMOUNTS)

## 11. QUARTERLY FINANCIAL DATA (UNAUDITED)

	QUARTERS ENDED			
	DECEMBER 31	SEPTEMBER 30	JUNE 30	MARCH 31
1995				
Net sales and operating revenues.....	\$89,764	\$82,877	\$85,905	\$ 76,378
Operating profit.....	11,888	11,745	12,857	10,827
Net income from continuing operations.....	8,006	6,360	8,340	6,652
Income from discontinued operations.....	6,804	4,799	17,996	14,862
Net income.....	14,810	11,159	26,336	21,514
Net income per share.....	0.16	0.12	0.29	0.24
1996				
Net sales and operating revenues.....	95,481	84,556	80,190	170,962
Operating profit.....	22,125	9,595	23,053	93,398
Net income from continuing operations.....	14,991	11,449	5,790	59,679
Income (loss) from discontinued operations.....	(7,003)*	--	82,227	8,889
Net income.....	7,988	11,449	88,017	68,568
Net income per share.....	0.08	0.13	0.96	0.75
1997				
Net sales and operating revenues.....	--	69,413	94,102	88,379
Operating profit.....	--	15,887	15,874	10,255
Net income from continuing operations.....	--	9,056	11,214	8,010
Income (loss) from discontinued operations.....	--	--	--	--
Net income.....	--	9,056	11,214	8,010
Net income per share.....	\$ --	\$ 0.10	\$ 0.12	\$ 0.09

\* The total gain on discontinued operations declined by approximately \$7,000 during the fourth quarter as a result of finalizing the postclosing working capital adjustments, closing expenses and the pension curtailment gain, previously estimated.

## 12. SEGMENT INFORMATION

Total net sales and operating revenues represent sales to unaffiliated customers, as reported in the Company's consolidated income statements and intercompany sales which occurred principally between the Forestry and Transportation segments and discontinued operations. Operating profit is net sales and operating revenues less directly traceable costs and expenses. In computing operating profit, the following items have not been considered: other income (expense) and provision for income taxes.

Identifiable assets by lines of business are those assets that are used in the Company's operations in each segment. Other assets are composed of cash, marketable securities and miscellaneous nonsegment assets.

## ST. JOE CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)  
(DOLLARS IN THOUSANDS EXCEPT PER SHARE AMOUNTS)

Information by lines of business segment follows:

	1994	1995	1996	SEPTEMBER 30, 1996	SEPTEMBER 30, 1997
	(UNAUDITED)				
	(IN THOUSANDS)				
Net sales and operating revenues:					
Transportation.....	\$ 173,707	\$ 184,450	\$ 185,484	\$ 137,207	\$ 143,970
Real Estate.....	42,141	32,870	134,530	124,155	59,234
Forestry.....	60,158	60,057	56,679	44,667	23,141
Sugar.....	54,900	57,547	54,496	29,679	25,549
Consolidated.....	\$ 330,906	\$ 334,924	\$ 431,189	\$ 335,708	\$ 251,894
Operating profit:					
Transportation.....	\$ 27,313	\$ 25,763	\$ 26,711	\$ 17,847	\$ 25,407
Real Estate.....	22,251	11,621	109,450	102,692	14,568
Forestry.....	6,293	(555)	2,337	921	1,049
Sugar.....	6,329	13,310	8,281	6,231	2,711
Other.....	(2,221)	(2,822)	1,392	(1,645)	(1,719)
Consolidated.....	\$ 59,965	\$ 47,317	\$ 148,171	\$ 126,046	\$ 42,016
Assets:					
Transportation.....	\$ 424,241	\$ 407,969	\$ 413,100	\$ 435,990	\$ 436,397
Real Estate.....	229,449	290,013	373,799	342,427	549,232
Forestry.....	91,319	111,848	114,710	117,624	122,239
Sugar.....	93,685	72,647	77,824	75,836	73,604
Discontinued operations.....	299,347	296,001	--	--	--
Other.....	311,349	352,516	826,805	845,729	403,388
Consolidated.....	\$1,449,390	\$1,530,994	\$1,806,238	\$1,817,606	\$1,584,860
Capital expenditures:					
Transportation.....	\$ 25,060	\$ 28,204	\$ 15,800	\$ 7,077	\$ 7,842
Real Estate.....	28,354	45,029	43,708	31,013	40,822
Forestry.....	8,655	5,413	4,672	3,042	2,136
Sugar.....	3,381	170	91	3	277
Other.....	--	--	--	--	2,179
Consolidated.....	\$ 65,450	\$ 78,816	\$ 64,271	\$ 41,135	\$ 53,256
Depreciation and depletion:					
Transportation.....	\$ 18,706	\$ 18,840	\$ 18,067	\$ 13,454	\$ 13,663
Real Estate.....	5,117	5,733	7,808	5,720	6,795
Forestry.....	2,184	2,307	1,148	760	1,177
Sugar.....	1,605	1,671	1,735	1,297	1,217
Other.....	--	--	--	--	783
Consolidated.....	\$ 27,612	\$ 28,551	\$ 28,758	\$ 21,232	\$ 23,635

## 13. CONTINGENCIES

The Company and its subsidiaries are involved in litigation on a number of matters and are subject to certain claims which arise in the normal course of business, none of which, in the opinion of management, is

## ST. JOE CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)  
(DOLLARS IN THOUSANDS EXCEPT PER SHARE AMOUNTS)

expected to have a material adverse effect on the Company's consolidated financial position or results of operations.

The Company has retained certain self-insurance risks with respect to losses for third party liability, property damage and group health insurance provided to employees.

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 an amount is reasonably estimable. As assessments and cleanups proceed, these accruals are reviewed and adjusted, if necessary, as additional information becomes available.

On May 30, 1996 the Company sold its linerboard mill and container plants. As part of the sale, the Company remains contingently liable for up to \$10,000 relating to On-Site Environmental Liabilities, as defined in the sales agreement, as long as they are discovered within three years of the closing date of the sale and the Company has, except in limited circumstances, received invoices for them within five years of the closing date. The Company has no obligation for costs incurred by the buyer to comply with Title V of the Clean Air Act or the Cluster Rules. On-Site Environmental Liabilities arising from environmental conditions caused from activities both before and after the closing date are to be allocated among the parties based on relative contribution. The agreement provided the exclusive remedy for On-Site Environmental Liabilities which relate to matters within the property lines of real property conveyed under the agreement. The Company's obligation to pay \$10,000 for On-Site Environmental Liabilities existing on the closing date is subject to cost-sharing with the buyer according to the following schedule: the first \$2,500 by buyer, the next \$2,500 by the Company; the next \$2,500 by the buyer; the next \$2,500 by the company; the next \$2,500 by the buyer and the next \$5,000 by the Company. The Company also agreed to reimburse up to \$1,000 for certain remediation activities at the linerboard mill, if such activities were required under environmental laws under the following schedule: the first \$200 by the Company, the next \$300 by the buyer, the next \$300 by the Company, the next \$300 by the buyer, the next \$500 by the Company, the next \$500 by the buyer with any remaining amounts treated as On-Site Environmental Liabilities. No known matters exist which, pursuant to this contingent liability, would require funding or accrual in the Company's financial statements.

The Company is currently a party to, or involved in, legal proceedings directed at the cleanup of several Superfund sites. The Company has accrued an allocated share of the total estimated cleanup costs for these sites. Based upon management's evaluation of the other potentially responsible parties, the Company does not expect to incur additional amounts even though the Company has joint and several liability. Other proceedings involving environmental matters such as alleged discharge of oil or waste material into water or soil are pending against the Company.

It is not possible to quantify future environmental costs because many issues relate to actions by third parties or changes in environmental regulation. However, based on information presently available, management believes that the ultimate disposition of currently known matters will not have a material effect on the financial position, results of operations or liquidity of the Company. Environmental liabilities are paid over an extended period and the timing of such payments cannot be predicted with any certainty. Aggregate environmental-related accruals were \$5,500 and \$6,200 as of December 31, 1996 and 1995, respectively. Aggregate environmental-related accruals totaled approximately \$7,000 at September 30, 1997.

#### 14. SUBSEQUENT EVENTS (UNAUDITED)

On January 10, 1997, the Company purchased for \$5,500 a 38% limited partnership interest in Deerfield Park, LLC, a limited partnership established to acquire and develop 554 acres of land in Fulton County, Georgia. Costs incurred to date have been capitalized.

## ST. JOE CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)  
(DOLLARS IN THOUSANDS EXCEPT PER SHARE AMOUNTS)

On November 12, 1997, the Company, through two subsidiaries, purchased certain assets, including management and proprietary information systems, of Arvida Company through a newly formed limited partnership with JMB Southeast Development, L.L.C. and JMB Southeast Development, L.P. for the purpose of developing and/or managing residential communities on certain lands owned by the Company, as well as the purchase of other lands for development and management. The Company owns 74% of the new limited partnership, St. Joe/Arvida Company, L.P. The purchase price for the 74% partnership interest in the new entity is not considered material to the Company's financial position.

On November 21, 1997, the Company announced the withdrawal of its outstanding offer to purchase all outstanding FECl common stock owned by others than the Company at \$102 per share.

On November 25, 1997, the Company sold the Promissory Note to an unrelated third party for approximately \$10,400 which will result in a pre-tax gain of approximately \$400 in the fourth quarter of 1997.

As part of its efforts to focus more intently on the Company's core assets, on December 6, 1997 the Company agreed in principle to sell its sugar lands to certain federal and state governmental agencies on or before June 6, 1998 for \$133,500 in cash. In the event the proposed sale is consummated, Talisman would retain the right to farm the sugar lands through the 2002-2003 crop season. The Company intends to develop a formal plan of disposition and execute a definitive agreement. The proposed transaction is subject to both government and board approvals.

On December 3, 1997, the Company and Orlando-based CNL Group, Inc. formed a joint venture to invest in and develop office and industrial properties in the central Florida region. The Company, through two subsidiaries, received a 50% ownership interest in the joint venture by contributing \$5,000 in cash to the partnership and committing to fund an additional \$25,000 for new projects the venture determines to develop and/or manage.

On December 9, 1997, the Company entered into a letter of intent with Codina Group, Inc. ("Codina") and Weeks Corporation ("Weeks") under which the Company and Weeks each agreed to purchase a one-third interest in Codina. The purchase price is not material to the Company's financial position.

[LOGO]

St. Joe Corporation



INFORMATION CONTAINED HEREIN IS SUBJECT TO COMPLETION OR AMENDMENT. A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION. THESE SECURITIES MAY NOT BE SOLD NOR MAY OFFERS TO BUY BE ACCEPTED PRIOR TO THE TIME THE REGISTRATION STATEMENT BECOMES EFFECTIVE. THIS PROSPECTUS SHALL NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY NOR SHALL THERE BE ANY SALE OF THESE SECURITIES IN ANY STATE IN WHICH SUCH OFFER, SOLICITATION OR SALE WOULD BE UNLAWFUL PRIOR TO REGISTRATION OR QUALIFICATION UNDER THE SECURITIES LAWS OF ANY SUCH STATE.

PROSPECTUS (Subject To Completion)

Issued January 16, 1998

12,000,000 Shares

St. Joe Corporation  
COMMON STOCK

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OF THE 12,000,000 SHARES OF COMMON STOCK OFFERED HEREBY, 1,800,000 ARE BEING OFFERED INITIALLY OUTSIDE THE UNITED STATES AND CANADA BY THE INTERNATIONAL UNDERWRITERS (THE "INTERNATIONAL OFFERING") AND 10,200,000 ARE BEING OFFERED INITIALLY IN THE UNITED STATES AND CANADA BY THE U.S. UNDERWRITERS (THE "U.S. OFFERING," AND TOGETHER WITH THE INTERNATIONAL OFFERING, THE "OFFERINGS"). SEE "UNDERWRITERS." ALL OF THE SHARES OF COMMON STOCK OFFERED HEREBY ARE BEING SOLD BY THE ALFRED I. DUPONT TESTAMENTARY TRUST (THE "SELLING STOCKHOLDER" OR THE "TRUST"). SEE "ALFRED I. DUPONT TESTAMENTARY TRUST." ST. JOE CORPORATION (THE "COMPANY" OR "ST. JOE") WILL NOT RECEIVE ANY PROCEEDS FROM THE SALE OF THE SHARES BEING OFFERED HEREBY. THE COMPANY'S COMMON STOCK IS LISTED ON THE NEW YORK STOCK EXCHANGE UNDER THE SYMBOL "SJP." ON JANUARY 15, 1998, THE LAST REPORTED SALE PRICE OF THE COMMON STOCK ON THE NEW YORK STOCK EXCHANGE WAS \$33.4375 PER SHARE.

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SEE "RISK FACTORS" BEGINNING ON PAGE 8 HEREIN FOR CERTAIN FACTORS THAT SHOULD BE CONSIDERED BY PROSPECTIVE PURCHASERS OF THE COMMON STOCK.

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THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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PRICE \$ A SHARE

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	PRICE TO PUBLIC	UNDERWRITING DISCOUNTS AND COMMISSIONS(1)	PROCEEDS TO SELLING STOCKHOLDER
	-----	-----	-----
Per Share.....	\$	\$	\$
Total(2).....	\$	\$	\$

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- (1) The Company and the Selling Stockholder have agreed to indemnify the Underwriters against certain liabilities, including liabilities under the Securities Act of 1933, as amended.
- (2) The Selling Stockholder has granted to the U.S. Underwriters an option, exercisable within 30 days of the date hereof, to purchase up to an aggregate of 1,800,000 additional Shares of Common Stock at the price to public less underwriting discounts and commissions for the purpose of covering over-allotments, if any. If the U.S. Underwriters exercise such option in full, the total price to public, underwriting discounts and commissions and proceeds to the Selling Stockholder will be \$ , \$ and \$ , respectively. See "Underwriters."

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The Shares of Common Stock are offered, subject to prior sale, when, as,

and if accepted by the Underwriters named herein, and subject to approval of certain legal matters by Davis Polk & Wardwell, counsel for the Underwriters. It is expected that delivery of the shares of Common Stock will be made on or about , 1998, at the offices of Morgan Stanley & Co. Incorporated, New York, N.Y., against payment therefor in immediately available funds.

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MORGAN STANLEY DEAN WITTER

DONALDSON, LUFKIN & JENRETTE INTERNATIONAL

MERRILL LYNCH INTERNATIONAL

RAYMOND JAMES & ASSOCIATES, INC.

, 1998

## PART II

## INFORMATION NOT REQUIRED IN PROSPECTUS

Capitalized terms used but not defined in Part II have the meanings ascribed to them in the Prospectus contained in this Registration Statement.

## ITEM 14. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION.

The following table sets forth an estimate of expenses to be incurred by the Company in connection with the distribution of the securities offered hereby.

Securities and Exchange Commission registration fee.....	\$128,067
Blue Sky fees and expenses.....	3,000
Legal fees and disbursements (estimated).....	500,000
Printing and engraving expenses (estimated).....	100,000
Accounting fees and expenses (estimated).....	200,000
Transfer agent's fees.....	2,000
Miscellaneous.....	16,933
	-----
Total.....	\$950,000
	=====

The Trust will bear the underwriting commissions and discounts associated with the Offerings, the fees and expenses of its legal counsel and financial advisors, certain road-show expenses and certain other expenses.

## ITEM 15. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

Reference is hereby made to Section 607.0850 of the Florida General Corporation Act as to indemnification by the Company of officers and directors.

Article III, Section 9 of the Company's Amended By-Laws provides as follows with respect to the indemnification of the Company's officers and directors:

"The Corporation shall indemnify each officer and director, whether or not then in office, (and his or her executor, administrator and heirs), against all reasonable expenses actually and necessarily incurred, including but not limited to, judgments, costs and counsel fees in connection with the defense of any litigation, civil or administrative action, suit or proceeding, to which he or she may have been made a party because he or she is or was a director or officer of the Corporation. He or she shall have no right to reimbursement, however, in relation to matters as to which he or she had been adjudged liable to the Corporation for negligence or misconduct in the performance of his or her duties or was derelict in the performance of his or her duty as director or officer by reason of willful misconduct, bad faith, gross negligence or reckless disregard of the duties of his or her office or employment. The right to indemnify for expenses shall also apply to expenses in connection with suits that are compromised or settled if (1) the Court having jurisdiction of the action shall approve such settlement, or (2) a majority of the Board of Directors, excluding interested directors, votes to approve such settlement. As used in this paragraph an "interested director or officer" is one against whom the proceeding in question or another proceeding on the same or similar grounds is then pending.

The foregoing right of indemnification shall be in addition to, and not exclusive of, all other rights to which the director or officer may be entitled."

Each Underwriter on whose behalf the agreement filed as Exhibit 1.01 to this registration statement is executed will agree therein to indemnify the Company's officers, directors and controlling persons against certain liabilities which might arise under the Securities Act of 1933, as amended (the "Act") from information furnished to the Company by or on behalf of any such Underwriter for use in this registration statement. Pursuant to the Registration Rights Agreement filed as Exhibit 4.01, the Trust has agreed to indemnify the Company's officers, directors and controlling persons against certain liabilities which might

arise under the Act from information furnished to the Company by or on behalf of the Trust for use in this registration statement.

ITEM 16. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

(a) Exhibits

EXHIBIT NUMBER -----	DESCRIPTION -----
1.01	-- Form of Underwriting Agreement**
2.01	-- Limited Partnership Agreement of St. Joe/Arvida Company, L.P.*
2.02	-- Agreement of Limited Partnership of St. Joe/CNL Development, Ltd.*
2.03	-- Stock Purchase Agreement dated as of September 1, 1995 between St. Joe Industries, Inc. and TPG Communications, Inc. (incorporated herein by reference and Exhibits filed with the Registrant's Quarterly Report on Form 10-Q for the third quarter ended September 30, 1995)
2.04	-- Asset Purchase Agreement dated as of November 1, 1995 by and among St. Joe Forest Products Company, St. Joe Container Company and St. Joe Paper Company, on the one hand and Four M Corporation and St. Joe Paper Company on the other hand (the "Asset Purchase Agreement") (incorporated herein by reference and Exhibits filed with the Registrant's Quarterly Report on Form 10-Q for the third quarter ended September 30, 1995)
2.05	-- Amendments dated December 14, 1995; December 20, 1995; January 10, 1996 and January 12, 1996 to the Asset Purchase Agreement (incorporated herein by reference to the Registrant's Proxy Statement for the Special Meeting of Stockholders on April 24, 1996)
3.01	-- Articles of Incorporation, as amended**
3.02	-- Articles of Amendment, dated January 7, 1998**
3.03	-- Amended By-Laws dated March 18, 1997 (incorporated herein by reference to Exhibit 3(b) filed with the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1996)
4.01	-- Registration Rights Agreement between the Registrant and the Alfred I. duPont Testamentary Trust, dated December 16, 1997**
5.01	-- Opinion of Robert M. Rhodes*
8.01	-- Opinion of Latham & Watkins**
10.01	-- Employment Agreement of Peter Rummell, dated January 7, 1997*
10.02	-- Employment Agreement of Charles A. Ledsinger, Jr., dated April 24, 1997*
10.03	-- Employment Agreement of Robert M. Rhodes, dated November 5, 1997*
10.04	-- Employment Agreement of David D. Fitch, dated September 19, 1997*
10.05	-- Employment Agreement of J. Malcolm Jones, dated February 26, 1997*
10.06	-- Employment Agreement of Michael F. Bayer, dated February 1, 1997*
10.07	-- Form of Severance Agreement*
23.01	-- Consent of Independent Accountants**
24.01	-- Powers of Attorney (on page II-4 of the Registration Statement)*

\* Previously filed

\*\* Filed herewith

## ITEM 17. UNDERTAKINGS.

(a) The undersigned registrant hereby undertakes that, for purposes of determining any liability under the Securities Act, each filing of the registrant's annual report pursuant to section 13(a) or section 15(d) of the Securities Exchange Act of 1934 (and, where applicable, each filing of an employee benefit plan's annual report pursuant to Section 15(d) of the Securities Exchange Act of 1934) that is incorporated by reference in the registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(b) The undersigned registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(c) Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

## SIGNATURES AND POWER OF ATTORNEY

Pursuant to the requirements of the Securities Act of 1933, the registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-3 and has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Jacksonville, Florida on the 16th day of January 1998.

St. Joe Corporation

By: /s/ CHARLES A. LEDSINGER, JR.

-----  
Charles A. Ledsinger, Jr.

Title

SIGNATURE -----	TITLE -----	DATE -----
/s/ PETER S. RUMMELL* ----- Peter S. Rummell	Chairman of the Board and Chief Executive Officer (Principal Executive Officer)	January 16, 1998
/s/ CHARLES A. LEDSINGER, JR. ----- Charles A. Ledsinger, Jr.	Chief Financial Officer (Principal Financial and Accounting Officer)	January 16, 1998
/s/ JACOB C. BELIN* ----- Jacob C. Belin	Director	January 16, 1998
/s/ RUSSELL B. NEWTON, JR.* ----- Russell B. Newton, Jr.	Director	January 16, 1998
/s/ JOHN J. QUINDLEN* ----- John J. Quindlen	Director	January 16, 1998
/s/ WALTER L. REVELL* ----- Walter L. Revell	Director	January 16, 1998
/s/ FRANK S. SHAW* ----- Frank S. Shaw	Director	January 16, 1998
/s/ WINFRED L. THORNTON* ----- Winfred L. Thornton	Director	January 16, 1998
/s/ JOHN D. UIBLE* ----- John D. Uible	Director	January 16, 1998
/s/ CARL F. ZELLERS* ----- Carl F. Zellers	Director	January 16, 1998
*By: /s/ CHARLES A. LEDSINGER, JR. ----- Charles A. Ledsinger, Jr. Individually and as Attorney-in-Fact		January 16, 1998

## EXHIBIT INDEX

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\* Previously filed

\*\* Filed herewith



12,000,000 SHARES

ST. JOE CORPORATION  
COMMON STOCK, NO PAR VALUE

FORM OF  
UNDERWRITING AGREEMENT

\_\_\_\_\_, 1998

\_\_\_\_\_, 1998

Morgan Stanley & Co. Incorporated  
Donaldson, Lufkin & Jenrette Securities Corporation  
Merrill Lynch & Co.,  
Merrill Lynch, Pierce, Fenner & Smith Incorporated  
Raymond James and Associates, Inc.  
c/o Morgan Stanley & Co. Incorporated  
1585 Broadway  
New York, New York 10036

Morgan Stanley & Co. International Limited  
Donaldson, Lufkin & Jenrette International  
Merrill Lynch International  
Raymond James and Associates, Inc.  
c/o Morgan Stanley & Co. International Limited  
25 Cabot Square  
Canary Wharf  
London E14 4QA  
England

Dear Sirs and Mesdames:

The Alfred I. duPont Testamentary Trust, a trust established under The Last Will and Testament of Alfred I. duPont (the "SELLING STOCKHOLDER"), proposes to sell to the several Underwriters (as defined below) an aggregate of 12,000,000 shares (the "FIRM SHARES") of the Common Stock, no par value, of St. Joe Corporation, a Florida corporation (the "COMPANY").

It is understood that, subject to the conditions hereinafter stated, 10,200,000 Firm Shares (the "U.S. FIRM SHARES") will be sold to the several U.S. Underwriters named in Schedule I hereto (the "U.S. UNDERWRITERS") in connection with the offering and sale of such U.S. Firm Shares in the United States and Canada to United States and Canadian Persons (as such terms are defined in the Agreement Between U.S. and International Underwriters of even date herewith), and 1,800,000 Firm Shares (the "INTERNATIONAL SHARES") will be sold to the several International Underwriters named in Schedule II hereto (the "INTERNATIONAL UNDERWRITERS") in connection with the offering and sale of such

International Shares outside the United States and Canada to persons other than United States and Canadian Persons. Morgan Stanley & Co. Incorporated, Donaldson, Lufkin & Jenrette Securities Corporation, Merrill Lynch, Pierce, Fenner & Smith Incorporated and Raymond James & Associates, Inc. shall act as representatives (the "U.S. REPRESENTATIVES") of the several U.S. Underwriters, and Morgan Stanley & Co. International Limited, Donaldson, Lufkin & Jenrette International, Merrill Lynch International and Raymond James & Associates, Inc. shall act as representatives (the "INTERNATIONAL REPRESENTATIVES") of the several International Underwriters. The U.S. Underwriters and the International Underwriters are hereinafter collectively referred to as the "UNDERWRITERS."

The Selling Stockholder also proposes to sell to the several Underwriters not more than an additional 1,800,000 shares of the Common Stock, no par value, of the Company (the "ADDITIONAL SHARES") if and to the extent that the U.S. Representatives shall have determined to exercise, on behalf of the U.S. Underwriters, the right to purchase such shares of Common Stock granted to the U.S. Underwriters in Section 3 hereof. The Firm Shares and the Additional Shares are hereinafter collectively referred to as the "SHARES." The outstanding shares of Common Stock, no par value, of the Company (including the Shares) are hereinafter referred to as the "COMMON STOCK."

The Company has filed with the Securities and Exchange Commission (the "COMMISSION") a registration statement relating to the Shares. The registration statement contains two prospectuses to be used in connection with the offering and sale of the Shares: the U.S. prospectus, to be used in connection with the offering and sale of Shares in the United States and Canada to United States and Canadian Persons, and the international prospectus, to be used in connection with the offering and sale of Shares outside the United States and Canada to persons other than United States and Canadian Persons. The international prospectus is identical to the U.S. prospectus except for the outside front cover page. The registration statement as amended at the time it becomes effective, including the information (if any) deemed to be part of the registration statement at the time of effectiveness pursuant to Rule 430A under the Securities Act of 1933, as amended (the "SECURITIES ACT"), is hereinafter referred to as the "REGISTRATION STATEMENT"; the U.S. prospectus and the international prospectus in the respective forms first used to confirm sales of Shares are hereinafter collectively referred to as the "PROSPECTUS" (including, in the case of all references to the Registration Statement and the Prospectus, documents incorporated therein by reference). If the Company has filed an abbreviated registration statement to register additional shares of Common Stock pursuant to Rule 462(b) under the Securities Act (the "RULE 462 REGISTRATION STATEMENT"), then any reference herein to the term "REGISTRATION STATEMENT" shall be deemed to include such Rule 462 Registration Statement.

1. Representations and Warranties of the Company. The Company represents and warrants to and agrees with each of the Underwriters that:

(a) The Registration Statement has become effective; no stop order suspending the effectiveness of the Registration Statement is in effect, and no proceedings for such purpose are pending before or threatened by the Commission.

(b) (i) Each document, if any, filed or to be filed pursuant to the Securities Exchange Act of 1934, as amended (the "EXCHANGE ACT") and incorporated by reference in the Prospectus complied or will comply when so filed in all material respects with the Exchange Act and the applicable rules and regulations of the Commission thereunder, (ii) the Registration Statement, when it became effective, did not contain and, as amended or supplemented, if applicable, will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading, (iii) the Registration Statement and the Prospectus comply and, as amended or supplemented, if applicable, will comply in all material respects with the Securities Act and the applicable rules and regulations of the Commission thereunder and (iv) the Prospectus does not contain and, as amended or supplemented, if applicable, will not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, except that the representations and warranties set forth in this paragraph do not apply to statements or omissions in the Registration Statement or the Prospectus based upon information furnished to the Company in writing by any Underwriter through you expressly for use therein.

(c) The Company has been duly incorporated and is an existing corporation in good standing under the laws of the state of Florida with the corporate power and authority to own its property and to conduct its business as described in the Prospectus and the Company is duly qualified to transact business and is in good standing in each jurisdiction in which the conduct of its business or its ownership or leasing of property requires such qualification, except to the extent that the failure to be so qualified or be in good standing would not have a material adverse effect on the Company and its subsidiaries, taken as a whole.

(d) Each significant subsidiary of the Company as defined in Rule 1-02(w) of Regulation S-X ("SIGNIFICANT SUBSIDIARY") has been duly incorporated and is an existing corporation in good standing under

the laws of the jurisdiction of its incorporation and has the corporate power and authority to own its property and to conduct its business as described in the Prospectus; and each Significant Subsidiary of the Company is duly qualified to transact business and is in good standing in each jurisdiction in which the conduct of its business or its ownership or leasing of property requires such qualification, except to the extent that the failure to be so qualified or be in good standing would not have a material adverse effect on the Company and its subsidiaries, taken as a whole; all of the issued shares of capital stock of each Significant Subsidiary of the Company have been duly and validly authorized and issued, are fully paid and non-assessable and, except for [ ] shares of capital stock (representing approximately 46% of the issued and outstanding shares) of Florida East Coast Industries, Inc. ("FECI") and the capital stock of the subsidiaries of FECI, are owned by the Company free and clear of all liens, encumbrances, equities or claims.

(e) Each material venture partnership or material limited liability company in which the Company has an interest is listed on Schedule III hereto (collectively, the "JOINT VENTURES"), and each has been duly formed and is existing and in good standing under the laws of its state of organization, with power and authority to own, lease and operate its properties and to conduct the business in which it is engaged. Each Joint Venture is duly qualified or registered as a foreign limited partnership or limited liability company to transact business in each jurisdiction in which such qualification or registration is required, whether by reason of the ownership or leasing of property or the conduct of business, except where the failure so to qualify or be registered would not have a material adverse effect on the Company and its subsidiaries, taken as a whole.

(f) This Agreement has been duly authorized, executed and delivered by the Company.

(g) The authorized capital stock of the Company conforms as to legal matters to the description thereof contained in the Prospectus.

(h) The Common Stock has all been duly authorized and is validly issued, fully paid and non-assessable.

(i) The execution and delivery by the Company of, and the performance by the Company of its obligations under, this Agreement will not contravene (i) any provision of applicable law or the certificate of incorporation or by-laws of the Company, (ii) any agreement or other instrument binding upon the Company or any of its subsidiaries that is

material to the Company and its subsidiaries, taken as a whole or (iii) any judgment, order or decree of any governmental body, agency or court having jurisdiction over the Company or any subsidiary, except in the case of clauses (ii) and (iii) above to the extent as would not have a material adverse effect on the Company and its subsidiaries taken as a whole, and no consent, approval, authorization or order of, or qualification with, any governmental body or agency is required for the performance by the Company of its obligations under this Agreement, except such as may be required by the securities or Blue Sky laws of the various states in connection with the offer and sale of the Shares.

(j) There has not occurred any material adverse change, or any development involving a prospective material adverse change, in the condition, financial or otherwise, or in the earnings, business or operations of the Company and its subsidiaries, taken as a whole, from that set forth in the Prospectus (as amended or supplemented).

(k) There are no legal or governmental proceedings pending or threatened to which the Company or any of its subsidiaries is a party or to which any of the properties of the Company or any of its subsidiaries is subject that are required to be described in the Registration Statement or the Prospectus and are not so described or any statutes, regulations, contracts or other documents that are required to be described in the Registration Statement or the Prospectus or to be filed as exhibits to the Registration Statement that are not described or filed as required.

(l) Each preliminary prospectus filed as part of the registration statement as originally filed or as part of any amendment thereto, or filed pursuant to Rule 424 under the Securities Act, complied when so filed in all material respects with the Securities Act and the applicable rules and regulations of the Commission thereunder.

(m) The Company is not and, after giving effect to the offering and sale of the Shares, will not be an "investment company" as such term is defined in the Investment Company Act of 1940, as amended.

(n) With respect to each income producing property, any development or developable property identified in the Registration Statement and any other property in excess of 1,000 acres owned by the Company or one of its subsidiaries, whether such property is held for development, sale, lease or any other purpose (the "PROPERTIES"), (i) the Company or one of its subsidiaries has good and marketable fee simple title to the land underlying the Properties and good and marketable title to

the improvements thereon, subject to utility easements serving such Properties, to zoning and similar governmental land use matters affecting such Properties that are consistent with the current uses of such Properties and to liens, encumbrances, defects and other matters of title that would not have a material adverse effect on the value of such Properties or materially interfere with their current or currently anticipated future uses, (ii) all liens, charges, encumbrances, claims, or restrictions on or affecting any of the Properties and the assets of the Company which are required to be disclosed in the Prospectus are disclosed therein; (iii) except as disclosed in the Prospectus, no person has an option or right of first refusal to purchase all or part of any Property or any interest therein; (iv) each of the Properties complies with all applicable codes, laws and regulations (including, without limitation, building and zoning codes, laws and regulations and laws relating to access to the Properties), except to the extent disclosed in the Prospectus and except for such failures to comply that would not have a material adverse effect on the Company and its subsidiaries, taken as a whole; and (v) the Company has no knowledge of any pending or threatened condemnation proceedings, zoning change, or other similar proceeding or action that would affect the size of, use of, improvements on, construction on or access to any of the Properties, except such proceedings or actions that would not have a material adverse effect on the Company and its subsidiaries, taken as a whole;

(o) The Company and its subsidiaries (i) are in compliance with any and all applicable foreign, federal, state and local laws and regulations relating to the protection of human health and safety, the environment or hazardous or toxic substances or wastes, pollutants or contaminants ("ENVIRONMENTAL LAWS"), (ii) have received all permits, licenses or other approvals required of them under applicable Environmental Laws to conduct their respective businesses and (iii) are in compliance with all terms and conditions of any such permit, license or approval, except where such noncompliance with Environmental Laws, failure to receive required permits, licenses or other approvals or failure to comply with the terms and conditions of such permits, licenses or approvals would not, singly or in the aggregate, have a material adverse effect on the Company and its subsidiaries, taken as a whole.

(p) Except as disclosed in the Prospectus, there are no costs or liabilities associated with Environmental Laws (including, without limitation, any capital or operating expenditures required for clean-up, closure of properties or compliance with Environmental Laws or any permit, license or approval, and any potential liabilities to third parties)

which would, singly or in the aggregate, have a material adverse effect on the Company and its subsidiaries, taken as a whole.

(q) Except as disclosed in the Prospectus, there are no contracts, agreements or understandings between the Company and any person granting such person the right to require the Company to file a registration statement under the Securities Act with respect to any securities of the Company or to require the Company to include such securities with the Shares registered pursuant to the Registration Statement.

(r) The Company has complied with all provisions of Section 517.075, Florida Statutes relating to doing business with the Government of Cuba or with any person or affiliate located in Cuba.

(s) Except as described in the Prospectus, the Company has all necessary consents, authorizations, approvals, orders, certificates and permits of and from, and has made all declarations and filings with, all federal, state, local and other governmental authorities, all self-regulatory organizations and all courts and other tribunals, to own, lease, license and use its properties and assets and to conduct its business in the manner currently conducted, as described in the Prospectus, except to the extent that the failure to so have, obtain or file would not have a material adverse effect on the Company and its subsidiaries, taken as a whole.

(t) The financial statements (including the related notes and supporting schedules) filed as part of the Registration Statement or included in the Prospectus present fairly in all material respects the consolidated financial position and results of operations of the Company, at the dates and for the periods indicated, and have been prepared in conformity with generally accepted accounting principles applied on a consistent basis throughout the periods involved, except as otherwise stated therein.

(u) Subsequent to the date as of which information is given in the Prospectus, (i) the Company and its subsidiaries have not incurred any material liability or obligation, direct or contingent, nor entered into any material transaction not in the ordinary course of business; (ii) the Company has not purchased any of its outstanding capital stock, nor declared, paid or otherwise made any dividend or distribution of any kind on its capital stock other than ordinary and customary dividends; and (iii) there has not been any material change in the capital stock, short-term debt or long-term debt of the Company and its consolidated subsidiaries, except in each case as described in the Prospectus (as amended or supplemented).



(v) The Company and its subsidiaries own or possess, or can acquire on reasonable terms, all material patents, patent rights, licenses, inventions, copyrights, know-how (including trade secrets and other unpatented and/or unpatentable proprietary or confidential information, systems or procedures), trademarks, service marks and trade names currently employed by them in connection with the business now operated by them, and neither the Company nor any of its subsidiaries has received any notice of infringement of or conflict with asserted rights of others with respect to any of the foregoing which, singly or in the aggregate, if the subject of an unfavorable decision, ruling or finding, would have a material adverse effect on the Company and its subsidiaries, taken as a whole.

(w) No material labor dispute with the employees of the Company or any of its subsidiaries exists, except as described in or contemplated by the Prospectus, or, to the knowledge of the Company, is imminent; and the Company is not aware of any existing, threatened or imminent labor disturbance by the employees of any of its principal suppliers, manufacturers or contractors that would have a material adverse effect on the Company and its subsidiaries, taken as a whole.

(x) The Company and each of its subsidiaries are insured by insurers of recognized financial responsibility against such losses and risks and in such amounts as are prudent and customary in the businesses in which they are engaged; in the past five years, neither the Company nor any such subsidiary has been refused any insurance coverage sought or applied for; and neither the Company nor any such subsidiary has any reason to believe that it will not be able to renew its existing insurance coverage as and when such coverage expires or to obtain similar coverage from similar insurers as may be necessary to continue its business at a cost that would not materially and adversely affect the Company and its subsidiaries, taken as a whole, except as described in or contemplated by the Prospectus.

(y) The Company and its subsidiaries possess all certificates, authorizations and permits issued by the appropriate federal, state or foreign regulatory authorities necessary to conduct their respective businesses, except for such certificates, authorizations and permits the non-possession of which would not have a material adverse effect on the Company and its subsidiaries, taken as a whole, and neither the Company nor any such subsidiary has received any notice of proceedings relating to the revocation or modification of any such certificate, authorization or

permit which, singly or in the aggregate, if the subject of an unfavorable decision, ruling or finding, would have a material adverse effect on the Company and its subsidiaries, taken as a whole, except as described in or contemplated by the Prospectus.

(z) The Company and each of its subsidiaries maintain a system of internal accounting controls sufficient to provide reasonable assurance that (i) transactions are executed in accordance with management's general or specific authorizations; (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles and to maintain asset accountability; (iii) access to assets is permitted only in accordance with management's general or specific authorization; and (iv) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

(aa) No relationship, direct or indirect, exists between or among the Company on the one hand, and the directors, officers, stockholders, customers, suppliers or contractors of the Company, on the other hand, which is required to be described in the Prospectus which is not so described.

2. Representations and Warranties of the Selling Stockholder. The Selling Stockholder represents and warrants to and agrees with each of the Underwriters that:

(a) This Agreement has been duly authorized, executed and delivered by or on behalf of the Selling Stockholder.

(b) The execution and delivery by the Selling Stockholder of, and the performance by the Selling Stockholder of its obligations under, this Agreement and the Custody Agreement signed by the Selling Stockholder and First Union National Bank Corporate Trust, as Custodian, relating to the deposit of the Shares to be sold by the Selling Stockholder (the "CUSTODY AGREEMENT") and the consummation of the transactions contemplated thereby will not contravene any provision of applicable law, or the Last Will and Testament of Alfred I. duPont, by which the Selling Stockholder was established, or any agreement or other instrument binding upon the Selling Stockholder or any judgment, order or decree of any governmental body, agency or court having jurisdiction over the Selling Stockholder, and no consent, approval, authorization or order of, or qualification with, any governmental body or agency is required for the performance by the Selling Stockholder of its obligations under this

Agreement or the Custody Agreement, except such as may be required by the securities or Blue Sky laws of the various states in connection with the offer and sale of the Shares.

(c) The Selling Stockholder has, and on the Closing Date will have, valid title to the Shares and the legal right and power, and all authorization and approval required by law, to enter into this Agreement and the Custody Agreement and to sell, transfer and deliver the Shares.

(d) The Custody Agreement has been duly authorized, executed and delivered by the Selling Stockholder and is a valid and binding agreement of the Selling Stockholder.

(e) Delivery of the Shares pursuant to this Agreement will pass title to such Shares free and clear of any security interests, claims, liens, equities and other encumbrances.

(f) The Selling Stockholder has not taken and will not take, directly or indirectly, any action which is designed to or which has constituted or which might reasonably be expected to cause or result in the stabilization or manipulation of the price of any security of the Company to facilitate the sale or resale of the Shares.

(g) To the best of the knowledge of the Selling Stockholder, after due inquiry, (i) the Registration Statement, when it became effective, did not contain and, as amended or supplemented, if applicable, will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading, (ii) the Registration Statement and the Prospectus comply and, as amended or supplemented, if applicable, will comply in all material respects with the Securities Act and the applicable rules and regulations of the Commission thereunder and (iii) the Prospectus does not contain and, as amended or supplemented, if applicable, will not contain any untrue statements of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, except that the representations and warranties set forth in this paragraph 2(g) do not apply to statements or omissions in the Registration Statement or the Prospectus based upon information relating to any Underwriter furnished to the Company in writing by such Underwriter through you expressly for use therein.

(h) the statements in the Prospectus under the captions "Summary--The Alfred I. duPont Testamentary Trust" and "The Alfred I. duPont Testamentary Trust," the first paragraph under the caption "Certain Transactions" and the sections relating to the Trust under the caption "Principal and Selling Stockholders" insofar as such statements constitute summaries of the legal matters, documents or proceedings referred to therein, fairly present the information called for with respect to such legal matters, documents and proceedings and fairly summarize the matters referred to therein.

3. Agreements to Sell and Purchase. The Selling Stockholder hereby agrees to sell to the several Underwriters, and each Underwriter, upon the basis of the representations and warranties herein contained, but subject to the conditions hereinafter stated, agrees, severally and not jointly, to purchase from the Selling Stockholder at \$\_\_\_\_\_ a share (the "PURCHASE PRICE") the number of Firm Shares set forth in Schedules I and II hereto opposite the name of such Underwriter.

On the basis of the representations and warranties contained in this Agreement, and subject to its terms and conditions, the Selling Stockholder agrees to sell to the U.S. Underwriters the Additional Shares, and the U.S. Underwriters shall have a one-time right to purchase, severally and not jointly, up to 1,800,000 Additional Shares at the Purchase Price. If the U.S. Representatives, on behalf of the U.S. Underwriters, elect to exercise such option, the U.S. Representatives shall so notify the Selling Stockholder and the Company in writing not later than 30 days after the date of this Agreement, which notice shall specify the number of Additional Shares to be purchased by the U.S. Underwriters and the date on which such shares are to be purchased. Such date may be the same as the Closing Date (as defined below) but not earlier than the Closing Date nor later than ten business days after the date of such notice. Additional Shares may be purchased as provided in Section 5 hereof solely for the purpose of covering over-allotments made in connection with the offering of the Firm Shares. If any Additional Shares are to be purchased, each U.S. Underwriter agrees, severally and not jointly, to purchase the number of Additional Shares (subject to such adjustments to eliminate fractional shares as the U.S. Representatives may determine) that bears the same proportion to the total number of Additional Shares to be purchased as the number of U.S. Firm Shares set forth in Schedule I hereto opposite the name of such U.S. Underwriter bears to the total number of U.S. Firm Shares.

Each of the Company and the Selling Stockholder hereby agrees that, without the prior written consent of Morgan Stanley & Co. Incorporated on behalf of the Underwriters, it will not, during the period ending 180 days after the date of the Prospectus, (i) offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend, file a registration statement or exercise a registration

right in respect of, or otherwise transfer or dispose of, directly or indirectly, any shares of Common Stock or any securities convertible into or exercisable or exchangeable for Common Stock or (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Common Stock, whether any such transaction described in clause (i) or (ii) above is to be settled by delivery of Common Stock or such other securities, in cash or otherwise. The foregoing sentence shall not apply to (A) the Shares to be sold hereunder, (B) the issuance by the Company of shares of Common Stock upon the exercise of an option or a warrant or the conversion of a security outstanding on the date of the Prospectus of which the Underwriters have been advised in writing or which are disclosed in the Prospectus, (C) the issuance of shares of Common Stock as consideration for future acquisitions by the Company or (D) the grant of options under the Company's stock option plans, provided such options do not vest prior to the termination of the 180-day period referenced in this paragraph, and provided further that, in the case of subclauses (B) and (C), the recipient of any such issued shares agrees in writing to be bound by the transfer restrictions set forth herein. In addition, the Selling Stockholder, agrees that, without the prior written consent of Morgan Stanley & Co. Incorporated on behalf of the Underwriters, it will not, during the period ending 180 days after the date of the Prospectus, make any demand for, or exercise any right with respect to, the registration of any shares of Common Stock or any security convertible into or exercisable or exchangeable for Common Stock.

4. Terms of Public Offering. The Selling Stockholder is advised by you that the Underwriters propose to make a public offering of their respective portions of the Shares as soon after the Registration Statement and this Agreement have become effective as in your judgment is advisable. The Selling Stockholder is further advised by you that the Shares are to be offered to the public initially at \$\_\_\_ a share (the "PUBLIC OFFERING PRICE") and to certain dealers selected by you at a price that represents a concession not in excess of \$\_\_\_ a share under the Public Offering Price, and that any Underwriter may allow, and such dealers may reallow, a concession, not in excess of \$\_\_\_ a share, to any Underwriter or to certain other dealers.

5. Payment and Delivery. Payment for the Firm Shares to be sold by the Selling Stockholder shall be made to the Selling Stockholder in Federal or other funds immediately available in New York City against delivery of such Firm Shares for the respective accounts of the several Underwriters at 10:00 a.m., New York City time, on [insert date which is 3 business days after the date of this Agreement], 1998, or at such other time on the same or such other date, not later than [insert date which is 5 business days after the date of this Agreement], 1998, as shall be agreed upon in writing by you, the Company and the Selling

Shareholder. The time and date of such payment are hereinafter referred to as the "CLOSING DATE."

Payment for any Additional Shares shall be made to the Selling Stockholder in Federal or other funds immediately available in New York City against delivery of such Additional Shares for the respective accounts of the several U.S. Underwriters at 10:00 a.m., New York City time, on the date specified in the notice described in Section 3 or at such other time on the same or on such other date, in any event not later than [insert date which is 10 business days after expiration of the green shoe option], 1998, as shall be agreed upon in writing by you, the Company and the Selling Shareholder. The time and date of such payment are hereinafter referred to as the "OPTION CLOSING DATE."

Certificates for the Firm Shares and Additional Shares shall be in definitive form and registered in such names and in such denominations as you shall request in writing not later than one full business day prior to the Closing Date or the Option Closing Date, as the case may be. The certificates evidencing the Firm Shares and Additional Shares shall be delivered to you on the Closing Date or the Option Closing Date, as the case may be, for the respective accounts of the several Underwriters, with any transfer taxes payable in connection with the transfer of the Shares to the Underwriters duly paid, against payment of the Purchase Price therefor.

6. Conditions to the Underwriters' Obligations. The obligations of the Selling Stockholder to sell the Shares to the Underwriters and the several obligations of the Underwriters to purchase and pay for the Shares on the Closing Date are subject to the condition that the Registration Statement shall have become effective not later than 4:00 p.m. (New York City time) on the date hereof.

The several obligations of the Underwriters are subject to the following further conditions:

(a) Subsequent to the execution and delivery of this Agreement and prior to the Closing Date, there shall not have occurred any change, or any development involving a prospective change, in the condition, financial or otherwise, or in the earnings, business or operations of the Company and its subsidiaries, taken as a whole, from that set forth in the Prospectus (exclusive of any amendments or supplements thereto subsequent to the date of this Agreement) that, in your judgment, is material and adverse and that makes it, in your judgment, impracticable to market the Shares on the terms and in the manner contemplated in the Prospectus.

(b) The Underwriters shall have received on the Closing Date a certificate, dated the Closing Date, and signed by each of the chief executive officer and the chief financial officer of the Company, to the effect set forth in Section 6(a) above and to the effect that the representations and warranties of the Company contained in this Agreement are true and correct as of the Closing Date, that the Company has complied with all of the agreements and satisfied all of the conditions on its part to be performed or satisfied hereunder on or before the Closing Date and with respect to certain acreage and other real property data.

Each of the officers signing and delivering such certificate may rely upon the best of his knowledge as to proceedings threatened.

(c) The Underwriters shall have received on the Closing Date an opinion of Robert M. Rhodes, Senior Vice President and General Counsel for the Company, dated the Closing Date, to the effect that:

(i) the Company has been duly incorporated and is an existing corporation in good standing under the laws of the state of Florida with the corporate power and authority to own its property and to conduct its business as described in the Prospectus and the Company is duly qualified to transact business and is in good standing in each jurisdiction in which the conduct of its business or its ownership or leasing of property requires such qualification, except to the extent that the failure to be so qualified or be in good standing would not have a material adverse effect on the Company and its subsidiaries, taken as a whole;

(ii) each Significant Subsidiary of the Company has been duly incorporated and is an existing corporation in good standing under the laws of the jurisdiction of its incorporation with the corporate power and authority to own its property and to conduct its business as described in the Prospectus, and each Significant Subsidiary of the Company is duly qualified to transact business and is in good standing in each jurisdiction in which the conduct of its business or its ownership or leasing of property requires such qualification, except to the extent that the failure to be so qualified or be in good standing would not have a material adverse effect on the Company and its subsidiaries, taken as a whole;

(iii) the authorized capital stock of the Company conforms as to legal matters in all material respects to the description thereof contained in the Prospectus;

(iv) the Common Stock has been duly authorized and is validly issued, fully paid and non-assessable;

(v) all of the issued shares of capital stock of each Significant Subsidiary of the Company have been duly and validly authorized and issued, are fully paid and non-assessable and, except for [ ] shares of capital stock (representing approximately 46% of the issued and outstanding shares) of FECI and the capital stock of the subsidiaries of FECI, are owned by the Company free and clear of all liens, encumbrances, equities or claims;

(vi) this Agreement has been duly authorized, executed and delivered by the Company;

(vii) the execution and delivery by the Company of, and the performance by the Company of its obligations under, this Agreement do not result in a breach or violation of the laws of the State of Florida or the certificate of incorporation or by-laws of the Company or, to the best of such counsel's knowledge, any agreement or other instrument binding upon the Company or any of its subsidiaries that is material to the Company and its subsidiaries, taken as a whole, or, to the best of such counsel's knowledge, any judgment, order or decree of any governmental body, agency or court of the United States or the State of Florida having jurisdiction over the Company or any subsidiary, and no consent, approval, authorization or order of, or qualification with, any governmental body or agency of the State of Florida is required for the performance by the Company of its obligations under this Agreement, except such as may be required by the securities or Blue Sky laws of the various states in connection with the offer and sale of the Shares;

(viii) the statements (A) in the Prospectus under the captions "Risk Factors--Risks Relating to Real Estate Operations--Regulation," "Risk Factors--Risks Relating to Forestry Operations--Regulation," "Risk Factors--Risks Relating to Transportation Operations--Regulation," "Risk Factors--Environmental Matters," "Business and Properties--Real Estate--



Regulation," "Business and Properties--Forestry-- Regulation," "Business and Properties--Transportation--Regulation," "Business and Properties--Sugar--Regulation," "Business and Properties--Environmental Proceedings," "Certain Transactions," and "Description of Common Stock" and (B) in the Registration Statement in Item 15, in each case insofar as such statements constitute summaries of the legal matters, documents or proceedings referred to therein, fairly present such legal matters, documents and proceedings and fairly summarize the matters referred to therein;

(ix) after due inquiry, such counsel does not know of any legal or governmental proceedings pending or threatened to which the Company or any of its subsidiaries is a party or to which any of the properties of the Company or any of its subsidiaries is subject that are required to be described in the Registration Statement or the Prospectus and are not so described or of any contracts or other documents that are required to be described in the Registration Statement or the Prospectus or to be filed as exhibits to the Registration Statement that are not described or filed as required;

(x) with respect to each of the properties listed on Schedule IV hereto (the "SCHEDULED PROPERTIES"), to the best of such counsel's knowledge, after due inquiry, (i) the Company or one of its subsidiaries has good and marketable fee simple title to the land underlying the Scheduled Properties and good and marketable title to the improvements thereon, subject, however, to utility easements serving such Properties, to zoning and similar governmental land use matters affecting such Scheduled Properties that are consistent with the current uses of such Properties and to matters of title not materially adversely affecting the marketability of title to such Scheduled Properties, and (ii) except as disclosed in the Prospectus no person has a contractual option or contractual right of first refusal to purchase all or part of any Scheduled Property or any interest therein;

(xi) to the best of such counsel's knowledge, the Company and its subsidiaries (A) are in material compliance with any and all applicable Environmental Laws, (B) have received all material permits, licenses or other approvals required of them under applicable Environmental Laws to conduct their respective businesses and (C) are in material compliance with all terms and

conditions of any such permit, license or approval, except where such noncompliance with Environmental Laws, failure to receive required permits, licenses or other approvals or failure to comply with the terms and conditions of such permits, licenses or approvals would not, singly or in the aggregate, have a material adverse effect on the Company and its subsidiaries, taken as a whole;

(xii) the documents incorporated by reference in the Registration Statement and Prospectus, when they were filed (or, if an amendment with respect to any such document was filed, when such amendment was filed), complied as to form in all material respects with the Exchange Act (except as to the financial statements and schedules and other financial and statistical data contained or incorporated by reference therein, as to which such counsel need express no opinion); and

(xiii) the Registration Statement and Prospectus (except for financial statements and schedules and other financial and statistical data included therein as to which such counsel need not express any opinion) comply as to form in all material respects with the Securities Act and the applicable rules and regulations of the Commission thereunder.

Such counsel shall also state that he has no reason to believe that (except for financial statements and schedules and other financial and statistical data as to which such counsel need not express any belief) the Registration Statement and the prospectus included therein at the time the Registration Statement became effective contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading and has no reason to believe that (except for financial statements and schedules and other financial and statistical data as to which such counsel need not express any belief) the Prospectus contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(d) The Underwriters shall have received on the Closing Date an opinion of Latham & Watkins, special counsel for the Company, dated the Closing Date, to the effect that:

(i) the Registration Statement has become effective under the Act and, to the best of such counsel's knowledge, no stop order proceedings with respect thereto are pending or threatened under the Act;

(ii) the authorized capital stock of the Company conforms in all material respects to the description thereof contained in the Prospectus;

(iii) the execution and delivery by the Company of, and the performance by the Company of its obligations under, this Agreement do not result in a breach or violation of the federal laws of the United States or the State of New York or the certificate of incorporation or by-laws of the Company or, to the best of such counsel's knowledge, any agreement or other instrument binding upon the Company or any of its subsidiaries that is material to the Company and its subsidiaries, taken as a whole, or, to the best of such counsel's knowledge, any judgment, order or decree of any governmental body, agency or court of the United States or the State of New York having jurisdiction over the Company or any subsidiary, and no consent, approval, authorization or order of, or qualification with, any governmental body or agency of the United States or the State of New York is required for the performance by the Company of its obligations under this Agreement, except such as may be required by the securities or Blue Sky laws of the various states in connection with the offer and sale of the Shares;

(iv) the statements (A) in the Prospectus under the caption "Description of Common Stock" and (B) in the Registration Statement in Item 15, in each case insofar as such statements constitute summaries of legal matters, are accurate in all material respects;

(v) the Company is not and, after giving effect to the offering and sale of the Shares, will not be an "investment company" as such term is defined in the Investment Company Act of 1940, as amended; and

(vi) the Registration Statement and Prospectus (except for financial statements and schedules and other financial data included therein as to which such counsel need not express any opinion) comply as to form in all material respects with the

Securities Act and the applicable rules and regulations of the Commission thereunder.

In addition, such counsel shall also state that no facts came to such counsel's attention that caused such counsel to believe that the Registration Statement, at the time it became effective, contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading, or that the Prospectus (including the incorporated documents), as of its date or as of the Closing Date, contained an untrue statement of a material fact or omitted to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; it being understood that such counsel need express no belief with respect to the financial statements, schedules and other financial data included in the Registration Statement or the Prospectus or incorporated therein.

(e) The Underwriters shall have received on the Closing Date an opinion of McGuire, Woods, Battle & Boothe, L.L.P., counsel for the Selling Stockholder, dated the Closing Date, to the effect that:

(i) this Agreement has been duly authorized, executed and delivered by or on behalf of the Selling Stockholder;

(ii) the execution and delivery by the Selling Stockholder of, and the performance by the Selling Stockholder of its obligations under this Agreement and the Custody Agreement will not contravene (A) any provision of applicable law, or The Last Will and Testament of Alfred I. duPont, by which the Selling Stockholder was established, (B) to the knowledge of such counsel, any agreement or other instrument binding upon the Selling Stockholder or any judgment, order or decree of any governmental body, agency or court having jurisdiction over the Selling Stockholder and (C) no consent, approval, authorization or order of, or qualification with, any governmental body or agency is required for the performance by the Selling Stockholder of its obligations under this Agreement or the Custody Agreement except such as may be required by the securities or Blue Sky laws of the various states in connection with offer and sale of the Shares;

(iii) the Selling Stockholder has valid title to the Shares and the legal right and power, and all authorization and approval

required by law, to enter into this Agreement and the Custody Agreement and to sell, transfer and deliver the Shares;

(iv) the Custody Agreement has been duly authorized, executed and delivered by the Selling Stockholder and is a valid and binding agreement of the Selling Stockholder;

(v) upon the deposit of the Shares registered in the name of Cede & Co. or such other nominee designated by the Depository Trust Company ("DTC"), if applicable, and payment therefore, as provided herein, and the crediting of the Shares to the Underwriters' accounts with DTC (assuming that Cede & Co. or such other nominee lacks notice of any "adverse claim" (as defined in Section 8-102 of the Uniform Commercial Code as adopted in the State of New York (the "UCC")) to the deposited Shares), (A) Cede & Co. or such other nominee designated by DTC shall be a "protected purchaser" of the Shares (within the meaning of Section 8-102 of the UCC); (B) under the UCC the Underwriters will acquire a valid security entitlement to the Shares; and (C) no action based on any "adverse claim" (as defined in Section 8-102 of the UCC) may be asserted against the Underwriters with respect to such security entitlement (assuming that the Underwriters lack notice of any such adverse claim); and

(vi) the statements in the Prospectus under the captions "Summary--The Alfred I. duPont Testamentary Trust" and "The Alfred I. duPont Testamentary Trust" in so far as such statements constitute summaries of the legal matters, documents or proceedings referred to therein, fairly present the information called for with respect to such legal matters, documents and proceedings and fairly summarize the matters referred to therein.

(f) The Underwriters shall have received on the Closing Date an opinion of Davis Polk & Wardwell, counsel for the Underwriters, dated the Closing Date, in form and substance satisfactory to the Underwriters.

With respect to Section 6(c)(xiii) above, Robert M. Rhodes and with respect to Section 6(d)(xii) above, Latham & Watkins, may state that their opinion and belief are based upon their participation in the preparation of the Registration Statement and Prospectus and any

amendments or supplements thereto and review and discussion of the contents thereof, but are without independent check or verification, except as specified.

The opinions of Robert M. Rhodes, Latham & Watkins and McGuire, Woods, Battle and Boothe, L.L.P., described in Sections 6(c), 6(d) and 6(e) above shall be rendered to the Underwriters at the request of the Company or of the Selling Stockholder, as the case may be, and shall so state therein.

(g) The Underwriters shall have received, on each of the date hereof and the Closing Date, a letter dated the date hereof or the Closing Date, as the case may be, in form and substance satisfactory to the Underwriters, from KPMG Peat Marwick LLP, independent public accountants, containing statements and information of the type ordinarily included in accountants' "comfort letters" to underwriters with respect to the financial statements and certain financial information contained in the Registration Statement and the Prospectus; provided that the letter delivered on the Closing Date shall use a "cut-off date" not earlier than the date hereof.

(h) The "lock-up" agreements, each substantially in the form of Exhibit A hereto, between you and certain shareholders, officers and directors of the Company relating to sales and certain other dispositions of shares of Common Stock or certain other securities, delivered to you on or before the date hereof, shall be in full force and effect on the Closing Date.

The several obligations of the U.S. Underwriters to purchase Additional Shares hereunder are subject to the delivery to the U.S. Representatives on the Option Closing Date of such documents as you may reasonably request with respect to the good standing of the Company, the due authorization and issuance of the Additional Shares and other matters related to the issuance of the Additional Shares.

7. Covenants of the Company. In further consideration of the agreements of the Underwriters herein contained, the Company covenants with each Underwriter as follows:

(a) To furnish to you, without charge, five signed copies of the Registration Statement (including exhibits thereto) and for delivery to each other Underwriter a conformed copy of the Registration Statement (without exhibits thereto) and to furnish to you in New York City, without charge, prior to 10:00 a.m. New York City time on the business day next

succeeding the date of this Agreement and during the period mentioned in Section 7(c) below, as many copies of the Prospectus and any supplements and amendments thereto or to the Registration Statement as you may reasonably request.

(b) Before amending or supplementing the Registration Statement or the Prospectus, to furnish to you a copy of each such proposed amendment or supplement and not to file any such proposed amendment or supplement to which you reasonably object, and to file with the Commission within the applicable period specified in Rule 424(b) under the Securities Act any prospectus required to be filed pursuant to such Rule.

(c) If, during such period after the first date of the public offering of the Shares as in the opinion of counsel for the Underwriters the Prospectus is required by law to be delivered in connection with sales by an Underwriter or dealer, any event shall occur or condition exist as a result of which it is necessary to amend or supplement the Prospectus in order to make the statements therein, in the light of the circumstances when the Prospectus is delivered to a purchaser, not misleading, or if, in the opinion of counsel for the Underwriters, it is necessary to amend or supplement the Prospectus to comply with applicable law, forthwith to prepare, file with the Commission and furnish, at its own expense, to the Underwriters, the Selling Stockholder and the dealers (whose names and addresses you will furnish to the Company) to which Shares may have been sold by you on behalf of the Underwriters and to any other dealers upon request, either amendments or supplements to the Prospectus so that the statements in the Prospectus as so amended or supplemented will not, in the light of the circumstances when the Prospectus is delivered to a purchaser, be misleading or so that the Prospectus, as amended or supplemented, will comply with law.

(d) To endeavor to qualify the Shares for offer and sale under the securities or Blue Sky laws of such jurisdictions as you shall reasonably request, provided, however, that nothing herein shall require the Company to qualify as a foreign corporation in any state, to execute a general consent to service of process in any state or to subject itself to taxation in any jurisdiction in which it is otherwise not so subject.

(e) To make generally available to the Company's security holders and to you as soon as practicable an earning statement covering the twelve-month period ending [March 31, 1999] that satisfies the

provisions of Section 11(a) of the Securities Act and the rules and regulations of the Commission thereunder.

8. Expenses. Whether or not the transactions contemplated in this Agreement are consummated or this Agreement is terminated, the Company agrees to pay or cause to be paid all expenses incident to the performance of the obligations of the Company and the Selling Stockholder under this Agreement, including: (i) the fees, disbursements and expenses of the Company's counsel and accountants in connection with the registration and delivery of the Shares under the Securities Act and all other fees or expenses in connection with the preparation and filing of the Registration Statement, any preliminary prospectus, the Prospectus and amendments and supplements to any of the foregoing, including all printing costs associated therewith, and the mailing and delivering of copies thereof to the Underwriters and dealers, in the quantities hereinabove specified, (ii) all costs and expenses related to the transfer and delivery of the Shares to the Underwriters (except any transfer or other taxes payable thereon, which shall be paid by the Selling Stockholder), (iii) the cost of printing or producing any Blue Sky or Legal Investment memorandum in connection with the offer and sale of the Shares under state securities laws and all expenses in connection with the qualification of the Shares for offer and sale under state securities laws as provided in Section 7(d) hereof, including filing fees and the reasonable fees and disbursements of counsel for the Underwriters in connection with such qualification and in connection with the Blue Sky or Legal Investment memorandum, (iv) all filing fees and the reasonable fees and disbursements of counsel to the Underwriters incurred in connection with the review and qualification of the offering of the Shares by the National Association of Securities Dealers, Inc., (v) the cost of printing certificates representing the Shares, (vi) the costs and charges of any transfer agent, registrar or depository, and (vii) all other costs and expenses incident to the performance of the obligations of the Company and the Selling Stockholder hereunder for which provision is not otherwise made in this Section, except that the Selling Stockholder shall pay (i) all fees, disbursements and expenses of its counsel and its financial advisors and any transfer or other taxes payable on transfer of the Shares to the Underwriters and (ii) the first \$200,000 of all costs and expenses of the Company, the Underwriters and the Selling Stockholder relating to investor presentations on any "road show" undertaken in connection with the marketing of the offering of the Shares, including, without limitation, expenses associated with the production of road show slides and graphics, fees and expenses of any consultants engaged in connection with the road show presentations with the prior approval of the Company, travel and lodging



expenses of the representatives and officers of the Company and any such consultants, and the cost of any aircraft chartered in connection with the road show. It is understood, however, that except as provided in this Section, Section 9 entitled "Indemnity and Contribution", and the last paragraph of Section 11 below, the Underwriters will pay all of their costs and expenses, including fees and disbursements of their counsel, stock transfer taxes payable on resale of any of the Shares by them and any advertising expenses connected with any offers they may make and all costs and expenses of the Company, the Underwriters and the Selling Stockholder relating to investor presentations on any "road show" in excess of \$200,000.

9. Indemnity and Contribution. (a) The Company agrees to indemnify and hold harmless each Underwriter and each person, if any, who controls any Underwriter within the meaning of either Section 15 of the Securities Act or Section 20 of the Securities Exchange Act of 1934, as amended (the "EXCHANGE ACT"), from and against any and all losses, claims, damages and liabilities (including, without limitation, any legal or other expenses reasonably incurred in connection with defending or investigating any such action or claim) caused by any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement or any amendment thereof, any preliminary prospectus or the Prospectus (as amended or supplemented if the Company shall have furnished any amendments or supplements thereto), or caused by any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, except insofar as such losses, claims, damages or liabilities are caused by any such untrue statement or omission or alleged untrue statement or omission based upon information furnished to the Company in writing by any Underwriter through you or by the Selling Stockholder, expressly for use therein; provided, however, that with respect to any untrue statement or omission or alleged untrue statement or omission made in any preliminary prospectus, the foregoing indemnity agreement shall not inure to the benefit of any Underwriter from whom the person asserting any such losses, claims, damages or liabilities purchased Shares, or any person controlling such Underwriter, if a copy of the Prospectus (as then amended or supplemented if the Company shall have furnished any amendments or supplements thereto) was not sent or given by or on behalf of such Underwriter to such person, if required by law so to have been delivered, at or prior to the written confirmation of the sale of the Shares to such person, and if the Prospectus (as so amended or supplemented) would have cured the defect giving rise to such losses, claims, damages or liabilities, unless such failure is the result of noncompliance by the Company with Section 7(a) hereof.

(b) The Selling Stockholder agrees to indemnify and hold harmless each Underwriter and each person, if any, who controls any Underwriter within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act, from and against any and all losses, claims, damages and liabilities (including, without limitation, any legal or other expenses reasonably incurred in connection with defending or investigating any such action or claim) caused by any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement or any amendment thereof, any preliminary prospectus or the Prospectus (as amended or supplemented if the Company shall have furnished any amendments or supplements thereto), or caused by any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, but only with reference to information relating to such Selling Stockholder furnished in writing by or on behalf of such Selling Stockholder expressly for use in the Registration Statement, any preliminary prospectus, the Prospectus or any amendments or supplements thereto; provided, that with respect to any untrue statement or omission or alleged untrue statement or omission made in any preliminary prospectus the indemnity agreement contained in this subsection (b) shall not inure to the benefit of any Underwriter from whom the person asserting any such losses, claims, damages or liabilities purchased any Shares, to the extent that a prospectus relating to such Shares was required to be delivered by such Underwriter under the Act in connection with such purchase and any such loss, claim, damage or liability of such Underwriter results from the fact that there was not sent or given to such person, at or prior to the written confirmation of the sale of such Shares to such person, a copy of the Prospectus if the Company had previously furnished copies thereof to such Underwriter.

(c) Each Underwriter agrees, severally and not jointly, to indemnify and hold harmless the Company, the Selling Stockholder, the directors of the Company, the officers of the Company who sign the Registration Statement and each person, if any, who controls the Company or the Selling Stockholder within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act from and against any and all losses, claims, damages and liabilities (including, without limitation, any legal or other expenses reasonably incurred in connection with defending or investigating any such action or claim) caused by any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement or any amendment thereof, any preliminary prospectus or the Prospectus (as amended or supplemented if the Company shall have furnished any amendments or supplements thereto), or caused by any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, but only with reference to information furnished to the Company in writing by any Underwriter through

you expressly for use in the Registration Statement, any preliminary prospectus, the Prospectus or any amendments or supplements thereto.

(d) In case any proceeding (including any governmental investigation) shall be instituted involving any person in respect of which indemnity may be sought pursuant to Section 9(a), 9(b) or 9(c), such person (the "INDEMNIFIED PARTY") shall promptly notify the person against whom such indemnity may be sought (the "INDEMNIFYING PARTY") in writing and the indemnifying party, upon request of the indemnified party, shall retain counsel reasonably satisfactory to the indemnified party to represent the indemnified party and any others the indemnifying party may designate in such proceeding and shall pay the fees and disbursements of such counsel related to such proceeding. In any such proceeding, any indemnified party shall have the right to retain its own counsel, but the fees and expenses of such counsel shall be at the expense of such indemnified party unless (i) the indemnifying party and the indemnified party shall have mutually agreed to the retention of such counsel or (ii) the named parties to any such proceeding (including any impleaded parties) include both the indemnifying party and the indemnified party and representation of both parties by the same counsel would be inappropriate due to conflicts of interests between them. It is understood that the indemnifying party shall not, in respect of the legal expenses of any indemnified party in connection with any proceeding or related proceedings in the same jurisdiction, be liable for (i) the fees and expenses of more than one separate firm (in addition to any local counsel) for all Underwriters and all persons, if any, who control any Underwriter within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act, (ii) the fees and expenses of more than one separate firm (in addition to any local counsel) for the Company, its directors, its officers who sign the Registration Statement and each person, if any, who controls the Company within the meaning of either such Section and (iii) the fees and expenses of more than one separate firm (in addition to any local counsel) for the Selling Stockholder and all persons, if any, who control any Selling Stockholder within the meaning of either such Section, and that all such fees and expenses shall be reimbursed as they are incurred. In the case of any such separate firm for the Underwriters and such control persons of any Underwriters, such firm shall be designated in writing by Morgan Stanley & Co. Incorporated. In the case of any such separate firm for the Company, and such directors, officers and control persons of the Company, such firm shall be designated in writing by the Company. In the case of any such separate firm for the Selling Stockholder and such control persons of the Selling Stockholder, such firm shall be designated in writing by the persons named as attorneys-in-fact for the Selling Stockholder under the Powers of Attorney. The indemnifying party shall not be liable for any settlement of any proceeding effected without its written consent, but if settled with such consent or if there be a final judgment for the plaintiff, the indemnifying party agrees to indemnify the indemnified party

from and against any loss or liability by reason of such settlement or judgment. Notwithstanding the foregoing sentence, if at any time an indemnified party shall have requested an indemnifying party to reimburse the indemnified party for fees and expenses of counsel as contemplated by the second and third sentences of this paragraph, the indemnifying party agrees that it shall be liable for any settlement of any proceeding effected without its written consent if (i) such settlement is entered into more than 30 days after receipt by such indemnifying party of the aforesaid request and (ii) such indemnifying party shall not have reimbursed the indemnified party in accordance with such request prior to the date of such settlement. No indemnifying party shall, without the prior written consent of the indemnified party, effect any settlement of any pending or threatened proceeding in respect of which any indemnified party is or could have been a party and indemnity could have been sought hereunder by such indemnified party, unless such settlement includes an unconditional release of such indemnified party from all liability on claims that are the subject matter of such proceeding.

(e) To the extent the indemnification provided for in Section 9(a), 9(b) or 9(c) is unavailable to an indemnified party or insufficient in respect of any losses, claims, damages or liabilities referred to therein, then each indemnifying party under such paragraph, in lieu of indemnifying such indemnified party thereunder, shall contribute to the amount paid or payable by such indemnified party as a result of such losses, claims, damages or liabilities (i) in such proportion as is appropriate to reflect the relative benefits received by the indemnifying party or parties on the one hand and the indemnified party or parties on the other hand from the offering of the Shares or (ii) if the allocation provided by clause 9(e)(i) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause 9(e)(i) above but also the relative fault of the indemnifying party or parties on the one hand and of the indemnified party or parties on the other hand in connection with the statements or omissions that resulted in such losses, claims, damages or liabilities, as well as any other relevant equitable considerations. The relative benefits received by the Company and the Selling Stockholder on the one hand and the Underwriters on the other hand in connection with the offering of the Shares shall be deemed to be in the same respective proportions as the net proceeds from the offering of the Shares (before deducting expenses) received by the Selling Stockholder and the total underwriting discounts and commissions received by the Underwriters, in each case as set forth in the table on the cover of the Prospectus, bear to the aggregate Public Offering Price of the Shares. The relative fault of the Company and the Selling Stockholder on the one hand and the Underwriters on the other hand shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company or the Selling Stockholder or by the Underwriters and

the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The Underwriters' respective obligations to contribute pursuant to this Section 9 are several in proportion to the respective number of Shares they have purchased hereunder, and not joint.

(f) The Company, the Selling Stockholder and the Underwriters agree that it would not be just or equitable if contribution pursuant to this Section 9 were determined by pro rata allocation (even if the Underwriters were treated as one entity for such purpose) or by any other method of allocation that does not take account of the equitable considerations referred to in Section 9(e). The amount paid or payable by an indemnified party as a result of the losses, claims, damages and liabilities referred to in the immediately preceding paragraph shall be deemed to include, subject to the limitations set forth above, any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this Section 9, no Underwriter shall be required to contribute any amount in excess of the amount by which the total price at which the Shares underwritten by it and distributed to the public were offered to the public exceeds the amount of any damages that such Underwriter has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The remedies provided for in this Section 9 are not exclusive and shall not limit any rights or remedies which may otherwise be available to any indemnified party at law or in equity.

(g) The indemnity and contribution provisions contained in this Section 9 and the representations, warranties and other statements of the Company and the Selling Stockholder contained in this Agreement shall remain operative and in full force and effect regardless of (i) any termination of this Agreement, (ii) any investigation made by or on behalf of any Underwriter or any person controlling any Underwriter, the Selling Stockholder or any person controlling the Selling Stockholder, or the Company, its officers or directors or any person controlling the Company and (iii) acceptance of and payment for any of the Shares.

10. Termination. This Agreement shall be subject to termination by notice given by you to the Company, if (a) after the execution and delivery of this Agreement and prior to the Closing Date (i) trading generally shall have been suspended or materially limited on or by, as the case may be, any of the New York Stock Exchange, the American Stock Exchange, the National Association of Securities Dealers, Inc., the Chicago Board of Options Exchange, the Chicago Mercantile Exchange or the Chicago Board of Trade, (ii) trading of any securities

of the Company shall have been suspended on any exchange or in any over-the-counter market, (iii) a general moratorium on commercial banking activities in New York shall have been declared by either Federal or New York State authorities or (iv) there shall have occurred any outbreak or escalation of hostilities or any change in financial markets or any calamity or crisis that, in your judgment, is material and adverse and (b) in the case of any of the events specified in clauses 10(a)(i) through 10(a)(iv), such event, singly or together with any other such event, makes it, in your judgment, impracticable to market the Shares on the terms and in the manner contemplated in the Prospectus.

11. Effectiveness; Defaulting Underwriters. This Agreement shall become effective upon the execution and delivery hereof by the parties hereto.

If, on the Closing Date or the Option Closing Date, as the case may be, any one or more of the Underwriters shall fail or refuse to purchase Shares that it has or they have agreed to purchase hereunder on such date, and the aggregate number of Shares which such defaulting Underwriter or Underwriters agreed but failed or refused to purchase is not more than one-tenth of the aggregate number of the Shares to be purchased on such date, the other Underwriters shall be obligated severally in the proportions that the number of Firm Shares set forth opposite their respective names in Schedule II bears to the aggregate number of Firm Shares set forth opposite the names of all such non-defaulting Underwriters, or in such other proportions as you may specify, to purchase the Shares which such defaulting Underwriter or Underwriters agreed but failed or refused to purchase on such date; provided that in no event shall the number of Shares that any Underwriter has agreed to purchase pursuant to this Agreement be increased pursuant to this Section 11 by an amount in excess of one-ninth of such number of Shares without the written consent of such Underwriter. If, on the Closing Date, any Underwriter or Underwriters shall fail or refuse to purchase Firm Shares and the aggregate number of Firm Shares with respect to which such default occurs is more than one-tenth of the aggregate number of Firm Shares to be purchased, and arrangements satisfactory to you, the Company and the Selling Stockholder for the purchase of such Firm Shares are not made within 36 hours after such default, this Agreement shall terminate without liability on the part of any non-defaulting Underwriter, the Company or the Selling Stockholder. In any such case either you or the Selling Stockholder, shall have the right to postpone the Closing Date, but in no event for longer than seven days, in order that the required changes, if any, in the Registration Statement and in the Prospectus or in any other documents or arrangements may be effected. If, on the Option Closing Date, any Underwriter or Underwriters shall fail or refuse to purchase Additional Shares and the aggregate number of Additional Shares with respect to which such default occurs is more than one-tenth of the aggregate number of Additional Shares to be purchased, the non-defaulting Underwriters shall have the option to (i) terminate

their obligation hereunder to purchase Additional Shares or (ii) purchase not less than the number of Additional Shares that such non-defaulting Underwriters would have been obligated to purchase in the absence of such default. Any action taken under this paragraph shall not relieve any defaulting Underwriter from liability in respect of any default of such Underwriter under this Agreement.

If this Agreement shall be terminated by the Underwriters, or any of them, because of any failure or refusal on the part of the Selling Stockholder or the Company to comply with the terms or to fulfill any of the conditions of this Agreement, or if for any reason the Selling Stockholder or the Company shall be unable to perform its obligations under this Agreement, the party whose failure, refusal or inability to perform caused such termination will reimburse the Underwriters or such Underwriters as have so terminated this Agreement with respect to themselves, severally, for all out-of-pocket expenses (including the fees and disbursements of their counsel) reasonably incurred by such Underwriters in connection with this Agreement or the offering contemplated hereunder.

12. Counterparts. This Agreement may be signed in two or more counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

13. Applicable Law. This Agreement shall be governed by and construed in accordance with the internal laws of the State of New York.

14. Headings. The headings of the sections of this Agreement have been inserted for convenience of reference only and shall not be deemed a part of this Agreement.

Very truly yours,  
St. Joe Corporation

By: \_\_\_\_\_  
Name:  
Title:

The Alfred I. duPont Testamentary Trust

By: \_\_\_\_\_  
Trustee

By: \_\_\_\_\_  
Trustee

By: \_\_\_\_\_  
Trustee

By: \_\_\_\_\_  
Trustee

By: \_\_\_\_\_  
Trustee

By: \_\_\_\_\_  
Trustee



Accepted as of the date hereof

MORGAN STANLEY & CO.  
INCORPORATED  
DONALDSON, LUFKIN & JENRETTE  
SECURITIES CORPORATION  
MERRILL LYNCH & CO.,  
MERRILL LYNCH, PIERCE, FENNER  
& SMITH INCORPORATED  
RAYMOND JAMES & ASSOCIATES, INC.

Acting severally on behalf of themselves and the  
several U.S. Underwriters named in Schedule I  
hereto.

By: Morgan Stanley & Co. Incorporated

By: \_\_\_\_\_  
Name:  
Title:

MORGAN STANLEY & CO.  
INTERNATIONAL LIMITED  
DONALDSON, LUFKIN & JENRETTE  
INTERNATIONAL  
MERRILL LYNCH INTERNATIONAL  
RAYMOND JAMES & ASSOCIATES, INC.

Acting severally on behalf of themselves  
and the several International Underwriters  
named in Schedule II hereto.

By Morgan Stanley & Co. International Limited

By: \_\_\_\_\_  
Name:  
Title: Principal

SCHEDULE I

U.S. UNDERWRITERS

U.S. UNDERWRITER	NUMBER OF FIRM SHARES TO BE PURCHASED
Morgan Stanley & Co. Incorporated.....	
Donaldson, Lufkin & Jenrette Securities Corporation.....	
Merrill Lynch, Pierce, Fenner & Smith Incorporated.....	
Raymond James & Associates, Inc.....	
Total:.....	----- =====

SCHEDULE II

INTERNATIONAL UNDERWRITERS

INTERNATIONAL UNDERWRITER

NUMBER OF FIRM SHARES  
TO BE PURCHASED

-----  
Morgan Stanley & Co. International Limited.....  
Donaldson, Lufkin & Jenrette International .....  
Merrill Lynch International.....  
Raymond James & Associates, Inc.....

Total:.....

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=====

SCHEDULE III

JOINT VENTURES

St. Joe/Arvida Company, L.P.

St. Joe/CNL Development, Ltd.

[Codina Group, Inc.]

## SCHEDULE IV

## PROPERTY SCHEDULE

Properties listed below are identified using the defined terms used in the Prospectus.

Property - - - - -	Title Holder - - - - -
duPont Center	GCC
Gran Park at Deerwood	GCC
Gran Park at Interstate South	GCC
Gran Park at Jacksonville	GCC
Gran Park at the Avenues	GCC
Gran Park at McCahill	GCC
Gran Park at Miami	GCC
Gran Park at Deerwood North	GCC
Gran Park at Southwood	[ ]
Seagrove Tract	[ ]
Camp Creek Tract	[ ]
Tallahassee Tract	[ ]
Riverton property	[ ]
2,150 acres St. John's County property (identified on page 40 of the Prospectus)	GCC
[Those lots in Summerwood that the Company still owns]	
[Those lots in the Retreat that the Company still owns]	

## [FORM OF LOCK-UP LETTER]

\_\_\_\_\_, 1998

Morgan Stanley & Co. Incorporated  
Merrill Lynch & Co.,  
Merrill Lynch, Pierce, Fenner & Smith  
Incorporated  
Donaldson, Lufkin & Jenrette Securities  
Corporation  
Raymond James & Associates, Inc.  
c/o Morgan Stanley & Co. Incorporated  
1585 Broadway  
New York, NY 10036

Morgan Stanley & Co. International Limited  
Merrill Lynch International  
Donaldson, Lufkin & Jenrette International  
Raymond James & Associates, Inc.  
c/o Morgan Stanley & Co. International Limited  
25 Cabot Square  
Canary Wharf  
London E14 4QA  
England

Dear Sirs and Mesdames:

The undersigned understands that Morgan Stanley & Co. Incorporated ("MORGAN STANLEY") and Morgan Stanley & Co. International Limited ("MSIL") propose to enter into an Underwriting Agreement (the "UNDERWRITING AGREEMENT") with St. Joe Corporation, a Florida corporation (the "COMPANY") and the Alfred I. duPont Testamentary Trust, providing for the public offering (the "PUBLIC OFFERING") by the several Underwriters, including Morgan Stanley and MSIL (the "UNDERWRITERS"), of shares (the "SHARES") of the Common Stock, no par value, of the Company (the "COMMON STOCK").

To induce the Underwriters that may participate in the Public Offering to continue their efforts in connection with the Public Offering, the undersigned hereby agrees that, without the prior written consent of Morgan Stanley on behalf

of the Underwriters, it will not, during the period commencing on the date hereof and ending 180 days after the date of the final prospectus relating to the Public Offering (the "PROSPECTUS"), (1) offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend, or otherwise transfer or dispose of, directly or indirectly, any shares of Common Stock or any securities convertible into or exercisable or exchangeable for Common Stock, or (2) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Common Stock, whether any such transaction described in clause (1) or (2) above is to be settled by delivery of Common Stock or such other securities, in cash or otherwise, other than (w) the Shares to the Underwriters pursuant to the Underwriting Agreement, (x) the issuance by the Company of shares of Common Stock upon the exercise of an option or a warrant or the conversion of a security outstanding on the date of the Prospectus of which the Underwriters have been advised in writing, (y) the issuance of shares of Common Stock as consideration for future acquisitions by the Company or (z) the grant of options under the Company's stock option plans, provided such options do not vest prior to the termination of the 180-day period referenced herein, and provided further that, in the case of subclauses (x) and (y), the recipient of any such issued shares agrees in writing to be bound by the transfer restrictions set forth herein. In addition, the undersigned agrees that, without the prior written consent of Morgan Stanley on behalf of the Underwriters, it will not, during the period commencing on the date hereof and ending 180 days after the date of the Prospectus, make any demand for or exercise any right with respect to, the registration of any shares of Common Stock or any security convertible into or exercisable or exchangeable for Common Stock.

Whether or not the Public Offering actually occurs depends on a number of factors, including market conditions. Any Public Offering will only be made pursuant to an Underwriting Agreement, the terms of which are subject to negotiation between the Company and the Underwriters.

Very truly yours,

-----  
(Name)

-----  
(Address)

## CERTIFICATE

## TO WHOM IT MAY CONCERN:

The undersigned Secretary of St. Joe Paper Company does hereby certify that on the 29th day of March, A.D. 1955, at the Annual Meeting of the Stockholders of said corporation, held at 1524 Barnett National Bank Building, Jacksonville, Florida, which meeting was duly held pursuant to notice, and at which meeting the holders of more than ninety per cent (90%) of the outstanding stock of said corporation were present in person or by valid proxies, the following resolution to amend the Certificate of Incorporation of the company was adopted by unanimous vote of those Stockholders present and by those holding proxies for Stockholders not personally present:

BE IT RESOLVED by the Stockholders of St. Joe Paper Company that the Certificate of Incorporation of this corporation be amended so that the same shall read as follows:



AMENDED CERTIFICATE OF INCORPORATION  
OF  
ST. JOE PAPER COMPANY

ARTICLE I. LAWS OF FLORIDA TO GOVERN. The Laws of Florida shall govern the corporation.

ARTICLE II. NAME. The name of the Corporation is ST. JOE PAPER COMPANY.

ARTICLE III. GENERAL NATURE OF BUSINESS. The general nature of the business and the objects and purposes to be transacted, promoted and carried on by the corporation are as follows:

To manufacture, buy, sell, import, export and deal in pulp wood, wood pulp, paper, paper board, and all raw materials thereof and products and by-products therefrom, and articles of commerce made wholly or partly of pulp wood, wood pulp, paper, or paper board, and to establish, operate and maintain mills, plants and factories for such purpose;

To engage generally in the real estate business in all of its branches; to hold, buy, own, hire, control, work, develop, sell, convey, lease, mortgage, pledge, exchange, cultivate, improve, and otherwise deal in or dispose of real estate and property, and any right, interest or estate therein, including fixtures, leases, tax titles and liens and other liens, as well as mineral rights and water rights; to plan, construct, build, erect, layout, open, repair and improve or otherwise deal in and with public or private roads, parks, streets, sidewalks, avenues, lanes, alleys, sewers, city, town and village sites and any and all other convenience and facilities for the operation, development, improvement and use of real estate and generally to do any and all things necessary, useful or desirable for the development, operation, improvement, sale or use of real estate; to purchase or otherwise acquire, lease, build, hold, maintain, mortgage or otherwise lien, operate, rent and sell or otherwise dispose of, as principal or agent, hotels, office buildings, boarding houses, restaurants, dwelling houses, apartment houses, stores, elevators, wharves, piers, docks, booms, tramways, bridges, and any and all other kinds of buildings and structures, and also steamboats, steam-ships, and all manner of water craft; to carry on and transact a real estate agency and brokerage business, including the management of estates, and to act as agent, broker or attorney in fact for any person, firm or corporation in buying, selling, renting, leasing and otherwise dealing in and with real property and any and every estate and interest therein, choses in action secured thereby or thereon, judgments resulting therefrom and other personal property, collateral thereto, in making and obtaining leases upon such property, in supervising, managing protecting such property and all interest in and claims affecting the same and in managing and conducting any legal actions, proceedings and business relating to any of the purposes herein mentioned or referred to; to collect and receive any profits, rents, royalties, fees, charges and/or tolls for business conducted by the company;

To manufacture, purchase or otherwise acquire and to hold, own, mortgage or otherwise lien, pledge, lease, sell, exchange, transfer or in any manner dispose of, and to invest, deal and trade in and with goods, wares, merchandise and personal property of any and every class and description, within or without the State of Florida;

To acquire the good will, rights and property and the whole or any part of the assets and liabilities of any person, firm, association or corporation, to pay for the same in cash, by the stock of the company, bonds or otherwise, to hold or in any manner to dispose of the whole or any part of the property so purchased, to conduct in any lawful manner the whole or any part of any business so acquired and to exercise all the powers necessary or convenient in and about the conduct and management of such business;

To construct and operate canals and waterways for the purposes of drainage, irrigation or beautification; to grow, buy, sell and otherwise deal in all kinds of fruits, vegetables and agricultural products, and to engage generally in farming, planting, fruit raising and any and all branches of gardening and horticulture; to prospect for, dig and mine all minerals and metals, including petroleum, oil and gas, and to do all things which may be necessary, proper or convenient in connection with prospecting for, digging and mining said minerals, metals, petroleum, oil and gas; to build, buy, sell, own, operate, lease, hire, use and maintain gas stations, tanks, reservoirs, storage and ice manufacturing plants, packing houses, machine shops, boat building works, waterworks, electric light and power works, and storage facilities of every kind, and to collect and receive profits or tolls therefor;

To build, buy, sell, lease, manufacture, own, control, hire, charter and operate automobiles and automobile buses and other automotive vehicles and vessels, tramways, railways, spur tracks, side tracks, dredges, barges, lighters, engines, cars or other vehicles and means of transportation for the transportation of property and persons, but not to use said means of transportation for the purpose of doing the business of a common carrier; to construct, maintain, own, lease and operate station houses, depots, warehouses, terminals, terminal facilities, ferries, parks, greenhouses, grounds and pavillions for recreation and amusement and for other purposes;

To make, generate, sell, distribute and supply gas and electricity, either or both, for lighting, heating, manufacturing or mechanical purposes, or for all or any of such purposes, and to conduct a general gas and electrical business, or either of them, in all their branches; to sink wells and build reservoirs, tanks, pipes and water mains and other appliances, and to pipe, sell, store and distribute water; to dredge and bulkhead, and to construct and maintain bridges, viaducts, and other ways, and to retain and receive easements, licenses and rights-of-way; to acquire, build, construct, establish, own, operate, maintain and dispose of, water, drainage and sewer systems and all manner of public works and to exercise the rights of eminent domain in connection with all such public works;

To engage generally in the business of buying, selling and dealing in stocks, bonds, and all manner of securities, both for its own account and for the account of others, upon commission or otherwise, to draw, make, accept, endorse, discount, execute and issue promissory notes, drafts, bills of exchange, warrants debentures and other negotiable or transferable instruments; to borrow, advance and lend money, and assets of all kinds upon such terms as may seem expedient; to execute and issue debentures, debenture stocks, bonds, obligations and securities of all kinds, and to evidence and secure the same as may seem expedient;

with full power to make the same transferable by delivery or by instrument of transfer or otherwise and either perpetual or terminable and redeemable or otherwise, and to charge and secure the same by mortgage or trust deed, or otherwise on the undertaking of the corporation, or upon any specific property, rights, present and future, of the corporation, or otherwise; to guarantee, purchase, hold, sell, assign, transfer, mortgage, pledge, or otherwise dispose of the shares of the capital stock of, or any bonds, securities, or evidences of indebtedness created by this or any other corporation or corporations of this State or any other State or Country, Nation or Government, and while the owner of said stock to exercise all the rights, powers and privileges of ownership, including the right to vote thereon, to the same extent as natural persons might or could do;

To purchase or otherwise acquire, apply for, register, hold, use, sell or in any manner dispose of and to grant licenses or other rights in and in any manner deal with patents, inventions, improvements, processes, formulas, trade-marks, trade names, rights, and licenses secured under letters patent, copyrights or otherwise;

To enter into, make and perform contracts of every kind with any person, firm, association, or corporation, municipality, body politic, country, territory or state;

To hold and re-issue any of the shares of its capital stock and to provide for the redemption of said stock; to have a lien upon all of the shares of any stockholder who may become indebted to this corporation, either individually, as co-partner, surety or otherwise, with the right to sell and dispose of such stock, or such portion or portions thereof, as may be necessary to pay off such indebtedness at either public or private sale and upon notice and terms as the Board of Directors may prescribe, and with the further right to refuse to transfer said stock until full payment of all such indebtedness is made;

To own and/or operate mills or factories for the manufacture and/or furnishing of building material, fixtures and supplies of all kinds; and to own and operate newspapers and publishing plants; to raise, breed and deal in live stock of all kinds; to construct harbors and improve the same; to improve rivers and streams by clearing and straightening the channels thereof, closing sloughs, erecting sluice ways, booms or dams of all kinds, and other works thereof; to acquire, construct, lease, operate and maintain radio broadcasting stations of any and all kinds;

To build, maintain, operate, purchase, lease, rent and sell sawmills, and manufacture and distill turpentine, tar, pitch, rosin and other timber products, and to make and execute any and all manner of contracts and timber leases for logging, lumbering and naval stores operations; to carry on a general logging and lumbering business;

And to conduct any and every mercantile, trading, mineral, prospecting, shipping, forwarding, manufacturing and commission business at such place or places in the State of Florida and at any and all other places in the United States, or, outside the United States, as the corporation may determine.

To do any or all of the things hereinabove set forth as principal, agent, contractor, trustee or otherwise, alone or in company with others; to carry on any and all of its operations and businesses and to promote its objects within the State of Florida or elsewhere without restriction as to place or amount; to have, use, exercise and enjoy all of the general powers of like corporations; and to do any or all of the things hereinabove set forth to the same extent as natural persons might or could do; and to do and perform all such other things and acts as may be necessary, profitable or expedient in carrying on any of the businesses or acts above named.

The intention is that none of the objects and powers hereinabove specified and clauses contained in this Article, except where otherwise specified in this Article, shall be in anywise limited or restricted by reference to or inference from the terms of any other objects, powers or clauses of this or any other Article, but that the several objects and powers specified above shall be regarded as independent objects and powers; the broadest meaning shall be given to each word of the foregoing enumeration of the general nature of the businesses of this corporation and the use of no one word shall be construed to limit the meaning or effect of any other word or words used elsewhere.

ARTICLE IV. STOCK The maximum number of shares of stock that the corporation is authorized to have outstanding at any time is One Hundred and Fifty Thousand (150,000) shares of the par value of One Hundred Dollars (\$100.00) per share, all of which shall be common voting stock of the same class, provided that the corporation may designate as special or restricted stock not in excess of Two Thousand (2,000) shares of said authorized stock and reserve to itself rights to repurchase, under the conditions required by law, redeem and retire the same, and thereby reduce, from time to time, the amount of its capital represented by the par value of said special or restricted stock so retired. All stock issued shall be fully paid and non-assessable. The corporation shall have the right to issue fractional shares.

ARTICLE V. CAPITAL The amount of capital with which the corporation shall begin business is the aggregate par value of the shares of stock outstanding, viz: \$9,182,900.00 Additional shares of authorized stock may be issued as provided by law.

ARTICLE VI TERM OF EXISTENCE. The corporation shall have perpetual existence.

ARTICLE VIII. PRINCIPAL OFFICE. The principal office of the corporation shall be located in the City of Jacksonville, County of Duval, State of Florida.

ARTICLE VII. DIRECTORS. The number of Directors of the corporation shall be not less than nine (9) nor more than fifteen (15)

ARTICLE IX. BOARD OF DIRECTORS. The names and post office addresses of the Board of Directors who, subject to the By-Laws of the corporation and the Laws of Florida, shall hold office until the next annual meeting of the stockholders of the corporation or until their successors are elected and have qualified, are:

NAME	Post Office Address.
- - - - -	- - - - -
Jessie Ball duPont	1524 Barnett Bank Building, Jacksonville, Florida.
Edward Ball	Box 191, Tallahassee, Florida.
Roger L. Main	1524 Barnett Bank Building, Jacksonville, Florida.
Henry W. Dew	1524 Barnett Bank Building, Jacksonville, Florida.
Elbert Dent	Greenville, Wilmington, 7, Delaware
Irene Walsh	1524 Barnett Bank Building, Jacksonville, Florida.
W. H. Goodman	Box 720, Jacksonville, Florida
Franics P. Gaines	Washington & Lee University, Lexington, Virginia
H. P. Adair	Barnett Bank Building, Jacksonville, Florida.
Harry H. Saunders	St. Joe Paper Company, Port St. Joe, Florida
R. C. Brent, Jr.	Box 191, Tallahassee, Florida
T. S. Coldewey	St. Joe Paper Company, Port St. Joe, Florida
J. C. Belin	St. Joe Paper Company, Port St. Joe, Florida
W. T. Edwards	1785 Southwood Street, Sarasota, Florida

ARTICLE X. OFFICERS. The officers of the corporation shall be a President, one or more Vice Presidents, a Secretary, a Treasurer, and such other officers, agents and factors as may be deemed necessary. The names and post office addresses of the President, Secretary, and Treasurer, of the corporation, who shall hold office until the next Annual Meeting of the Board of Directors or until their successors are elected, are:

Roger L. Main, President, 1524 Barnett Bank Building, Jacksonville, Fla.

Irene Walsh, Secretary, 1524 Barnett Bank Building, Jacksonville, Fla.

S.D. Stoneburner, Treasurer, 1524 Barnett Bank Building, Jacksonville, Fla.

All officers, agents and factors shall be chosen in such manner, hold their offices for such terms, and have such powers and duties as may be prescribed by the By-Laws or determined by the Board of Directors. Any person may hold two or more offices, except that the President shall not be also the Secretary or an Assistant Secretary of the Corporation. Until their respective successors shall have been duly elected and qualified, the present officers of the St. Joe Paper Company shall be the officers of the corporation.

ARTICLE XI BY-LAWS Subject to the By-Laws, if any, adopted by the stockholders, the Directors may make the By-Laws of the corporation.

ARTICLE XII. This amended Certificate of Incorporation contains all of the currently effective provisions of the Charter of said corporation, it being the purpose of this Amendment of the Certificate of Incorporation that any previous Charter provision as set forth in the original Certificate of Incorporation, the amendments thereto, and the agreements of merger, shall be deemed to have been amended, modified, or revoked, so as to be consistent with the Articles I through XI hereof.

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THIS IS TO FURTHER CERTIFY that the said proposed Amendment was previously approved by the Board of Directors and proposed by them to the Stockholders at the meeting at which such resolution was adopted.

IN WITNESS WHEREOF, the undersigned Secretary of the corporation has hereunto set her hand and has hereto affixed the corporate seal of said corporation this 23 day of April, A.D. 1955.

ST. JOE PAPER COMPANY [SEAL]

/s/  
-----  
SECRETARY

APPROVED:

/s/ Roger L. Main  
-----  
President

STATE OF FLORIDA    )  
                          :  
COUNTY OF DUVAL    )

Before me, an officer authorized by the laws of the State of Florida to take acknowledgments, this day personally appeared ROGER L. MAIN, to me well known and known to me to be the person who as President of St. Joe Paper Company executed the above and foregoing Certificate, and who acknowledged to and before me that he executed the same in such capacity for the purposes therein expressed, and that the matters and things therein set forth are true.

WITNESS my hand and official seal this 23 day of April, 1955.

[SEAL]

/s/  
-----  
Notary Public, State of Florida  
at Large.

My commission expires: \_\_\_\_\_  
Notary Public, State of Florida  
My commission expires Dec. 11, 1955  
Bonded by American Surety Co.

Certificate of Amendment  
of  
Certificate of Incorporation  
of  
ST. JOE PAPER COMPANY

Under Section 607.181 of the Florida General Corporation Act

St. Joe Paper Company, a corporation organized and existing under and by virtue of the Florida General Corporation Act of the State of Florida (the "Corporation"), does hereby certify:

FIRST: That at special meeting of the Corporation's Board of Directors on February 7, 1990, resolutions were adopted setting forth a proposed amendmant to the Certificate of Incorporation of the Corporation, declaring said amendment to be advisable and proposing to submit said amendment to the Alfred I. duPont Testamentary Trust (the "Trust"), as holder of 75,209 shares, or 86.3%, of the issued and outstanding capital stock of the Corporation, for consideration therof. The resolution setting forth the proposed amendment is as follows:

RESOLVED, that the Board of Directors of the Corporation does hereby declare that it is advisable to amend the Certificate of Incorporation of the Corporation by changing Article IV thereof so that as amended, said Article shall be and read as follows:

"ARTICLE IV. STOCK. The maximum number of shares of stock that the corporation is authorized to have outstanding at any time is sixty million (60,000,000) shares having no par value per share, all of which shall be common voting stock of the same class. All shares of common stock issued shall be fully paid and non-assessable. The corporation shall have the right to issue fractional shares."

SECOND: That on March 21, 1990, the Trust, acting by written consent, adopted said amendment in accordance with the provisions of Section 607.181 of the Florida General Corporation Act of the State of Florida.

THIRD: That the stock split and change in par value provided for in said amendment shall be effected in the following manner: at 4:00 p.m., Tallahassee, Florida time on the date on which the amendment becomes effective in accordance with the Florida General Corporation Act, (i) each share of the Corporation's one hundred dollar (\$100.00) par value common stock shall be changed and reclassified into and shall become 350 shares of no par value common stock authorized by such amendment; (ii) outstanding certificates theretofore representing the then issued shares of the one hundred dollar (\$100.00) par value common stock shall represent the same number of shares of no par value common stock; and (iii) each holder of record of common stock of the Corporation at 4:00 p.m.; Tallahassee, Florida time on the date such amendment becomes effective shall be entitled to receive a certificate for 349 additional shares of common stock for each one share of common stock then held of record by such holder.



IN WITNESS WHEREOF, said St. Joe Paper Company has caused this Certificate to be signed by Stanley D. Fraser, its Vice President and attested by Ronald A. Anderson, its Secretary this 21st day of March, 1990.

ST. JOE PAPER COMPANY

By: /s/ Stanley D. Fraser  
-----  
Stanley D. Fraser  
Vice President

ATTEST

By: /s/ Ronald A. Anderson  
-----  
Ronald A. Anderson  
Secretary

Be it remembered that on this 21st day of March, 1990, personally came before me, Louise T. Matthews, a notary public in and for the county and state aforesaid, STANLEY D. FRASER, Vice President of a corporation of the State of Florida, the corporation described in and which executed the foregoing certificate, known to me personally to be such, and he the said STANLEY D. FRASER as such Vice President duly executed the said certificate to be his act and deed and the act and deed of said corporation and the facts stated therein are true; and the signature of said Vice President of said corporation to said foregoing certificate is in the handwriting of said Vice President of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and seal of office the day and year aforesaid.

/s/ Louise T. Matthews  
-----  
Notary Public

(SEAL)

ARTICLES OF AMENDMENT

of

ST. JOE PAPER COMPANY

Pursuant to Section 607.1006, Florida Statutes, the Amended Articles of Incorporation of the above-named Corporation are hereby further amended as follows:

1. Article II is hereby amended to read as follows:

The name of the corporation is St. Joe Corporation

2. The foregoing amendment was adopted by the Board of Directors on February 27, 1996 and the shareholders on May 14, 1996.

3. The number of votes cast for the amendment by the shareholders was sufficient for approval.

4. This Amendment shall be effective on June 3, 1996 at 12:01 a.m.

IN WITNESS WHEREOF, these Articles of Amendment have been executed this 22nd day of May, 1996.

ST. JOE PAPER COMPANY

By: /s/ R.E. Nedley

-----  
R.E. Nedley, President

STATE OF FLORIDA  
COUNTY OF DUVAL

The foregoing instrument was acknowledged before me this 22nd day of May, 1996 by R.E. Nedley, as President of ST. JOE PAPER COMPANY, a Florida corporation, on behalf of the corporation. He is personally known to me.

/s/ Patricia A. Pocock

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Notary Public

[SEAL] OFFICIAL SEAL  
PATRICIA A. POCOCK  
My Commission Expires  
Feb. 9, 1997  
Comm. No. CC 258161

## ARTICLES OF AMENDMENT

OF

ST. JOE CORPORATION

Pursuant to Section 607.10025, Florida Statutes, the Amended Articles of Incorporation of the above-named Corporation are hereby further amended as follows:

1. Article IV is hereby amended to read as follows:

ARTICLE IV. STOCK. The maximum number of shares of stock that the Corporation is authorized to have outstanding at any time is one hundred eighty million (180,000,000) shares having no par value per share, all of which shall be common voting stock of the same class. All shares of common stock issued shall be fully paid and non-assessable. The Corporation shall have the right to issue fractional shares.

2. In accordance with the above Amendment, sixty million shares of common stock, no par value, will be divided into one hundred eighty million shares of common stock, no par value.

3. The foregoing Amendment was adopted by the Corporation Board of Directors on December 15, 1997.

4. The Amendment neither adversely affects the rights or preferences of the holders of outstanding shares of any class or series, nor causes the percentage of authorized shares that will remain unissued after the division to exceed the percentage of authorized shares that were unissued before the division.

5. The division of shares under the foregoing Amendment shall take effect upon the filing of these Articles of Amendment.

IN WITNESS WHEREOF, these Articles of Amendment have been executed this seventh day of January, 1998.

ST. JOE CORPORATION

By: /s/ Robert M. Rhodes

-----  
Robert M. Rhodes  
Senior Vice President  
& General Counsel

2  
STATE OF FLORIDA)  
COUNTY OF DUVAL)

The foregoing instrument was acknowledged before me this 7th day of  
January, 1998 by Robert M. Rhodes, Senior Vice President & General Counsel of  
St. Joe Corporation, a Florida corporation, on behalf of the Corporation.

/s/ Muriel Kayter  
-----  
Notary Public, State of Florida

Muriel Kayter  
-----  
Print Name

[SEAL] MURIEL KAYTER  
Notary Public, State of Florida  
My Comm. Expires April 26, 1999  
Comm. No. CC093605

REGISTRATION RIGHTS AGREEMENT

BETWEEN

ALFRED I. DUPONT TESTAMENTARY TRUST

AND

ST. JOE CORPORATION

Dated as of December 16, 1997

REGISTRATION RIGHTS AGREEMENT, dated as of December 16, 1997, between the Alfred I. duPont Testamentary Trust (the "Trust") and St. Joe Corporation, a Florida corporation (the "Company").

1. Introduction; Term of Agreement. The Trust Beneficially Owns approximately 69% of the issued and outstanding common stock of the Company (the "Common Stock"). The Trust has determined that it is in the best interests of the Trust to dispose of certain shares of the Common Stock of the Company Beneficially Owned by the Trust primarily to diversify the Trust's assets and to reinvest the proceeds from such sale in assets which produce higher current income. The Company has proposed to the Trust that it accomplish this objective through one or more secondary offerings of the shares it Beneficially Owns. The Company has determined that it is in the best interests of the Company and its stockholders that the proposed disposition of shares be effected in one or more public offerings that will provide for broad distribution of the shares, thereby enhancing the overall trading market for all of the issued and outstanding shares of the Company's Common Stock. The Trust intends, subject to market conditions and other factors, and upon consummation of a 3-for-1 split of the Company's Common Stock to which the Trust hereby agrees, to sell not less than 3,000,000 shares (the "Shares") of the Common Stock (including any overallotment option granted to underwriters) on a pre-stock split basis in a public offering to be consummated as soon as practicable in 1998 (the "Initial Sale"). The Trust and the Company have agreed that it is in their mutual best interests to enter into this Agreement to govern, among other things, certain terms and conditions of the Initial Sale and any subsequent registered public sales that may be considered by the Trust and/or its affiliate, The Nemours Foundation. In connection with the Initial Sale, the Company has commenced preparation of an appropriate registration statement covering the Shares and has agreed to use its best efforts to file such registration statement with the Commission under the Securities Act as soon as practicable in December 1997. This agreement shall terminate and be of no further force and effect at such time as either the Trust owns less than 1% of the outstanding shares of Common Stock or the last Demand Request (as hereinafter defined) permitted by this Agreement is effected pursuant hereto. Certain capitalized terms used in this Agreement are defined in Section 4 hereof; references to sections shall be to sections of this Agreement.

2. Registration under Securities Act, etc.

2.1 Registration on Request.

(a) Demand Request. Upon the written request of the Trust that the Company effect the registration under the Securities Act of all or part of the Registrable Securities

Beneficially Owned by the Trust and specifying the intended method or methods of disposition thereof and the minimum price for such Registrable Securities acceptable to the Trust (a "Demand Request"), the Company will, subject to the terms of this Agreement, use its best efforts to effect the registration under the Securities Act of:

(i) the Registrable Securities which the Company has been so requested to register by the Trust for disposition in accordance with the intended method or methods of disposition stated in such request;

(ii) all shares of Common Stock which the Company may elect to register in connection with the offering of Registrable Securities pursuant to this Section 2.1, it being understood that the Company shall have no right to elect to include shares of the Common Stock in the registration relating to the Initial Sale; and

(iii) all shares of Common Stock which the Company may be required to register in connection with "piggyback" or incidental registration rights granted to any other Person, it being understood that no other Person has any such registration rights in connection with the Initial Sale;

all to the extent requisite to permit the disposition (in accordance with the intended method or methods of distribution specified in the Demand Request) of the Registrable Securities and the additional shares of Common Stock, if any, so to be registered, provided, however, that each such Demand Request shall be for a number of shares of Common Stock which represent at least 10% of the then outstanding shares of Common Stock, unless the Demand Request is the last Demand Request available hereunder, in which event the Demand Request may cover the remainder of the Registrable Securities even if such amount of Registrable Securities is less than 10% of such then outstanding shares. Subject to the provisions of Section 2.1(d), the Trust will have the right pursuant to this Section 2.1(a) to make an aggregate of five Demand Requests, including the deemed Demand Request relating to the Initial Sale referred to below in this Section 2.1(a).

Notwithstanding anything herein to the contrary, the Company shall not be obligated to take any action to effect any registration requested by the Trust pursuant to this Section 2.1(a) for a period of six months after the Company has effected one such registration pursuant to this Section 2.1 and such registration has been declared or ordered effective, such six month period to commence on the date the registration statement was declared or ordered effective. In addition, no Demand Request other than with respect to the Initial Sale may be



delivered prior to the expiration of the Trust's "lockup" period set forth in the underwriting agreement for the Initial Sale.

Without limiting the generality of the foregoing, the Trust and the Company agree that the commencement of preparation by the Company of a registration statement under the Securities Act in connection with the Initial Sale shall automatically constitute a Demand Request entitling the Trust to all of the benefits of this Agreement with respect to the Initial Sale, without the Trust being required to comply with the written notice requirements of this Section 2.1(a) or take any further action under this Agreement with respect thereto.

(b) Registration Statement Form. Registrations under this Section 2.1 (including any registration with respect to the Initial Sale) shall be on such appropriate registration form of the Commission (i) as shall be selected by the Company and as shall be acceptable to the Trust and (ii) as shall permit the disposition of such Registrable Securities in accordance with the intended method or methods of disposition specified in the request for such registration (it being understood that the intended method of disposition with respect to the Initial Sale shall be a firm commitment underwritten public offering); provided, however, that the Company shall not be required by the Trust to file with the Commission a shelf registration under Rule 415 under the Securities Act.

(c) Expenses. The Company will pay all Registration Expenses in connection with any registration requested pursuant to this Section 2.1 (including any registration with respect to the Initial Sale and any registration deemed not to be "effected" under Section 2.1), except that the Trust shall pay only the underwriting discounts and commissions attributable to the Registrable Securities Beneficially Owned by the Trust, the fees and expenses of the Trust's legal counsel and financial advisors, transfer taxes, if any, attributable to the Registrable Securities Beneficially Owned by the Trust and with respect to any offering pursuant to this Section 2.1(a) any "road show" expenses of the underwriters not paid by the underwriters pursuant to the related underwriting agreement (such "road show" expenses payable by the Trust not to exceed \$200,000).

(d) Effective Registration Statement. A registration requested pursuant to this Section 2.1 (including a registration statement relating to the Initial Sale) shall not be deemed to have been effected (and therefore not requested for purposes of the limitations in Section 2.1(a) on the number of requests for registration that can be made pursuant to Section 2.1(a)) (i) unless a registration statement with respect thereto has become effective, provided that a registration which does not become effective after the Company has filed a registration statement with respect thereto solely by reason of the refusal to proceed

by the Trust (other than a refusal to proceed based upon the advice of counsel relating to a material adverse change in, or other material development relating to, the business, properties, financial condition or results of operations of the Company) shall be deemed to have been effected by the Company at the request of the Trust unless the Trust shall have elected to pay all Registration Expenses in connection with such registration, (ii) if, after it has become effective, such registration becomes subject to any stop order, injunction or other order or requirement of the Commission or other governmental agency or court for any reason, or (iii) if the conditions to closing specified in the purchase agreement or underwriting agreement entered into in connection with such registration are not satisfied, other than solely by reason of some act or omission by the Trust.

(e) Selection of Underwriters. If a requested registration pursuant to this Section 2.1 (including a registration with respect to the Initial Sale) involves an underwritten offering, the underwriter or underwriters thereof shall be selected by the Trust from a list of underwriters to be agreed upon by the Trust and the Company.

(f) Priority in Requested Registrations. If a requested registration pursuant to this Section 2.1 involves an underwritten offering, and the managing underwriter shall advise the Company in writing (with a copy to the Trust) that, in its opinion, the number of securities requested to be included in such registration (including securities of the Company which are not Registrable Securities) exceeds the number which can be sold in such offering within the price range acceptable to the Trust as set forth in the Demand Request, the Company will include in such registration the number of shares which the Company is so advised can be sold, in the following order of priority (i) first, Registrable Securities requested to be included in such registration by the Trust, and (ii) second, subject to Section 2.1(a) hereof, securities the Company proposes to sell and other securities of the Company included in such registration by other holders who may have "piggyback" or incidental registration rights, it being understood that with respect to the Initial Sale, the Company shall have no right to sell shares of its Common Stock and there are no shares subject to "piggyback" or incidental registration rights.

(g) Delay Periods. Notwithstanding anything herein to the contrary, except with respect to the Initial Sale, the Company shall be entitled to postpone the filing of any registration statement otherwise required to be prepared and filed by the Company pursuant to this Section 2.1, or suspend the use of any effective registration statement and related prospectus under this Section 2.1, for a reasonable period of time, but not in excess of 60 days (a "Delay Period"), if any

executive officer of the Company determines that in such executive officer's reasonable good faith judgment the registration and/or distribution of the Registrable Securities covered or to be covered by such registration statement and related prospectus would materially interfere with any pending material financing, acquisition or corporate reorganization or other material corporate development involving the Company or any of its subsidiaries or would require premature disclosure thereof and promptly gives the Trust written notice of such determination and an approximation of the period of the anticipated delay; provided, however, that (i) during the first year after the consummation of the Initial Sale, the Company may invoke only one Delay Period and (ii) thereafter the aggregate number of days included in all Delay Periods during any consecutive 12 months shall not exceed the aggregate of 120 days. Immediately upon receipt of a written notice of suspension, the Trust shall cease all disposition efforts with respect to Registrable Securities held by the Trust. If the Company shall so postpone the filing of a registration statement, the Trust shall have the right to withdraw the request for registration by giving written notice within 45 days after receipt of the notice of postponement or, if earlier, the termination of such Delay Period (and, in the event of such withdrawal, such request shall not be counted for purposes of determining the number of Demand Requests for registration of Registrable Securities to which the Trust is entitled pursuant to this Section 2). The time period for which the Company is required to maintain the effectiveness of any registration statement shall be extended by the aggregate number of days of all Delay Periods during such registration. The Company shall not be entitled to initiate a Delay Period unless it shall (A) to the extent permitted by agreements with other security holders of the Company, concurrently prohibit sales by such other security holders under registration statements covering securities held by such other security holders and (B) in the case of a delay relating to premature disclosure, in accordance with the Company's policies from time to time in effect, forbid purchases and sales in the open market by executive officers and directors of the Company.

## 2.2 Incidental Registration.

(a) Right to Include Registrable Securities. If the Company at any time proposes to register any of its shares of Common Stock (other than in connection with a registration of securities which are convertible or exchangeable into Common Stock) under the Securities Act (other than by a registration on Form S-4 or S-8 or any successor or similar forms and other than pursuant to Section 2.1), whether or not for sale for its own account, it will each such time give prompt written notice to the Trust of its intention to do so and of the Trust's rights under this Section 2.2. Upon the written request of the Trust made within 15 days after the receipt of any such notice (which

request shall specify the Registrable Securities Beneficially Owned by the Trust intended to be disposed of and the intended method or methods of disposition thereof), the Company will, subject to the terms of this Agreement, use its best efforts to effect the registration under the Securities Act of all Registrable Securities which the Company has been so requested to register by the Trust, to the extent requisite to permit the disposition (in accordance with the intended method or methods of distribution thereof specified in the requests of the Trust) of the Registrable Securities so to be registered, by inclusion of such Registrable Securities in the registration statement which covers the securities which the Company proposes to register; provided that if, at any time after giving written notice of its intention to register any securities and prior to the effective date of the registration statement filed in connection with such registration, the Company shall determine for any reason either not to register or to delay registration of such securities, the Company shall give prompt written notice of such determination to the Trust and, thereupon, (i) in the case of a determination not to register, shall be relieved of its obligation to register any Registrable Securities in connection with such registration (but not from its obligation to pay the Registration Expenses in connection therewith), without prejudice, however, to the rights of the Trust to request that such registration be effected as a registration under Section 2.1, and (ii) in the case of a determination to delay registering, shall be permitted to delay registering any Registrable Securities, for the same period as the delay in registering such other securities. No registration effected under this Section 2.2 shall relieve the Company of its obligation to effect any registration upon request under Section 2.1, nor shall any such registration hereunder be deemed to have been effected pursuant to Section 2.1. The Company will pay all Registration Expenses in connection with each registration of Registrable Securities requested pursuant to this Section 2.2, and the Trust will pay only any underwriting discounts and commissions with respect to the Registrable Securities Beneficially Owned by the Trust and the fees and expenses of the Trust's legal counsel and financial advisors in connection therewith.

(b) Priority in Incidental Registrations. If (i) a registration pursuant to this Section 2.2 involves an underwritten offering of the securities so being registered, whether or not for sale for the account of the Company, to be distributed (on a firm commitment basis) by or through one or more underwriters of recognized standing under underwriting terms appropriate for such a transaction and (ii) the managing underwriter of such underwritten offering shall inform the Company and the Trust by letter of its belief that the number of securities requested to be included in such registration exceeds the number which can be sold in (or during the time of) such offering, then the Company will include in such registration:

(i) first, all the securities the Company proposes to sell for its own account, and

(ii) second, all Registrable Securities as to which the Trust has made a demand for registration.

2.3 Registration Procedures. Subject to Section 2.1(a), if and whenever the Company is required to effect the registration of any Registrable Securities under the Securities Act as provided in Sections 2.1 and 2.2, the Company shall, as expeditiously as reasonably possible:

(a) prepare and file with the Commission the requisite registration statement to effect such registration (including such audited financial statements as may be required by the Securities Act or the rules and regulations promulgated thereunder) and thereafter cause such registration statement to become and remain effective for a period of at least 120 days, provided however that the Company may discontinue any registration of its securities which are not Registrable Securities (and, under the circumstances specified in Section 2.2(a), its securities which are Registrable Securities) at any time prior to the effective date of the registration statement relating thereto;

(b) prepare and file with the Commission such amendments and supplements to such registration statement and the prospectus used in connection therewith as may be necessary to keep such registration statement effective for a period of at least 120 days and to comply with the provisions of the Securities Act with respect to the disposition of all securities covered by such registration statement until the earlier of such time as all of such securities have been disposed of in accordance with the intended method or methods of disposition by the Trust set forth in such registration statement or such other time as is required by the Securities Act;

(c) furnish to the Trust and its underwriter or underwriters, if any, of the securities being sold by the Trust such number of conformed copies of such registration statement and of each such amendment and supplement thereto (in each case including all exhibits), such number of copies of the prospectus contained in such registration statement (including each preliminary prospectus and any summary prospectus) and any other prospectus filed pursuant to Rule 424 under the Securities Act, in conformity with the requirements of the Securities Act, and such other documents, as the Trust and its underwriter or underwriters, if any, may reasonably request;

(d) use its best efforts to register or qualify all Registrable Securities and other securities covered by such registration statement under such other state securities laws or

blue sky laws of such jurisdictions as the Trust and its underwriter or underwriters, if any, of the securities being sold by the Trust shall reasonably request, to keep such registrations or qualifications in effect for so long as such registration statement remains in effect, and take any other action which may be reasonably necessary or advisable to enable the Trust and its underwriter or underwriters to consummate the disposition in such jurisdictions of the securities owned by the Trust, except that the Company shall not for any such purpose be required to qualify generally to do business as a foreign corporation in any jurisdiction wherein it would not but for the requirements of this subsection (d) be obligated to be so qualified or to consent to general service of process in any such jurisdiction;

(e) furnish to the Trust a signed counterpart, addressed to the Trust and its underwriter or underwriters, if any, of:

(i) an opinion of counsel for the Company (which shall be outside counsel if outside counsel is rendering such opinion in the transaction and otherwise may be the Company's inside counsel), dated the effective date of such registration statement (or, if such registration includes an underwritten public offering, an opinion dated the date of the closing under the underwriting agreement), customary for a transaction of such type, and

(ii) a "comfort" letter (or, in the case of any such Person which does not satisfy the conditions for receipt of a "comfort" letter specified in Statement on Auditing Standards No. 72, an "agreed upon procedures" letter), dated the effective date of such registration statement (or, if such registration includes an underwritten public offering, a letter of like kind dated the date of the closing under the underwriting agreement), signed by the independent public accountants who have certified the Company's financial statements included in such registration statement,

covering substantially the same matters with respect to such registration statement (and the prospectus included therein) and, in the case of the accountants' letter, with respect to events subsequent to the date of such financial statements, as are customarily covered in opinions of issuer's counsel and in accountants' letters delivered to the underwriters in underwritten public offerings of securities (with, in the case of an "agreed upon procedure" letter, such modifications or deletions as may be required under Statement on Auditing Standards No. 35) and, in the case of

the accountants' letter, such other financial matters customarily covered in a transaction of such type;

(f) notify the Trust and the managing underwriter or underwriters, if any, promptly:

(i) when the registration statement, the prospectus or any prospectus supplement related thereto or post-effective amendment to the registration statement has been filed, and, with respect to the registration statement or any post-effective amendment thereto, when the same has become effective;

(ii) of any request by the Commission for amendments or supplements to the registration statement or the prospectus or for additional information;

(iii) of the issuance by the Commission of any stop order suspending the effectiveness of the registration statement or the initiation of any proceedings by any Person for that purpose;

(iv) if at any time the representations and warranties of the Company made as contemplated by Section 2.4 cease to be true and correct; and

(v) of the receipt by the Company of any notification with respect to the suspension of the qualification of any Registrable Securities for sale under the securities or blue sky laws of any jurisdiction or the initiation or threat of any proceeding for such purpose;

(g) notify the Trust at any time when a prospectus relating thereto is required to be delivered under the Securities Act, upon the Company's discovery that, or upon the happening of any event as a result of which, the prospectus included in such registration statement, as then in effect, includes an untrue statement of a material fact or omits to state any material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances under which they were made, and at the request of the Trust promptly prepare and furnish to the Trust and each underwriter or underwriters, if any, a reasonable number of copies of a supplement to or an amendment of such prospectus as may be necessary so that, as thereafter delivered to the purchasers of such securities, such prospectus shall not include an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements

therein not misleading in the light of the circumstances under which they were made;

(h) make every reasonable effort to obtain the withdrawal of any order suspending the effectiveness of the registration statement as promptly as practicable;

(i) otherwise use its best efforts to comply with all applicable rules and regulations of the Commission, and, if required, make available to its security holders, as soon as reasonably practicable, an earnings statement covering the period of at least twelve months, but not more than eighteen months, beginning with the first day of the Company's first full calendar quarter after the effective date of such registration statement, which earnings statement shall satisfy the provisions of Section 11(a) of the Securities Act and Rule 158 thereunder, and will use its best efforts to furnish to the Trust and any underwriter or underwriters at least one business day prior to the filing thereof a copy of any amendment or supplement to such registration statement or prospectus and shall not file any amendment or supplement to which the Trust shall have reasonably objected on the grounds that such amendment or supplement does not comply in all material respects with the requirements of the Securities Act or of the rules or regulations thereunder;

(j) provide and cause to be maintained a transfer agent and registrar for all Registrable Securities covered by such registration statement from and after a date not later than the effective date of such registration statement; and

(k) use its best efforts to list all Registrable Securities covered by such registration statement on any securities exchange on which any of the securities of the same class as the Registrable Securities are then listed.

The Company will not file any registration statement or amendment thereto or any prospectus or any supplement thereto to which the Trust or its underwriter or underwriters, if any, shall reasonably object.

The Company may require the Trust to furnish the Company such information not inconsistent with the terms of this Agreement regarding the Trust and the distribution of Registrable Securities as the Company may from time to time reasonably request in writing in connection with the preparation of any registration statement pursuant to this Agreement.

The Trust agrees that, upon receipt of any notice from the Company of the occurrence of any event of the kind described in paragraph (g) of this Section 2.3, the Trust will forthwith discontinue the disposition of Registrable Securities pursuant to the registration statement relating to such Registrable



Securities until the Trust's receipt of the copies of the supplemented or amended prospectus contemplated by paragraph (g) of this Section 2.3 and, if so directed by the Company, will deliver to the Company (at the Company's expense) all copies, other than permanent file copies, then in the Trust's possession of the prospectus relating to such Registrable Securities current at the time of receipt of such notice. In the event the Company shall give any such notice, the period mentioned in paragraph (b) of this Section 2.3 shall be extended by the length of the period from and including the date when the Trust shall have received such notice to the date on which the Trust has received the copies of the supplemented or amended prospectus contemplated by paragraph (g) of this Section 2.3.

If any such registration statement refers to the Trust by name or otherwise as the holder of any securities of the Company, then the Trust shall have the right to require (i) the insertion therein of language, in form and substance satisfactory to the Trust, to the effect that the holding by the Trust of such securities does not necessarily make the Trust a "controlling person" of the Company within the meaning of the Securities Act (if appropriate based on the advice of the Trust's counsel and concurrence therewith by counsel to the Company), such holding is not to be construed as a recommendation by the Trust of the investment quality of the Company's securities covered thereby and that such holding does not imply that the Trust will assist in meeting any future financial requirements of the Company, or (ii) in the event that such reference to the Trust by name or otherwise is not required by the Securities Act or rules and regulations promulgated thereunder and concurrence with such position by counsel to the Company, the deletion of the reference to the Trust.

#### 2.4 Underwritten Offerings:

(a) Requested Underwritten Offerings. If requested by the underwriters for any underwritten offering by the Trust pursuant to a registration requested under Section 2.1 (including a registration statement with respect to the Initial Sale), the Company will enter into an underwriting or similar agreement with such underwriters for such offering, such agreement to be satisfactory in substance and form to the Company, the Trust and the underwriters, and to contain such representations and warranties by the Company and the Trust and such other terms as are generally prevailing in agreements of this type. The Trust will cooperate with the Company in the negotiation of the underwriting or similar agreement and will give consideration to the reasonable suggestions of the Company regarding the form thereof, provided that nothing herein contained shall diminish the foregoing obligations of the Company. Subject to the terms hereof, the Trust shall be a party to such underwriting agreement. The Company hereby agrees that the Trust and The

Nemours Foundation shall automatically have the benefit of all of the representations and warranties by, and the other agreements on the part of, the Company made to and for the benefit of such underwriters in connection with the underwriting agreement. The Company shall not require the Trust to make any representations or warranties to or agreements with the Company or the underwriters other than representations and warranties or agreements regarding the Trust, the Registrable Securities Beneficially Owned by the Trust, transactions between the Trust and its affiliates and the Trust's intended method or methods of distribution (including lock-ups) and any other representation required by law. In addition, the Trust shall cooperate with the Company in an effort to provide that any such agreement will contain a provision modifying the indemnification of the underwriter to the effect that the Company will not be liable to any Person who participates as an underwriter in the offering or sale of Registrable Securities with respect to any preliminary prospectus, to the extent that any such loss, claim, damage or liability of such underwriter results from such underwriter having sold Registrable Securities to a person to whom there was not sent or given, at or prior to the written confirmation of such sale, a copy of the final prospectus, if the Company has previously furnished copies thereof to such underwriter and such final prospectus as then amended or supplemented, has corrected any such misstatement or omission.

(b) Incidental Underwritten Offerings. If the Company at any time proposes to register any of its shares of Common Stock under the Securities Act as contemplated by Section 2.2 and such securities are to be distributed by or through one or more underwriters, the Company will, if requested by the Trust as provided in Section 2.2 and subject to the provisions of Sections 2.2(a) and (b), use its best efforts to arrange for such underwriters to include all the Registrable Securities to be offered and sold by the Trust among the securities to be distributed by such underwriters. Subject to the terms hereof, the Trust shall be a party to the underwriting agreement between the Company and such underwriters. The Company hereby agrees that the Trust and The Nemours Foundation shall automatically have the benefit of all of the representations and warranties by, and the other agreements on the part of, the Company made to and for the benefit of such underwriters in connection with the underwriting agreement. The Company shall not require the Trust to make any representations or warranties to or agreements with the Company of the underwriters other than representations, warranties of agreements regarding the Trust, the Registrable Securities Beneficially Owned, transactions between the Trust and its affiliates and the Trust's intended method of distribution (including lock-ups) and any other representation required by law. In addition, the Trust shall cooperate with the Company in an effort to provide that any such agreement will contain a provision modifying the indemnification of the underwriter to the

effect that the Company will not be liable to any Person who participates as an underwriter in the offering or sale of Registrable Securities with respect to any preliminary prospectus, to the extent that any such loss, claim, damage or liability of such underwriter results from such underwriter having sold Registrable Securities to a person to whom there was not sent or given, at or prior to the written confirmation of such sale, a copy of the final prospectus, if the Company has previously furnished copies thereof to such underwriter and such final prospectus as then amended or supplemented, has corrected any such misstatement or omission.

(c) Holdback Agreements.

(i) The Trust agrees, if and to the extent so required by the managing underwriter, not to sell, make any short sale of, loan, grant any option for the purchase of, effect any public sale or distribution of or otherwise dispose of any securities of the Company, during the seven days prior to and the 90 days after any underwritten registration pursuant to Section 2.1 or 2.2 has become effective, except as part of such underwritten registration, whether or not the Trust participates in such registration.

(ii) The Company agrees (X) if so required by the managing underwriter, not to sell, make any short sale of, loan, grant any option for the purchase of, effect any public sale or distribution of or otherwise dispose of its Common Stock or securities convertible into or exchangeable or exercisable for any of such Common Stock during the seven days prior to and the 90 days after any underwritten registration pursuant to Section 2.1 or 2.2 has become effective, except as part of such underwritten registration and except pursuant to registrations on Form S-4, S-8, or any successor or similar forms thereto, and (Y) to cause each holder of its Common Stock purchased from the Company at any time after the date of this Agreement (other than in a public offering) to agree not to sell, make any short sale of, loan, grant any option for the purchase of, effect any public sale or distribution of or otherwise dispose of such securities during such periods.

(d) Participation in Underwritten Offerings. No Person may participate in any underwritten offering hereunder unless such Person (i) agrees to sell such Person's securities on the basis provided in any underwriting arrangements approved, subject to the terms and conditions hereof, by the Company and the Trust and (ii) completes and executes all questionnaires, indemnities, underwriting agreements and other documents (other than powers of attorney) required under the terms of such underwriting arrangements. Notwithstanding the foregoing, no underwriting agreement (or other agreement in connection with such offering) shall require the Trust (i) to make any

representations or warranties to or agreements with the Company other than representations and warranties regarding the Trust, the Registrable Securities Beneficially Owned by the Trust, transactions between the Trust and its affiliates and the Trust's intended method or methods of distribution and any other representation required by law or (ii) to make any agreements with the Company with respect to indemnification of any Person or the contribution obligations of any Person that would impose any obligation which is broader than the indemnity furnished by the Trust pursuant to the provisions of Section 2.7.

2.5 Preparation: Reasonable Investigation. In connection with the preparation and filing of each registration statement under the Securities Act pursuant to this Agreement, the Company will give the Trust, its underwriter or underwriters, if any, and their respective counsel, financial advisors and accountants, the opportunity to participate in the preparation of such registration statement, each prospectus included therein or filed with the Commission, and each amendment thereof or supplement thereto, and will give each of them such reasonable access during normal business hours to its books and records and such opportunities to discuss the business of the Company with its officers, legal counsel and the independent public accountants who have certified its financial statements as shall be necessary, in the opinion of the Trust's and its underwriters' respective counsel, to conduct a reasonable investigation within the meaning of the Securities Act.

2.6 Rights of the Trust. The Company will not file any registration statement relating to Common Stock under the Securities Act (other than by a registration on Form S-4 or Form S-8 or in connection with a registration of securities which are convertible into or exchangeable for Common Stock), unless it shall first have given to the Trust at least 15 days prior written notice thereof. Upon making a request within 15 days after such notice, the Trust shall have the rights provided in Sections 2.2, 2.3, 2.5 and 2.7.

#### 2.7 Indemnification.

(a) Indemnification by the Company. In the event of any registration of any securities of the Company under the Securities Act, the Company will, and hereby does, indemnify and hold harmless in the case of any registration statement filed pursuant to Section 2.1 or 2.2, the Trust, its trustees, its agents, legal counsel and financial advisors, each other Person who participates as an underwriter in the offering or sale of such securities and each other Person, if any, who controls the Trust or any such underwriter within the meaning of the Securities Act, against any losses, claims, damages or liabilities, joint or several, to which the Trust, any of its trustees or any of its agents, legal counsel or financial

advisors or underwriter or controlling person may become subject under the Securities Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions or proceedings, whether commenced or threatened, in respect thereof) arise out of or are based upon any untrue statement or alleged untrue statement of any material fact contained in any registration statement under which such securities were registered under the Securities Act, any preliminary prospectus, final prospectus or summary prospectus contained therein, or any amendment or supplement thereto, or any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, and the Company will reimburse the Trust, its trustees, its agents, legal counsel or financial advisors, underwriters and controlling persons for any legal or any other expenses reasonably incurred by them in connection with investigating or defending any such loss, claim, liability, action or proceeding, provided, that the Company shall not be liable in any such case to the extent that any such loss, claim, damage, liability (or action or proceeding in respect thereof) or expense arises out of or is based upon an untrue statement or alleged untrue statement or omission or alleged omission made in such registration statement, any such preliminary prospectus, final prospectus, summary prospectus, amendment or supplement in reliance upon and in conformity with written information furnished to the Company through an instrument duly executed by the Trust or its agents or representatives, as the case may be, specifically stating that it is for use in the preparation thereof. Such indemnity shall remain in full force and effect regardless of any investigation made by or on behalf of the Trust, or any such trustee, agent, legal counsel, financial advisor, underwriter or controlling person and shall survive the transfer of such securities by the Trust. The indemnity agreement contained in this Section 2.7(a) shall not apply to amounts paid in settlement of any such loss, claim, damage, liability, action or proceeding if such settlement is effected without the consent of the Company (which consent shall not be unreasonably withheld).

(b) Indemnification by the Trust. The Company may require, as a condition to including any Registrable Securities in any registration statement filed pursuant to Section 2.3, that the Company shall have received an undertaking reasonably satisfactory to it from the Trust to indemnify severally and hold harmless (in the same manner and to the same extent as set forth in subsection (a) of this Section 2.7) the Company, each director of the Company, each officer of the Company or its agents or representatives and each other person, if any, who controls the Company within the meaning of the Securities Act, with respect to any statement or alleged statement in or omission or alleged omission from such registration statement, any preliminary prospectus, final prospectus or summary prospectus contained therein, or any amendment or supplement thereto, if such

statement or alleged statement or omission or alleged omission was made in reliance upon and in conformity with written information furnished to the Company through an instrument duly executed by the Trust or its agents or representatives specifically stating that it is for use in the preparation of such registration statement, preliminary prospectus, final prospectus, summary prospectus, amendment or supplement. Any such indemnity shall remain in full force and effect, regardless of any investigation made by or on behalf of the Company or any such director, officer or controlling person and shall survive the transfer of such securities by the Trust. The indemnity agreement provided for in this Section 2.7(b) shall not apply to amounts paid in settlement of any such loss, claim, damage, liability, action or proceeding if such settlement is effected without the consent of the Trust (which consent shall not be unreasonably withheld). The parties hereto hereby acknowledge and agree that, unless otherwise expressly agreed to in writing by the Trust to the contrary, for all purposes of this Agreement the only information furnished or to be furnished to the Company for use in any registration statement, any preliminary prospectus, final prospectus or summary prospectus contained therein, or any amendment or supplement thereto are statements specifically relating to (i) transactions between the Trust and its affiliates, on the one hand, and the Company, on the other hand, (ii) the Beneficial Ownership of shares of Common Stock by the Trust, (iii) the name and address of the Trust, (iv) solely in offerings that are underwritten offerings, the method or methods of distribution of the Registrable Securities of the Trust, (v) the identity of the Trust's trustees, and (vi) a description of the Trust and the reasons for selling Registrable Securities. The indemnity provided for under this Section 2.7(b) shall be limited in amount to the net amount of proceeds actually received by the Trust from the sale of Registrable Securities pursuant to such registration statement.

(c) Notices of Claims, etc. Promptly after receipt by an indemnified party of notice of the commencement of any action or proceeding involving a claim referred to in the preceding subsections of this Section 2.7, such indemnified party will, if a claim in respect thereof is to be made against an indemnifying party, give written notice to the latter of the commencement of such action, provided that the failure of any indemnified party to give notice as provided herein shall not relieve the indemnifying party of its obligations under the preceding subsections of this Section 2.7, except to the extent that the indemnifying party is actually prejudiced by such failure to give notice. In case any such action is brought against an indemnified party, unless in such indemnified party's reasonable judgment a conflict of interest between such indemnified and indemnifying parties may exist in respect of such claim, the indemnifying party shall be entitled to participate in and to assume the defense thereof, jointly with any other indemnifying

party similarly notified, to the extent that the indemnifying party may wish, with counsel reasonably satisfactory to such indemnified party, and after notice from the indemnifying party to such indemnified party of its election so to assume the defense thereof, the indemnifying party shall not be liable to such indemnified party for any legal or other expenses subsequently incurred by the latter in connection with the defense thereof other than reasonable costs of investigation. No indemnifying party shall, without the consent of the indemnified party, consent to entry of any judgment or enter into any settlement of any such action which does not include as an unconditional term thereof the giving by the claimant or plaintiff to such indemnified party of a release from all liability, or a covenant not to sue, in respect of such claim or litigation. No indemnified party shall consent to entry of any judgment or enter into any settlement of any such action the defense of which has been assumed by an indemnifying party without the consent of such indemnifying party.

(d) Indemnification Payments. The indemnification required by this Section 2.7 shall be made by periodic payments of the amount thereof during the course of the investigation or defense, as and when bills are received or expense, loss, damage or liability is incurred.

(e) Contribution. If the indemnification provided for in the preceding subsections of this Section 2.7 is unavailable to an indemnified party or is otherwise insufficient in respect of any expense, loss, claim, damage or liability referred to therein, then each indemnifying party, in lieu of indemnifying such indemnified party, shall contribute to the amount paid or payable by such indemnified party as a result of such expense, loss, claim, damage or liability in such proportion as is appropriate to reflect the relative benefits and the relative fault of the Company on the one hand and the Trust or its underwriter or underwriters, as the case may be, on the other in connection with the distribution of the Registrable Securities and the statements or omissions which result in any expense, loss, damage or liability, as well as any other relevant equitable considerations. The relative fault of the Company on the one hand and of the Trust or its underwriter or underwriters, as the case may be, on the other shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or omission to state a material fact relates to information supplied by the Company, by the Trust, by the underwriter or underwriters and the parties, relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission.

The Company and the Trust agree that it would not be just and equitable if contribution pursuant to this subsection (e) were determined by pro rata allocation (even if the Trust and any

underwriters were treated as one entity for such purpose) or by any other method of allocation that does not take account of the equitable considerations referred to in the immediately preceding paragraph. The amount paid or payable by an indemnified party as a result of the losses, claims, damages and liabilities referred to in the immediately preceding paragraph shall be deemed to include, subject to the limitations set forth in the preceding sentence and subsection (c) of this Section 2.7, any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim.

Notwithstanding the provisions of this subsection (e), neither the Trust nor any underwriter or underwriters shall be required to contribute any amount in excess of the amount by which (i) in the case of the Trust, the net proceeds received by the Trust from the sale of Registrable Securities or (ii) in the case of an underwriter, the total price at which the Registrable Securities purchased by it and distributed to the public were offered to the public exceeds, in any such case, the amount of any damages that the Trust or its underwriter has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission. No Person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. No party shall be liable for contribution under this Section 2.7 except to the extent and under such circumstances as such party would have been liable to indemnify under this Section 2.7 if such indemnification were enforceable under applicable law.

### 3. Anti-Dilution, Representation on Board of Directors.

(a) The Company agrees that as long as the Trust Beneficially Owns at least 51% of the Company's issued and outstanding Common Stock calculated on a Fully Diluted Basis, the Company will not, without the prior written consent of the Trust, issue any common stock, convertible preferred stock, stock subject to options, warrants or other rights, convertible or exchangeable debt or equity securities or any other securities which would cause the Beneficial Ownership interest of the Trust in the Company's Common Stock to fall below 51% on a Fully Diluted Basis, provided, however, that the agreement contained in this Section 3(a) shall terminate automatically on the date that is one year after the consummation of the Initial Sale.

(b) For so long as the Trust Beneficially Owns at least 20% of the issued and outstanding shares of the Company's Common Stock, the Trust shall be entitled to nominate, and the Company and the Board of Directors of the Company shall support the election by the Company's stockholders of, two individuals designated by the Trust to be members of the Company's Board of



Directors. For so long as the Trust Beneficially Owns at least 5% and less than 20% of the issued and outstanding shares of the Company's Common Stock, the Trust shall be entitled to nominate, and the Company and the Board of directors of the Company shall support the election by the Company's stockholders of, one individual designated by the Trust to be a member of the Company's Board of Directors. It is understood and agreed that if the size of the Company's Board of Directors is increased, the number of individuals that can be designated by the Trust pursuant to this Section 3(b) shall be appropriately and proportionately increased. It is understood and agreed that nothing contained in the Section 3(b) shall limit the ability of the Trust to vote or cause to be voted shares of Common Stock Beneficially Owned by it in any manner it sees fit in connection with the election of directors or otherwise.

4. Definitions. As used herein, unless the context otherwise requires, the following terms have the following respective meanings.

Beneficially Own or Beneficial Ownership: With respect to any securities shall mean having "beneficial ownership" of such securities (as determined pursuant to rule 13d-3 under the Exchange Act), including pursuant to any agreement, arrangement or understanding, whether or not in writing. Without duplicative counting of the same securities by the same holder, securities Beneficially Owned by a person shall include securities Beneficially Owned by all affiliates of such Person and all other Persons with whom such person would constitute a "group" within the meaning of Section 13 (d) of the Exchange Act and the rules promulgated thereunder (including, in the case of the Trust, shares of the Common Stock owned by The Nemours Foundation).

Commission: The Securities and Exchange Commission or any other Federal agency at the time administering the Securities Act.

Common Stock: As defined in Section 1.

Company: As defined in the introductory paragraph of this Agreement.

Delay Period: As defined in Section 2.1(g).

Demand Request: As defined in Section 2.1(a).

Exchange Act: The Securities Exchange Act of 1934, or any similar Federal statute, and the rules and regulations of the Commission thereunder, all as the same shall be in effect at the time. Reference to a particular section of the Securities Exchange Act of 1934 shall include a

reference to the comparable section, if any, of any such similar federal statute.

Fully Diluted Basis: On any date of determination, the amount of issued and outstanding shares of the Company's Common Stock adjusted to give effect to the issuance of all shares of Common Stock issuable under outstanding stock options, warrants, rights to subscribe for or purchase shares of Common Stock or similar rights or agreements and under all outstanding securities (whether equity, debt or otherwise) of the Company convertible into or exchangeable for Common Stock of the Company.

Initial Sale: As defined in Section 1.

Person: A corporation, association, partnership, organization, business, individual, trust, Federal, state or local government or governmental or political subdivision thereof or governmental agency.

Registrable Securities: The Common Stock and any securities issued or issuable with respect to any Common Stock by way of stock dividend or stock split or in connection with a combination of shares, recapitalization, merger, consolidations or other reorganization or otherwise Beneficially Owned by the Trust and its affiliate, The Nemours Foundation. As to any particular Registrable Securities, once issued, such securities shall cease to be Registrable Securities when (a) a registration statement with respect to the sale of such securities shall have become effective under the Securities Act and such securities have been disposed of in accordance with such registration statement, (b) they shall have been distributed to the public pursuant to Rule 144 (or any successor provision) under the Securities Act, (c) a disposition of all of them by the holder thereof shall not require registration or qualification of them under the Securities Act or shall be eligible for disposition under Rule 144, or (d) they shall have ceased to be outstanding.

Registration Expenses: All expenses incident to the Company's performance of or compliance with Section 2, including, without limitation, all registration, filing and NASD fees, all stock exchange listing fees, all fees and expenses of complying with securities or blue sky laws, all word processing, duplicating and printing expenses, messenger and delivery expenses, the fees and disbursements of counsel for the Company and of its independent public accountants, including the expenses of any special audits or "cold comfort" letters required by or incident to such performance and compliance, and any fees and disbursements of underwriters customarily paid by issuers or sellers of

securities, but excluding underwriting discounts and commissions attributable to the Registrable Securities Beneficially Owned by the Trust, the fees and expenses of the Trust's legal counsel and financial advisors, transfer taxes, if any, attributable to the Registrable Securities Beneficially Owned by the Trust, and with respect to any offering pursuant to Section 2.1, the "road show" expenses of the underwriters agreed to be paid by the Trust pursuant to Section 2.1(c) hereof.

Securities Act: The Securities Act of 1933, or any similar Federal statute, and the rules and regulations of the Commission thereunder, all as of the same shall be in effect at the time. References to a particular section of the Securities Act of 1933 shall include a reference to the comparable section, if any, of any such similar Federal statute.

Shares: As defined in Section 1.

Trust. As defined in Section 1.

5. Rule 144. The Company shall timely file the reports required to be filed by it under the Securities Act and the Exchange Act (including but not limited to the reports under Sections 13 and 15(d) of the Exchange Act referred to in subparagraph (c) of Rule 144 adopted by the Commission under the Securities Act) and the rules and regulations adopted by the Commission thereunder and will take such further action as the Trust may reasonably request, all to the extent required from time to time to enable the Trust to sell Registrable Securities without registration under the Securities Act within the limitation of the exemptions provided by (a) Rule 144 under the Securities Act, as it may be amended from time to time, or (b) any similar rule or regulation hereafter adopted by the Commissions. Upon the request of the Trust, the Company will (a) deliver to the Trust a written statement as to whether it has complied with the requirements of this Section 5 or (b) take such action as is necessary to allow transfer of such Registrable Securities in accordance with the provisions of Rule 144(k) (or any successor provision) under the Securities Act, if applicable, including without limitation, if necessary, the issuance of new certificates for such Registrable Securities bearing a legend restricting further transfer.

6. Amendments and Waivers The provisions of this Agreement may not be amended, modified or supplemented, and waivers or consents to departures from the provisions hereof may not be given, without the mutual written agreement or consent of the parties hereto.

7. Notices. Except as otherwise provided in this Agreement, all notices, requests and other communications to any Person provided for hereunder shall be in writing and shall be given to such Person (a) in the case of the Trust, by mail or courier addressed to the Alfred I. duPont Testamentary Trust, 1650 Prudential Drive, Suite 300 duPont Center, Jacksonville, Florida 32207, to the attention of Winfred L. Thornton, Chairman, or at such other address as it shall have furnished to the Company in writing, or by facsimile transmission to the Trust at (904) 858-3124, to the attention of Winfred L. Thornton, Chairman, or (b) in the case of the Company, by mail or courier addressed to St. Joe Corporation, 1650 Prudential Drive, Suite 400 duPont Center, Jacksonville, Florida 32207, to the attention of its General Counsel, or by facsimile transmission to the Company at (904) 858-5265, to the attention of its General Counsel, or at such other address, or to the attention of such other officer, as the Company shall have furnished to the Trust. Each such notice, request or other communication shall be effective (i) if given by mail, 72 hours after such communication is deposited in the mail with first class postage prepaid, addressed as aforesaid or (ii) if given by any other means (including without limitation, by air courier), when delivered at the address specified above, provided that any such notice, request or Communication to the Trust shall not be effective until received.

8. Assignment. This Agreement shall be binding upon and inure to the benefit of and be enforceable by the parties hereto and their respective successors and assigns.

9. Descriptive Headings. The descriptive headings of the several sections and paragraphs of this Agreement are inserted for reference only and shall not limit or otherwise affect the meaning hereof.

10. GOVERNING LAW. THIS AGREEMENT SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH, AND THE RIGHTS OF THE PARTIES SHALL BE GOVERNED BY, THE LAWS OF THE STATE OF FLORIDA WITHOUT REFERENCE TO THE PRINCIPLES OF CONFLICTS OF LAWS.

11. Counterparts. This Agreement may be executed simultaneously in any number of counterparts, each of which shall be deemed an original, but all such counterparts shall together constitute one and the same instrument.

12. Entire Agreement. This Agreement embodies the entire agreement and understanding between the Company and each other party hereto relating to the subject matter hereof and supersedes all prior agreements and understandings relating to such subject matter.

13. Severability. If any provision of this Agreement, or the application of such provisions to any Person or circumstance, shall be held invalid, the remainder of this Agreement, or the application of such provisions to Persons or circumstances other than those to which it is held invalid, shall not be affected thereby.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed and delivered by their respective officers thereunto duly authorized as of the date first above written.

ALFRED I. DUPONT TESTAMENTARY TRUST

By: /s/ W. L. Thornton  
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ST. JOE CORPORATION

By: /s/  
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LATHAM & WATKINS  
ATTORNEYS AT LAW  
SEARS TOWER, SUITE 5800  
CHICAGO, ILLINOIS 60606  
TELEPHONE (312) 876-7700  
FAX (312) 993-9767

PAUL R. WATKINS (1899-1973)  
DANA LATHAM (1898-1974)

January \_\_, 1998

St. Joe Corporation  
1650 Prudential Drive  
Jacksonville, Florida 32207

Re: Registration Statement on Form S-3

Ladies and Gentlemen:

You have requested our opinion as to the material federal income tax consequences to Non-U.S. Holders expected to result from the purchase, ownership and sale or other taxable disposition of the Common Stock (the "Common Stock") of St. Joe Corporation, a Florida corporation (the "Company"). The facts, as we understand them, are set forth in the above-referenced Registration Statement on Form S-3 and exhibits thereto filed with the Securities and Exchange Commission (as amended, the "Registration Statement"). Capitalized terms not defined herein have the meanings ascribed to them in the Registration Statement.

Based on such facts, it is our opinion that the material federal income tax consequences to Non-U.S. Holders expected to result from the purchase, ownership and sale or other taxable disposition of the Common Stock, under currently applicable law, are as set forth under the caption "Tax Consequences to Non-U.S. Holders" on pages [65] through [67] of the Prospectus included in the Registration Statement. You have not requested, and we do not express, an opinion concerning any other tax consequences of ownership of the Common Stock.

This opinion is based on current provisions of the Internal Revenue Code of 1986, as amended, applicable Treasury Regulations, and judicial and administrative decisions and rulings, all of which are subject to change either prospectively or retroactively. Also, any

variation or difference in the facts as incorporated herein might affect the conclusion stated herein.

We consent to the filing of this opinion as an exhibit to the Registration Statement and to the use of the name of our firm under the headings "Tax Consequences to Non-U.S. Holders" and "Legal Matters" in the Prospectus included in the Registration Statement.

Very truly yours,

CONSENT OF INDEPENDENT ACCOUNTANTS

We consent to the use of our report included herein and to the reference to our firm under the heading "Experts" in the Prospectus.

KPMG Peat Marwick LLP

Jacksonville, Florida

January 15, 1998