UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2003

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

For the transition period from to .

Commission file number 1-10466

The St. Joe Company

(Exact name of registrant as specified in its charter)

Florida *(State or other jurisdiction of incorporation or organization)*	**59-0432511** *(I.R.S. Employer Identification No.)*
Suite 500, 245 Riverside Avenue, Jacksonville, Florida *(Address of principal executive offices)*	**32202** *(Zip Code)*

(904) 301-4200

(Registrant’s telephone number, including area code)

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

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). YES ☑ NO o

APPLICABLE ONLY TO CORPORATE ISSUERS:

As of November 7, 2003, there were 100,703,547 shares of common stock, no par value, issued and 76,238,853 shares outstanding, with 24,464,694 shares of treasury stock.

TABLE OF CONTENTS

PART I. FINANCIAL INFORMATION
- Item 1. Financial Statements
- CONSOLIDATED BALANCE SHEETS
- CONSOLIDATED STATEMENTS OF INCOME

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
CONSOLIDATED STATEMENTS OF CASH FLOWS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
- Item 2. Management's Discussion and Analysis of Consolidated Financial Condition and Results of Operations
- Item 3. Quantitative and Qualitative Disclosures About Market Risk
- Item 4. Controls and Procedures

PART II -- OTHER INFORMATION
- Item 1. Legal Proceedings
- Item 6. Exhibits and Reports on Form 8-K

SIGNATURES
EX-10.1 EMPLOYMENT AGREEMENT PETER S. RUMMELL
EX-10.2 EMPLOYMENT AGREEMENT KEVIN M. TWOMEY
EX-10.3 AGREEMENT DATED 11-6-2003
EX-31.1 CERTIFICATION BY CEO
EX-31.2 CERTIFICATION BY CFO
EX-32.1 CERTIFICATION BY CEO
EX-32.2 CERTIFICATION BY CFO

THE ST. JOE COMPANY

INDEX

		Page No.
PART I Financial Information		
Item 1.	Financial Statements	
	Consolidated Balance Sheets — September 30, 2003 and December 31, 2002	2
	Consolidated Statements of Income — Three months and nine months ended September 30, 2003 and 2002	3
	Consolidated Statement of Changes in Stockholders' Equity for the nine months ended September 30, 2003	4
	Consolidated Statements of Cash Flows — Nine months ended September 30, 2003 and 2002	5
	Notes to Consolidated Financial Statements	6
Item 2.	Management's Discussion and Analysis of Consolidated Financial Condition and Results of Operations	16
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	38
Item 4.	Controls and Procedures	38
PART II Other Information		
Item 1.	Legal Proceedings (See Part I, Item 1, Note 10.)	
Item 6.	Exhibits and Reports on Form 8-K	39
Signatures		40
Exhibits		41

Table of Contents

PART I. FINANCIAL INFORMATION

Item 1. ***Financial Statements***

THE ST. JOE COMPANY

CONSOLIDATED BALANCE SHEETS

	September 30, 2003	December 31, 2002
	(Unaudited) (Dollars in thousands)	
ASSETS		
Real estate investments	$ 862,911	$ 806,701
Cash & cash equivalents	63,486	73,273
Short-term investments	634	1,131
Accounts receivable	97,547	48,583
Prepaid pension asset	93,871	90,990
Property, plant & equipment, net	37,176	42,907
Goodwill and other intangibles	63,302	55,238
Other assets	44,221	51,064
	$1,263,148	$1,169,887
LIABILITIES AND STOCKHOLDERS' EQUITY		
Debt	369,005	320,915
Accounts payable	70,818	46,409
Accrued liabilities	108,625	104,806
Deferred income taxes	227,233	212,017
Total liabilities	775,681	684,147
Minority interest in consolidated subsidiaries	6,940	5,647
Stockholders' Equity:		
Common stock, no par value; 180,000,000 shares authorized; 99,864,019 and 97,430,600 issued at September 30, 2003 and December 31, 2002, respectively	178,791	122,709
Retained earnings	924,568	892,622
Restricted stock deferred compensation	(19,102)	(512)
Treasury stock at cost, 23,785,256 and 21,426,202 shares held at September 30, 2003 and December 31, 2002, respectively	(603,730)	(534,726)
Total stockholders' equity	480,527	480,093
Contingencies (Note 10)		
	$1,263,148	$1,169,887

See notes to consolidated financial statements.

Table of Contents

THE ST. JOE COMPANY

CONSOLIDATED STATEMENTS OF INCOME

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2003	2002	2003	2002
	(Unaudited) (Dollars in thousands, except per share data)			
Operating revenues	$200,753	$152,456	$531,744	$419,666
Expenses:				
Operating expenses	144,365	117,039	389,014	311,250
Corporate expense, net	10,000	6,988	24,691	20,646
Depreciation and amortization	7,347	6,056	21,099	16,306
Impairment loss	—	—	14,083	—
Total expenses	161,712	130,083	448,887	348,202
Operating profit	39,041	22,373	82,857	71,464
Other (expense) income:				
Investment income	209	1,101	806	2,752
Interest expense	(3,099)	(4,293)	(9,281)	(13,722)
Gain on settlement of forward sale contracts	—	—	—	94,698
Other, net	523	309	1,862	1,548
Total other (expense) income	(2,367)	(2,883)	(6,613)	85,276
Income from continuing operations before income taxes and minority interest	36,674	19,490	76,244	156,740
Income tax expense	13,730	7,457	28,298	59,970
Minority interest	(35)	436	645	921
Income from continuing operations	22,979	11,597	47,301	95,849
Income from discontinued operations:				
Earnings from discontinued operations (net of income taxes of $1,469)	—	—	—	2,339
Gains on sales of discontinued operations (net of income taxes of $82 and $13,110, respectively)	—	131	—	20,887
Total income from discontinued operations	—	131	—	23,226
Net income	$ 22,979	$ 11,728	$ 47,301	$119,075
EARNINGS PER SHARE				
Basic				
Income from continuing operations	$ 0.30	$ 0.15	$ 0.62	$ 1.21
Income from discontinued operations:				
Earnings from discontinued operations	—	—	—	0.03
Gain on sale of discontinued operations	—	—	—	0.26
Net income	$ 0.30	$ 0.15	$ 0.62	$ 1.50
Diluted				
Income from continuing operations	$ 0.30	$ 0.15	$ 0.61	$ 1.17
Income from discontinued operations:				
Earnings from discontinued operations	—	—	—	0.03
Gain on sale of discontinued operations	—	—	—	0.25
Net income	$ 0.30	$ 0.15	$ 0.61	$ 1.45

See notes to consolidated financial statements.

Table of Contents

THE ST. JOE COMPANY

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

(Unaudited)
(Dollars in thousands)

	Common Stock		Retained Earnings	Restricted Stock Deferred Compensation	Treasury Shares	Total
	Shares	Amount				
Balance at December 31, 2002	76,004,398	$122,709	$892,622	$ (512)	$(534,726)	$480,093
Net income	—	—	47,301	—	—	47,301
Dividends	—	—	(15,355)	—	—	(15,355)
Issuance of common stock	2,433,419	47,140	—	(19,840)	—	27,300
Tax benefit on exercise of stock options	—	8,942	—	—	—	8,942
Amortization of restricted stock deferred compensation	—	—	—	1,250	—	1,250
Surrender of shares into treasury	(341,884)				(9,958)	(9,958)
Purchase of treasury shares	(2,017,170)	—	—	—	(59,046)	(59,046)
Balance at September 30, 2003	76,078,763	$178,791	$924,568	$(19,102)	$(603,730)	$480,527

See notes to consolidated financial statements.

THE ST. JOE COMPANY

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine Months Ended September 30,	
	2003	2002
	(Unaudited) (Dollars in thousands)	
Cash flows from operating activities:		
Net income	$ 47,301	$ 119,075
Adjustments to reconcile net income to cash flows from operating activities:		
Gain recorded on settlement of forward sale contracts	—	(94,698)
Depreciation and amortization	21,099	17,370
Imputed interest on long-term debt	—	3,951
Minority interest in income	645	921
Gain on sales of real estate investments	(55,655)	(43,965)
Equity in losses (income) of unconsolidated joint ventures	2,457	(11,224)
Distributions from unconsolidated community residential joint ventures	5,310	30,743
Origination of mortgage loans, net of proceeds from sales	—	(3,641)
Repayments of mortgage warehouse line of credit, net of proceeds	—	(13,951)
Deferred income tax expense	15,216	26,526
Cost of community residential properties sold	233,261	169,709
Expenditures for community residential properties	(243,479)	(214,018)
Loss on valuation of derivative	—	972
Gain on sale of discontinued operations	—	(20,700)
Impairment loss	14,083	—
Changes in operating assets and liabilities:		
Accounts receivable	(48,964)	412
Other assets	(3,257)	15,224
Accounts payable and accrued liabilities	21,667	33,889
Income taxes payable	—	(7,682)
Net cash provided by operating activities	9,684	8,913
Cash flows from investing activities:		
Purchases of property, plant and equipment	(3,716)	(14,792)
Purchases of investments in real estate	(62,881)	(59,614)
Investments in joint ventures and purchase business acquisitions, net of cash received	(20,652)	(8,834)
Proceeds from dispositions of assets	68,654	54,095
Net proceeds from sale of discontinued operations	—	138,743
Proceeds from settlement of forward sale contracts	—	1,525
Maturities and redemptions of short-term investments, net of purchases	511	2,297
Net cash (used in) provided by investing activities	(18,084)	113,420
Cash flows from financing activities:		
Proceeds from (repayments of) revolving credit agreements, net	30,000	(210,764)
Proceeds from other long-term debt	20,775	228,837
Repayments of other long-term debt	(1,445)	(1,604)
Contribution from minority interest owner	2,860	—
Proceeds from exercise of stock options and stock purchase plan	20,823	22,050
Dividends paid to stockholders and other distributions	(15,354)	(6,533)
Treasury stock purchased	(59,046)	(117,379)
Net cash used in financing activities	(1,387)	(85,393)
Net (decrease) increase in cash and cash equivalents	(9,787)	36,940
Cash and cash equivalents at beginning of period	73,273	40,940
Cash and cash equivalents at end of period	$ 63,486	$ 77,880

See notes to consolidated financial statements.

THE ST. JOE COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
(Dollars in thousands except per share amounts)

1. Basis of Presentation

The accompanying unaudited interim financial statements have been prepared pursuant to the rules and regulations for reporting on Form 10-Q. Accordingly, certain information and footnotes required by accounting principles generally accepted in the United States for complete financial statements are not included herein. The interim statements should be read in conjunction with the financial statements and notes thereto included in the Company's latest Annual Report on Form 10-K. In the opinion of the Company, the accompanying unaudited consolidated financial statements contain all adjustments (consisting of only normal recurring adjustments) necessary to present fairly the financial position of the Company as of September 30, 2003 and December 31, 2002 and the results of operations and cash flows for the three-month and nine-month periods ended September 30, 2003 and 2002. The results of operations and cash flows for the three-month and nine-month periods ended September 30, 2003 and 2002 are not necessarily indicative of the results that may be expected for the full year.

2. Summary of Significant Accounting Policies

Stock-Based Compensation

Statement of Financial Accounting Standards No. 123, *Accounting for Stock-Based Compensation* ("FAS 123"), permits entities to recognize as expense over the vesting period the fair value of all stock-based awards on the date of grant. Alternatively, FAS 123 also allows entities to apply the provisions of Accounting Principles Board Opinion No. 25, *Accounting for Stock Issued to Employees* ("APB 25"), 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 FAS 123 has been applied. Under APB 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.

In December 2002, the Financial Accounting Standards Board (the "FASB") issued Statement of Financial Accounting Standards No. 148, *Accounting for Stock-Based Compensation — Transition and Disclosure* ("FAS 148"). FAS 148 provides alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. FAS 148 also requires prominent disclosure in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. The transitional guidance and annual disclosure requirements of FAS 148 are effective for fiscal years ending after December 15, 2002.

As permitted under FAS 148 and FAS 123, the Company has elected to continue to apply the provisions of APB 25 and provide the pro forma disclosure provisions of FAS 148 and FAS 123. Accordingly, no compensation cost has been recognized for its stock options in the consolidated financial statements.

THE ST. JOE COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Had the Company determined compensation costs based on the fair value at the grant date for its stock options under SFAS No. 123, the Company's net income would have been reduced to the pro forma amounts indicated below:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2003	2002	2003	2002
Net income:				
Net income as reported	$22,979	$11,728	$47,301	$119,075
Add: stock-based employee compensation expense included in reported net income, net of related tax effects	501	73	781	208
Deduct: total stock-based employee compensation expense determined under fair value based methods for all awards, net of related tax effects	(1,521)	(1,221)	(4,857)	(3,864)
Net income — pro forma	$21,959	$10,580	$43,225	$115,419
Per share — Basic:				
Earnings per share as reported	$ 0.30	$ 0.15	$ 0.62	$ 1.50
Earnings per share — pro forma	$ 0.29	$ 0.14	$ 0.57	$ 1.46
Per share — Diluted:				
Earnings per share as reported	$ 0.30	$ 0.15	$ 0.61	$ 1.45
Earnings per share — pro forma	$ 0.29	$ 0.13	$ 0.56	$ 1.41

Earnings Per Share

Earnings per share ("EPS") is based on the weighted average number of common shares outstanding during the period. Diluted EPS assumes options to purchase shares of common stock have been exercised using the treasury stock method.

In August 2002, the Company's Board of Directors authorized $150,000 for the repurchase of the Company's outstanding common stock from time to time on the open market (the "St. Joe Stock Repurchase Program"), of which $61,408 remained not yet expended at September 30, 2003. From August 1998 through August 2002, the Company's Board of Directors authorized a total of $650,000 for the St. Joe Stock Repurchase Program, of which a total of approximately $588,592 has been expended through September 30, 2003.

Beginning in December 2000 for an initial 90-day term and for additional 90-day terms from time to time (currently through February 6, 2004), the Alfred I. duPont Testamentary Trust (the "Trust"), the principal stockholder of the Company, and the Trust's beneficiary, The Nemours Foundation (the "Foundation") have agreed to participate in the St. Joe Stock Repurchase Program. Pursuant to this agreement, the Trust and/or the Foundation will sell to the Company each Monday a number of shares equal to 0.47 (the "share multiplier") times the number of shares the Company purchased from the public during the previous week, if any, at a price equal to the volume weighted average price, excluding commissions, paid by the Company for shares purchased from the public during that week. However, the Trust and the Foundation are not required to sell shares to the Company if the volume weighted average price of shares repurchased by St. Joe from the public during that prior week is below $30.00 per share (the "floor price"). Effective November 10, 2003, the share multiplier decreased from 0.9 and the floor price increased from $27.00 per share, which had been in effect since February 7, 2003.

As of September 30, 2003, the Company had repurchased 15,728,366 shares on the open market and 7,464,476 shares from the Trust and the Foundation since inception of the program. During the nine months

ended September 30, 2003, 1,140,300 shares were repurchased on the open market, 876,870 shares were purchased from the Trust and Foundation, and 341,884 shares were surrendered to the Company by company executives as payment for the strike price and taxes due on exercised stock options and taxes due on vested restricted stock. During the nine months ended September 30, 2002, 1,444,100 shares were repurchased on the open market, 2,586,206 shares were purchased from the Trust and Foundation, and executives surrendered 65,337 shares of Company stock as payment for the strike price and taxes due on exercised stock options and taxes due on vested restricted stock. Also during the first nine months of 2003 and 2002, the Company issued 1,763,330 shares and 1,271,081 shares, respectively, upon the exercise of stock options.

On September 16, 2003, the Trust announced that it had completed a public offering of 9,000,000 shares of St. Joe common stock at $31.50 per share. Subsequently, the underwriters exercised their over-allotment option to purchase an additional 1,350,000 shares. On September 29, 2003, the Trust sold an additional 650,000 shares at $31.75 per share. St. Joe did not receive any proceeds from the sales of these shares. As a result of these transactions, at September 30, 2003, the Trust and the Foundation owned 31.8% of the Company's outstanding stock.

Weighted average basic and diluted shares, taking into consideration shares issued, weighted average options used in calculating EPS and treasury shares repurchased for each of the periods presented are as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2003	2002	2003	2002
Basic	75,953,183	77,246,000	75,843,650	79,076,764
Diluted	77,894,096	79,973,354	77,888,981	82,089,173

Comprehensive Income

For the nine months ended September 30, 2003, comprehensive income is equal to net income because there was no other comprehensive income. For the nine months ended September 30, 2002, the Company's comprehensive income differs from net income due to changes in the net unrealized gains on investment securities available-for-sale and derivative instruments. As a result, for the nine months ended September 30, 2003 and 2002, total comprehensive income was $47,301 and $55,661, respectively.

Supplemental Cash Flow Information

The Company paid $18,770 and $12,346 for interest in the first nine months of 2003 and 2002, respectively. The Company received income tax refunds of $2,845, net of payments made, in the first nine months of 2003 and paid $2,420, net of refunds received, in the first nine months of 2002. The Company capitalized interest expense of $6,477 and $5,496 during the first nine months of 2003 and 2002, respectively.

The Company's non-cash activities included the surrender of shares of Company stock by executives of the Company and the tax benefit on exercise of stock options. During the nine months ended September 30, 2003, executives surrendered Company stock worth $9,958 as payment for taxes due on vested restricted stock and for the strike price of stock options and taxes due on exercised stock options. During the nine months ended September 30, 2002, executives surrendered Company stock worth $1,867 as payment for taxes due on vested restricted stock and as payment for the strike price and taxes due on exercised stock options. For the nine months ended September 30, 2003, the Company's tax benefit on exercise of stock options was $8,942, compared to $5,727 for the nine months ended September 30, 2002. The Company's non-cash activities for the nine months ended September 30, 2002, also included the settlement of a portion of its Forward Sale Contracts. The Company transferred equity securities with a fair value of $74,261 to a financial institution and

settled hedge instruments with a fair market value of $27,093, which reduced the debt associated with the sale of the equity securities by $96,963.

Cash flows related to residential real estate development activities are included in operating activities on the statements of cash flows.

Lease Value Intangibles

The Company allocates the purchase price of acquired properties to net tangible and identified intangible assets acquired based on their fair value.

Above-market and below-market in-place lease values for properties acquired are recorded based on the present value (using an interest rate which reflects the risks associated with the leases acquired) of the difference between (i) the contractual amounts to be paid pursuant to the in-place leases and (ii) management’s estimate of fair market lease rates for the corresponding in-place leases, measured over a period equal to the non-cancelable term of the lease. The capitalized above-market and below-market lease values (presented in the accompanying balance sheet as a component of Goodwill and other intangibles) are amortized to rental income over the remaining non-cancelable terms of the respective leases.

The aggregate value of other intangible assets acquired is measured based on the difference between (i) the property valued with existing in-place leases and (ii) the property valued as if vacant. The Company utilizes management’s estimates to determine the respective property values. Management’s estimates of value are made using methods similar to those used by independent appraisers. Factors considered by management in their analysis include an estimate of carrying costs to execute similar leases. In estimating carrying costs, management includes real estate taxes, insurance and other operating expenses and estimates of lost rentals at market rates during the expected lease-up periods, which primarily range from one to 48 months. Management also estimates costs to execute similar leases including leasing commissions, legal and other related expenses.

The total amount of other intangible assets acquired is further allocated to in-place lease values. The value of in-place leases is amortized to expense over the initial term of the leases, primarily ranging from one month to 131 months. The value of customer relationship intangibles is amortized to expense over the initial term and any renewal periods in respective leases, but in no event does the amortization period for intangible assets exceed the remaining depreciable life of the building. Should a tenant terminate its lease, the unamortized portion of the in-place lease value and the customer relationship intangibles would be charged to expense.

New FASB Statement

In May 2003, the FASB issued Statement of Accounting Standards No. 150, *Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity* (“FAS 150”). FAS 150 affects the accounting for certain financial instruments, including requiring companies having consolidated entities with specified termination dates to treat minority owner’s interests in such entities as liabilities in an amount based on the fair value of entities. Although FAS 150 was originally effective July 1, 2003, the FASB has indefinitely deferred certain provisions related to classification and measurement requirements for mandatorily redeemable financial instruments that become subject to FAS 150 solely as a result of consolidation. As a result, FAS 150 has no impact on the Company’s Consolidated Statements of Income for the three-month and nine-month periods ended September 30, 2003. However, certain disclosure requirements are effective for the third quarter of 2003. The Company has no other material financial instruments that are affected currently by FAS 150.

At July 1, 2003, the minority owner’s interest in St. Joe/ Arvida Company L.P. (“St. Joe/Arvida”) was subject to the deferred provisions of FAS 150 that apply to consolidated entities with specified termination

THE ST. JOE COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

dates. On July 2, 2003, the Company acquired the 26% minority interest in St. Joe/ Arvida Company, L.P. for $20,000 in cash. As a result of this purchase, St. Joe/ Arvida became a wholly owned subsidiary of the Company and is no longer subject to FAS 150.

New FASB Interpretations

In November 2002, the FASB issued Interpretation No. 45, *Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others* ("FIN 45"). FIN 45 introduces new disclosure and liability recognition requirements for guarantees of debt that fall within its scope. As of January 1, 2003, the Company has adopted FIN 45 and will apply the liability recognition requirements to all guarantees entered into or modified after December 31, 2002. There were no additions to or modifications of guarantees during the first nine months of 2003.

In January 2003, the FASB issued Interpretation No. 46, *Consolidation of Variable Interest Entities* ("FIN 46"). FIN 46 addresses consolidation by business enterprises of variable interest entities which do not effectively disperse risk among the parties involved. FIN 46 requires an enterprise to consolidate the operations of a variable interest entity if the enterprise absorbs a majority of the variable interest entity's expected losses, receives a majority of its expected residual returns, or both. Although the Company does not believe that any material impact will result from the adoption of FIN 46, the Company cannot make any definitive conclusion until it completes its evaluation in the fourth quarter of 2003.

3. Business Combination

On July 2, 2003, the Company purchased the 26% interest in St. Joe/ Arvida that it did not previously own for $20,000 in cash, including the resolution of a dispute regarding the use of the "Arvida" name by the Company and its affiliates. (See Note 4.) As a result of this purchase, St. Joe/ Arvida became a wholly owned subsidiary of the Company.

4. Discontinued Operations

On April 17, 2002, the Company completed the sale of Arvida Realty Services ("ARS"), its residential real estate services segment, for a gain of $33,658, or $20,700 net of tax. In connection with the sale, a liability was recorded related to a dispute with an outside party over the use of the Arvida name. Subsequently, the dispute was resolved and the liability was reversed. (See Note 3.) The Company has reported its residential real estate services operations as discontinued operations for the three-month and nine-month periods ended September 30, 2002. Revenues and net income from ARS for the nine months ended September 30, 2002 were $76,230 and $2,345, respectively.

Also included in discontinued operations is the sale in the first quarter of 2002 of two commercial office buildings which generated a gain of $304, or $187 net of tax. Revenues and net operating loss from the buildings for the nine months ended September 30, 2002 were $7 and $(6), respectively.

5. Investment in Real Estate

Real estate investments by segment include the following:

	September 30, 2003	December 31, 2002
Operating property:		
Community residential development	$ 72,624	$ 61,801
Commercial real estate	346,183	304,976
Land sales	975	117
Forestry	83,473	89,074
Other	2,224	815
Total operating property	505,479	456,783
Development property:		
Community residential development	263,113	240,725
Land sales	5,730	4,298
Forestry	360	356
Total development property	269,203	245,379
Investment property:		
Commercial real estate	57,640	59,067
Land sales	165	165
Forestry	621	799
Other	4,607	2,386
Total investment property	63,033	62,417
Investment in unconsolidated affiliates:		
Community residential development	29,889	37,873
Commercial real estate	21,975	21,472
Total investment in unconsolidated affiliates	51,864	59,345
Total real estate investments	889,579	823,924
Less: Accumulated depreciation	26,668	17,223
Net real estate investments	$862,911	$806,701

Included in operating property are the Company’s timberlands, and land and buildings used for commercial rental purposes. Development property consists of community residential land currently under development. Investment property is the Company’s land held for future use.

6. Goodwill Impairment

Due to the very difficult environment for commercial real estate services companies, Advantis’ results of operations declined in the second quarter of 2003. As a result, during the second quarter of 2003, the Company recorded an impairment loss to reduce the carrying amount of Advantis’ goodwill from $28,891 to $14,808, pursuant to Statement of Financial Accounting Standards No. 142, *Goodwill and Other Intangible Assets.* This resulted in an impairment loss of $14,083 pre-tax, or $8,801 net of tax.

7. Debt

Long-term debt consists of the following:

	September 30, 2003	December 31, 2002
Medium-term notes	$175,000	$175,000
Senior revolving credit agreement, unsecured	30,000	—
Debt secured by certain commercial and residential property	159,976	141,860
Various secured and unsecured notes payable	4,029	4,055
Total debt	$369,005	$320,915

The aggregate maturities of long-term debt subsequent to September 30, 2003 are as follows: 2003, $30,467; 2004, $33,527; 2005, $20,119; 2006, $3,201; 2007, $69,070; thereafter, $212,621.

8. Marketable Securities Settlement

On October 15, 1999, the Company entered into three-year forward sale contracts (the “Forward Sale Contracts”) with a major financial institution that led to the ultimate disposition of its investments in equity securities. On February 26, 2002, the Company settled a portion of the Forward Sale Contracts by delivering equity securities to the financial institution. The liability related to the contracts that were settled was $96,963 at the time of settlement and the resulting gain that was recognized in the first quarter of 2002 was $94,698 pre-tax, or $61,554, net of tax. The net cash received at settlement was $1,525.

On October 15, 2002, the remainder of the Forward Sale Contracts matured and the Company delivered the remaining equity securities to fully settle the Forward Sale Contracts, including the related debt balance. In the fourth quarter of 2002, the Company recognized a pre-tax gain of approximately $38.0 million, $24.7 million net of taxes, on maturity of the remaining contracts. Net cash received at maturity was $0.2 million.

9. Segment Information

The Company conducts primarily all of its business in four reportable operating segments: community residential development, commercial real estate development and services, land sales, and forestry. The Company’s former residential real estate services segment has been reported as a discontinued operation following the Company’s decision to sell ARS. (See Note 4.) Intercompany transactions have been eliminated.

One of the measures that the Company uses to evaluate segment performance is EBITDA. EBITDA is defined as earnings before interest cost, income taxes, depreciation and amortization. EBITDA is not a measure of operating results or cash flows from operating activities as defined by generally accepted accounting principles (“GAAP”). Additionally, EBITDA 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, management believes that EBITDA provides relevant information about the Company’s operations and, along with GAAP measures such as revenue, pre-tax income and net income, is useful in understanding the operating results of the Company’s segments and of the Company as a whole. Certain amounts in prior year EBITDA have been reclassified to conform with the Company’s current evaluation methods to include discontinued operations and other items.

The caption entitled “Other” primarily consists of general and administrative expenses, net of investment income, and is only presented to reconcile consolidated results. “Other” includes gain on the settlement of the Company’s forward sales contracts of $94,698 for the nine months ended September 30, 2002. (See Note 8.) “Other” also includes operations of the Company’s former transportation segment which, due to the sale of

THE ST. JOE COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

the rolling stock of Apalachicola Northern Railroad in 2002, is no longer material enough to be reported as a separate segment. The Company's reportable segments are strategic business units that offer different products and services. They are each managed separately and decisions about allocations of resources are determined by management based on these strategic business units.

Information by business segment follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2003	2002	2003	2002
Total Revenues:				
Community residential development	$143,987	$107,740	$354,987	$269,078
Commercial real estate development and services	29,333	22,976	89,756	68,032
Land sales	19,017	11,893	58,685	47,826
Forestry	8,440	9,471	28,222	31,751
Other	(24)	376	94	2,979
Total revenues	$200,753	$152,456	$531,744	$419,666
EBITDA:				
Community residential development	36,392	23,897	73,852	58,846
Commercial real estate development and services	5,886	4,002	8,531	10,156
Land sales	14,835	8,554	45,393	37,493
Forestry	2,708	2,845	8,930	9,244
Discontinued operations	—	213	—	38,977
Other	(10,220)	(8,145)	(24,999)	73,770
EBITDA	$ 49,601	$ 31,366	$111,707	$228,486
Adjustments to reconcile EBITDA to income from continuing operations:				
Depreciation and amortization	(7,347)	(6,056)	(21,099)	(16,306)
Interest expense	(5,572)	(6,085)	(15,115)	(17,505)
Income tax expense	(13,730)	(7,457)	(28,298)	(59,970)
Discontinued operations	—	(213)	—	(38,977)
Minority interest	27	42	106	121
Income from continuing operations	$ 22,979	$ 11,597	$ 47,301	$ 95,849

	September 30, 2003	December 31, 2002
Total Assets:		
Community residential development	$ 492,595	$ 399,516
Commercial real estate development and services	460,397	433,657
Land sales	23,885	7,780
Forestry	94,339	101,993
Other corporate assets	191,932	226,941
Total assets	$1,263,148	$1,169,887

Table of Contents

10. Contingencies

The Company and its affiliates 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 expected to have a material adverse effect on the Company's consolidated financial position, results of operations or liquidity.

The Company has retained certain self-insurance risks with respect to losses for third party liability, worker's compensation, property damage, group health insurance provided to employees and directors, and other types of insurance.

The Company is wholly or jointly and severally liable as guarantor on four credit obligations entered into by partnerships in which the Company has equity interests. At September 30, 2003, the maximum amount of the debt available to these partnerships that is guaranteed by the Company totals $54,477; the amount outstanding at September 30, 2003 totaled $52,555. Certain partners in these partnerships have indemnified the Company for a portion of the guaranteed debt. Management believes these guarantees have no significant fair market value due to the availability of underlying collateral and the solvency of the partners.

At September 30, 2003 and December 31, 2002, the Company was party to surety bonds and standby letters of credit in the amounts of $37,766 and $36,266, respectively, which may potentially result in liability to the Company if certain obligations of the Company are not met.

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 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 can be reasonably estimated. As assessments and cleanups proceed, these accruals will be reviewed and adjusted, if necessary, as additional information becomes available.

Pursuant to the terms of various agreements by which the Company disposed of its sugar assets in 1999, the Company is obligated to complete certain defined environmental remediation. Approximately $5,000 of the sales proceeds are being held in escrow pending the completion of the remediation. The Company has separately funded the costs of remediation. Upon completion of remediation the escrowed funds will be released to the Company. Based upon the Company's current environmental studies, management does not believe the costs of the remediation will materially exceed the amount held in escrow. In the event other environmental matters are discovered beyond those contemplated by the $5,000 held in escrow, the purchasers of the Company's sugar assets will be responsible for the first $500 of the additional costs, the Company will be responsible for the next $4,500, and thereafter the parties will share costs equally. In addition, approximately $1,700 is being held in escrow representing the value of land subject to remediation. The Company expects remediation to be completed in 2003 and the amounts held in escrow to be released to the Company by the middle of 2004.

The Company is currently a party to, or involved in, legal proceedings directed at the cleanup of Superfund sites. The Company is also involved in regulatory proceedings related to the Company's former mill site in Gulf County, Florida. 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 or threatened 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 regulations. However, based on information presently available, management believes that the ultimate disposition of currently known

matters will not have a material effect on the Company's consolidated financial position, results of operations or liquidity. Environmental liabilities are paid over an extended period and the timing of such payments cannot be predicted with any confidence. Aggregate environmental-related accruals were $3,981 and $4,152 as of September 30, 2003 and December 31, 2002, respectively.

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

Forward Looking Statements

This Report contains forward-looking statements, particularly in this Item. The Private Securities Litigation Reform Act of 1995 provides a safe-harbor for forward-looking information to encourage companies to provide prospective information about themselves without fear of litigation so long as that information is identified as forward-looking and is accompanied by meaningful cautionary statements identifying important factors that could cause actual results to differ, possibly materially, from those in the information. Statements in this Report that are not historical facts are forward-looking statements. You can find many of these forward-looking statements by looking for words such as "intend", "anticipate", "believe", "estimate", "expect", "plan" or similar expressions in this Report. In particular, forward-looking statements include, among others, statements about the following:

- the size and number of commercial buildings and residential units;
- the expected development timetables, development approvals and the ability to obtain approvals;
- the anticipated price range of developments;
- the number of units that can be supported upon full build-out of a development;
- the number, price and timing of anticipated land sales;
- estimated land holdings for a particular use within a specific timeframe;
- absorption rates and expected gains on land sales;
- future operating performance, cash flows, and short and long term revenue and earnings growth rates;
- comparisons to historical projects; and
- the number of shares of Company stock which may be purchased under the terms of the Company's existing or future share repurchase program.

Forward-looking statements are subject to numerous assumptions, risks and uncertainties. Factors that may cause actual results to differ materially from those contemplated by the forward-looking statements include, among others, the following:

- economic conditions, particularly in Florida and key southeastern United States areas that serve as feeder markets to the Company's Northwest Florida operations;
- acts of war, terrorism, or other geopolitical events;
- local conditions such as an oversupply of homes and home sites and residential or resort properties, or a reduction in demand for real estate in an area;
- timing and costs associated with property developments and rentals;
- competition from other real estate developers;
- whether potential residents or tenants consider our properties attractive;
- increases in operating costs, including increases in real estate taxes;
- changes in the amount or timing of federal and state income tax liabilities resulting from either a change in our application of tax laws, an adverse determination by a taxing authority or court, or legislative changes to existing laws;
- how well we manage our properties;
- changes in interest rates and the performance of the financial markets;
- decreases in market rental rates for our commercial and resort properties;

- decreases in prices of wood products;
- the pace of development of public infrastructure, particularly in Northwest Florida;
- potential liability under environmental laws or other laws or regulations;
- adverse changes in laws or regulations affecting the development of real estate;
- the availability of funding from governmental agencies and others to purchase conservation lands;
- fluctuations in the size and number of transactions from period to period; and
- adverse weather conditions or natural disasters.

The foregoing list is not exhaustive and should be read in conjunction with other cautionary statements in this Report.

Forward-looking statements are not guarantees of performance. You are cautioned not to place undue reliance on any of these forward-looking statements, which speak only as of the date made. We undertake no obligation to publicly update or revise any forward-looking statement whether as a result of new information, future events, or otherwise. Additional risk factors are described in our other SEC filings, including our Annual Report on Form 10-K for the year ended December 31, 2002 and our registration statement on Form S-3, as amended, filed September 16, 2003. Other factors besides those listed in this Report and in our other SEC filings could also adversely affect the Company's results and the reader should not consider any list of factors to be a complete set of all potential risks or uncertainties.

Results of Operations

Results of operations, principally in our community residential development, commercial real estate development and services, and land sales segments, are primarily based on the collective impact of a number of individual transactions. The size and number of these transactions may vary considerably from period to period. As a consequence, our financial results may fluctuate from period to period. Results of operations discussed below should be reviewed in this context.

Consolidated Results

Three Months Ended September 30

Operating revenues increased $48.3 million, or 32%, to $200.8 million for the three months ended September 30, 2003, compared to $152.5 million for the three months ended September 30, 2002. The increase was primarily due to increased sales in the community residential development segment, the land sales segment, and the commercial real estate development and services segment. Operating expenses for all segments increased $27.4 million, or 23%, to $144.4 million for the three months ended September 30, 2003, compared to $117.0 million for the three months ended September 30, 2002. The increase was primarily due to an increase in cost of sales resulting from the increased sales in the community residential development segment and an increase in operating expenses in the commercial real estate development and services segment.

Corporate expense, which represents corporate general and administrative expenses, increased $3.0 million, or 43%, to $10.0 million for the three months ended September 30, 2003, compared to $7.0 million for the three months ended September 30, 2002. The increase was primarily due to an increase of $2.4 million in employee benefit expenses, mostly related to an increase in executive deferred compensation, and an increase of $0.6 million in miscellaneous corporate expenses. Corporate expense included prepaid pension income of $0.7 million for the three months ended September 30, 2003, compared to $1.2 million for the three months ended September 30, 2002. During the third quarter of 2002, the Company lowered the long-term expected return for the assets of the St. Joe Company Pension Plan (the "Plan") from 9.2% to 8.5% based on the performance of the Company's pension assets over the previous three years. The Company does not expect to have to fund the Plan in the foreseeable future, unless market conditions deteriorate significantly.

Depreciation and amortization increased $1.2 million, or 20%, to $7.3 million for the three months ended September 30, 2003, compared to $6.1 million in the three months ended September 30, 2002. The increase was primarily due to increases in commercial operating properties and property associated with club and resort operations for the community residential development segment.

Other (expense) income was $(2.4) million for the three months ended September 30, 2003, compared to $(2.9) million for the three months ended September 30, 2002. Other (expense) income is made up of investment income, interest expense, gains on sales and dispositions of assets and other income. Investment income decreased $0.9 million to $0.2 million for the third quarter of 2003, compared to $1.1 million for the third quarter of 2002, due to a decrease of $0.6 million in interest income as a result of lower invested funds and to a decrease of $0.3 million in dividend income resulting from the disposition of securities. Interest expense decreased $1.2 million to $3.1 million for the third quarter of 2003, compared to $4.3 million for the third quarter of 2002, due to the settlement of debt related to the forward sale contracts and a decrease in interest expense related to the senior secured credit facility. For the third quarter of 2002, other income, net, included a loss on valuation of derivatives of $(0.8) million.

Income tax expense on continuing operations totaled $13.7 million (an effective rate of 37%) for the three months ended September 30, 2003, compared to $7.5 million (an effective rate of 39%) for the three months ended September 30, 2002.

Discontinued operations for the three months ended September 30, 2002 included a working capital adjustment to the gain on the sale of Arvida Realty Services ("ARS") of approximately $0.2 million before taxes, or approximately $0.1 million net of taxes.

Net income for the three months ended September 30, 2003 was $23.0 million, or $0.30 per diluted share, compared to $11.7 million, or $0.15 per diluted share, for the three months ended September 30, 2002.

Nine Months Ended September 30

Operating revenues increased $112.0 million, or 27%, to $531.7 million for the nine months ended September 30, 2003, compared to $419.7 million for the nine months ended September 30, 2002. The increase was primarily due to increased sales in the community residential development segment, the commercial real estate development and services segment, and the land sales segment. Operating expenses for all segments increased $77.7 million, or 25%, to $389.0 million for the nine months ended September 30, 2003, compared to $311.3 million for the nine months ended September 30, 2002. The increase was primarily due to an increase in cost of sales resulting from the increased sales in the community residential development segment and in the commercial real estate development and services segment.

Corporate expense, which represents corporate general and administrative expenses, increased $4.1 million, or 20%, to $24.7 million for the nine months ended September 30, 2003, compared to $20.6 million for the nine months ended September 30, 2002. The increase was primarily due to an increase in employee benefit expenses of $4.7 million, which was partially offset by a decrease of $0.6 million in miscellaneous corporate expenses. Corporate expense included prepaid pension income of $2.9 million for the nine months ended September 30, 2003, compared to $6.0 million for the nine months ended September 30, 2002. During the third quarter of 2002, the Company lowered the long-term expected return for the assets of the Plan from 9.2% to 8.5% based on the performance of the Company's pension assets over the previous three years. The Company does not expect to have to fund the Plan in the foreseeable future, unless market conditions deteriorate significantly.

Depreciation and amortization increased $4.8 million, or 29%, to $21.1 million for the nine months ended September 30, 2003, compared to $16.3 million in the nine months ended September 30, 2002. The increase was primarily due to increases in property associated with club and resort operations for the community residential development segment and commercial operating properties.

In the second quarter of 2003, the Company recorded an impairment loss to reduce the carrying amount of Advantis' goodwill from $28.9 million to $14.8 million, pursuant to Statement of Financial Accounting

Standards No. 142, *Goodwill and Other Intangible Assets*. This resulted in an impairment loss of $14.1 million pre-tax, or $8.8 million net of tax. See note 6 of Notes to Consolidated Financial Statements.

Other (expense) income was $(6.6) million for the nine months ended September 30, 2003, compared to $85.3 million for the nine months ended September 30, 2002. Other income is made up of investment income, interest expense, gains on sales and dispositions of assets and other income, and, in 2002, gains and losses on valuation of derivatives. In the first quarter of 2002, the Company recorded a pre-tax gain on the settlement of its forward sales contracts of $94.7 million. Investment income decreased $2.0 million to $0.8 million for the first nine months of 2003, compared to $2.8 million for the first nine months of 2002, due to a decrease of $1.5 million in dividend income resulting from the disposition of securities and a decrease in interest income. Interest expense decreased $4.4 million to $9.3 million for the first nine months of 2003, compared to $13.7 million for the first nine months of 2002, due to the settlement of the debt related to the Company's forward sale contracts, which was partially offset by interest attributable to debt secured by commercial buildings. For the first nine months of 2002, other, net, included a loss on valuation of derivatives of $(1.0) million.

Income tax expense on continuing operations totaled $28.3 million (an effective rate of 37%) for the nine months ended September 30, 2003, compared to $60.0 million (an effective rate of 38%) for the nine months ended September 30, 2002.

Discontinued operations for the nine months ended September 30, 2002 included the gain on sale and operations of ARS and the gain on sale and operations of two commercial office buildings disposed of in the first quarter of 2002. The gain recorded on the sale of ARS was $33.7 million before taxes, or $20.7 million net of taxes. Prior to its sale on April 17, 2002, ARS generated revenues of $76.2 million, operating expenses of $71.7 million, and net income of $2.3 million in 2002. Revenues and net operating income from the two commercial office buildings were each less than $0.1 million for the nine months ended June 30, 2002. The gain on the sale of the two commercial office buildings was $0.3 million, or $0.2 million net of taxes.

Net income for the nine months ended September 30, 2003 was $47.3 million, or $0.61 per diluted share, compared to $119.1 million, or $1.45 per diluted share, for the nine months ended September 30, 2002.

Results of Operations by Business Segment

Community Residential Development

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2003	2002	2003	2002
Revenues	$144.0	$107.7	$355.0	$269.0
Operating expenses	110.1	85.2	286.4	213.2
Depreciation and amortization	1.9	1.1	5.4	2.9
Other income (expense)	(0.1)	—	—	0.1
Pretax income from continuing operations	31.9	21.4	63.2	53.0

The Company's community residential development operations currently consist of its residential development and management activities on Company owned land. These activities are performed by St. Joe/ Arvida Company, L.P. ("St. Joe/Arvida"), which is developing a total of 18 communities in various stages of planning and execution primarily in northern and central Florida. Until July 2, 2003, the Company owned 74% of St. Joe/Arvida. On July 2, 2003, the Company purchased the remaining 26% interest for approximately $20 million. The Company also has a 26% limited partnership interest in Arvida/JMB Partners, L.P. ("Arvida/JMB"). Arvida/JMB is recorded using the equity method of accounting for investments. The contribution to pre-tax income from Arvida/JMB substantially ended at the end of 2002. Arvida/JMB has finalized its current estimates of future costs and future cash distributions associated with the completion of operations and, as a result, the Company adjusted its investment in the partnership by a $3.5 million pre-tax charge in the first quarter of 2003. Arvida/JMB's contribution to pre-tax income was $3.1 million and

$13.6 million for the three-month and nine-month periods ended September 30, 2002, respectively. Based on current expectations, the Company anticipates no material future income or losses from its investment in Arvida/JMB. The Company is also participating with an unrelated party in two 50/50 joint ventures which are developing residential communities in Palm Beach County, Florida and near Tampa, Florida.

Northwest Florida Developments

WaterColor, a coastal resort community in Walton County, Florida, began sales in March 2000. St. Joe/Arvida is building homes and condominiums and selling developed home sites in WaterColor. Infrastructure construction in phase three continued in the third quarter and closings have begun. Amenities now offered include a beach club, two community pools, a boat house, the Fresh Daily Market, a tennis facility, the WaterColor Inn, Fish Out of Water restaurant, BaitHouse restaurant, and a site for recreational activities for children and adults called Camp WaterColor. At full build-out, the community is planned to include 1,140 units. From WaterColor's inception through September 30, 2003, contracts pending or closed totaled 627 units.

Also at WaterColor, 28 reservations were received at the Private Residence Club ("PRC") at WaterColor, a new product allowing owners to purchase a 1/8 interest in a specific residence, entitling them to a minimum of five weeks per year in the PRC. The PRC at WaterColor, located adjacent to the WaterColor Inn and BeachClub, consists of 88 ownership interests in 11 fully furnished multi-family units. Construction of the PRC at WaterColor began in October 2003. Based on experience with this concept at WaterColor, management is planning to introduce PRCs at WaterSound Beach and other future resort communities.

WaterSound Beach, a gated beachfront community, is located in Walton County, Florida, approximately three miles east of WaterColor. WaterSound Beach is planned to include single family homes, home sites and multi-family units. Closings on sales of home sites in this exclusive and secluded community began in the third quarter of 2001. The community is planned to include 499 residential units at full build-out. Of the 81 beachfront multi-family units of The Crossings at WaterSound Beach designed by Graham Gund, 80 are under contract and expected to close in the fourth quarter of this year and the first quarter of 2004. The remaining unit, which will be retained as a model for the next phase of multi-family units, has not been released for sale. During the third quarter, reservations were accepted for six apartments above the multi-family garages. These apartments are deed restricted so that they can only be held by an owner of a unit at The Crossings at WaterSound Beach. Construction and sales are slated to begin early next year on 25 multi-family units released for reservations in the fourth quarter of 2003. An additional 67 units are planned for later years. From WaterSound Beach's inception to September 30, 2003, contracts pending or closed totaled 288 units.

During the third quarter, design and predevelopment work began on a PRC at WaterSound Beach. The WaterSound Beach PRC is being planned for 168 ownership interests in 21 fully furnished multi-family units.

On October 7, 2003, the Walton County Commission voted to approve land use entitlements for 478 of 1,060 units, along with 35,000 square feet of commercial space, planned in the next phase of WaterSound. Pending receipt of final environmental permits, infrastructure construction is planned to begin in the first quarter of 2004. This future phase of WaterSound is located on 1,443 acres of timberland between U.S. 98 and the Intracoastal Waterway. Work continues on a Development of Regional Impact ("DRI") for the project in a process that is expected to continue for 12 to 15 months. The master plan for the next phase of WaterSound calls for amenities including golf, tennis, and access to Lake Powell plus the opportunity to purchase memberships in the beach club at WaterSound Beach and the Camp Creek Golf Club.

Predevelopment planning continues on East Lake Powell, a 360-unit community with 30,000 square feet of commercial space on 181 acres in Bay County with 4,300 feet of frontage on Lake Powell. Although a development agreement was approved in the first quarter of 2003 for East Lake Powell, a number of regulatory steps remain before development can begin. The Company intends to begin development activity on this community when it is strategically advantageous.

Sales continue at Palmetto Trace and The Hammocks, two primary home communities in Bay County. Palmetto Trace is planned for 523 units on 138 acres. The Hammocks is planned for 459 units on 143 acres.

From inception through September 30, 2003, contracts accepted or closed for the two communities included 66 homes sites and 322 homes.

During the third quarter, Bay County approved a development agreement for WaveCrest, a beachfront development along Front Beach Road in Panama City Beach. WaveCrest is being planned for up to 88 residential units on the north side of the road, and a beach amenity on the Gulf of Mexico side for RiverCamps on Crooked Creek and designated residential communities. Additional regulatory steps remain before development can begin.

WindMark Beach is a beachfront community located in Gulf County, Florida. The first phase of WindMark Beach is situated on approximately 80 acres and offers 110 home sites. This first phase of WindMark Beach also includes a pool club, community docks and a conservation area accessed by boardwalks and trails. From WindMark Beach's inception through September 30, 2003, contracts have been accepted or closed for all of the 100 home sites that have been released for sale. Predevelopment planning has begun for a future phase with approximately 1,550 units on 2,000 acres along 15,000 feet of beachfront owned by the Company. A DRI for future phases is expected to be completed in mid-2004.

SouthWood is situated on 3,770 acres in southeast Tallahassee, Florida. Plans for SouthWood include approximately 4,770 residential units and a variety of retail shops, restaurants, community facilities, light industrial sites and professional offices. Sales of homes and home sites commenced in the fourth quarter of 2000. During the third quarter of 2003, the SouthWood Golf Clubhouse opened along with a community center featuring tennis facilities and three new swimming pools. From SouthWood's inception through September 30, 2003, contracts pending or closed totaled 545 units.

During the third quarter, final land-use approvals were received for SummerCamp, a new beachfront vacation and second-home community located in southeastern Franklin County, Florida. Situated on 782 acres with 3.9 miles of waterfront, the community is being planned for 499 units, along with a beach club with cabanas, observation piers, a community dock and nature trails. Although certain regulatory steps remain, including environmental permits, infrastructure construction is expected to begin in the first quarter of 2004.

Northeast Florida Developments

St. Johns Golf and Country Club is located in St. Johns County, south of Jacksonville, Florida. This community, which includes an 18-hole golf course, a community swimming pool and a fitness center, is planned to include 799 units. From inception through September 30, 2003, pending or closed contracts totaled 469 units. Infrastructure construction continues on future phases.

James Island is located in Jacksonville, Florida on 194 acres of land acquired by the Company. At full build-out, the community is expected to include 365 housing units. The 12 remaining units not under contract are expected to be sold by the end of the first quarter of 2004. From inception through September 30, 2003, pending or closed contracts totaled 353 units.

RiverTown is situated on approximately 4,200 acres along the St. Johns River in St. Johns County south of Jacksonville, Florida. The community is being planned for approximately 4,500 units with 3.5 miles of frontage on the St. Johns River. The Comprehensive Plan Amendment for RiverTown has received a positive vote from the St. Johns County Planning Board and the St. Johns County Commission. The approval process for the Comprehensive Plan Amendment and the DRI are expected to continue for another 9 to 12 months. Sales are expected to begin in the first half of 2005.

Central Florida Developments

Victoria Park is situated on approximately 1,859 acres in Volusia County, between Orlando and Daytona Beach, Florida. This mixed-use community is planned for approximately 4,000 residences built among parks, lakes and conservation areas. From Victoria Park's inception through September 2003, contracts pending or closed totaled 325 units.

Table of Contents

Infrastructure development concluded and sales commenced in the third quarter of 2003 for housing units in the first phase of Artisan Park, a 160-acre village in the town of Celebration near Orlando, Florida. The Company owns 74% of the joint venture that is developing Artisan Park. Plans for the neighborhood include approximately 314 single-family homes plus 302 condominium homes, along with parks, trails, an outdoor performance area and a community clubhouse with a fitness center, pool and educational and recreational programs.

North Carolina and South Carolina Developments

Saussy Burbank ("Saussy"), located in Charlotte, North Carolina, is currently building homes in North Carolina and South Carolina. Saussy is building homes in 17 communities in Charlotte, North Carolina, six communities in Raleigh, North Carolina and two communities in Charleston, South Carolina.

Three Months Ended September 30

Following is a summary of activity by community (dollars in millions) in the periods indicated:

	Quarter Ended September 30, 2003				Quarter Ended September 30, 2002			
	Closed Units(a)	Revenues	Cost of Sales(b)	Gross Profit(b)	Closed Units(a)	Revenues	Cost of Sales(b)	Gross Profit(b)
Northwest Florida:								
Walton County:								
WaterColor	128	$ 29.4	$12.8	$16.6	95	$ 26.5	$13.3	$13.2
WaterSound	46	28.8	14.8	14.0	11	4.9	1.4	3.5
Bay County:								
The Hammocks	9	1.2	1.1	0.1	25	2.1	1.8	0.3
Palmetto Trace	27	4.0	3.5	0.5	18	2.5	2.2	0.3
Leon County:								
SouthWood	65	10.6	8.4	2.2	46	7.3	5.9	1.4
Gulf County:								
WindMark Beach	7	3.8	0.7	3.1	12	6.5	1.4	5.1
Northeast Florida:								
St. Johns County:								
St. Johns Golf & Country Club	44	12.2	9.7	2.5	40	11.5	9.3	2.2
Duval County:								
James Island	12	4.6	3.8	0.8	15	4.7	4.0	0.7
Hampton Park	13	4.1	3.4	0.7	13	4.5	3.9	0.6
Central Florida:								
Volusia County:								
Victoria Park	41	6.7	5.7	1.0	23	3.3	2.9	0.4
Osceola County:								
Artisan Park	5	0.6	0.4	0.2	—	—	—	—
North Carolina and South Carolina:								
Saussy Burbank	131	27.1	24.9	2.2	130	26.3	24.2	2.1
Total		$133.1	$89.2	$43.9		$100.1	$70.3	$29.8

(a) Units are comprised of sales of home sites as well as single-family and multi-family residences.

(b) Cost of sales is a component of operating expenses. For the quarter ended September 30, 2003, cost of sales of $89.2 million plus $9.9 million of costs related to other residential operations and $11.0 million of administrative expenses totaled $110.1 million of operating expenses for this segment. For the quarter

ended September 30, 2002, cost of sales of $70.3 million plus $6.1 million of costs related to other residential operations and $8.8 million of administrative expenses totaled $85.2 million of operating expenses for this segment. Gross profit equals revenues less cost of sales.

Revenue and costs of sales associated with multi-family units under construction are recognized using the percentage of completion method of accounting. Revenue is recognized in proportion to the percentage of total costs incurred in relation to estimated total costs. A 10% deposit is required on multi-family units at WaterColor upon executing a contract. If a deposit is received for less than 10%, percentage of completion accounting is not utilized. Instead, full accrual accounting criteria is used, which generally recognizes revenue when sales contracts are closed and adequate investment from the buyer is received. In the WaterSound community, deposits of 10% are required upon executing the contract and another 10% is required 180 days later. All deposits are non-refundable, except for non-delivery of the unit. In the event a contract does not close for reasons other than non-delivery, the Company is entitled to retain the deposit. However, the revenue and margin related to that contract previously recorded would be reversed. Revenues and cost of sales associated with multi-family units where construction has been completed prior to execution of a purchase contract and receipt of corresponding deposits are recognized on the full accrual method of accounting as contracts are closed.

At WaterColor, during the third quarter of 2003, 115 home sites closed, generating revenue of $27.7 million and gross profit of $16.7 million, compared to 69 home sites closed in the third quarter of 2002, generating revenue of $16.1 million and gross profit of $10.5 million. Gross profit on sales of home sites as a percentage of revenue decreased to 60% for the third quarter of 2003 from 65% for the third quarter of 2002 due to the deferral of revenue in the third quarter of 2003 resulting from pending infrastructure development. The average price of a home site sold in the third quarter of 2003 was $295,000 compared to $267,000 in the third quarter of 2002. The increase in average lot price was primarily due to price increases on a comparable unit basis. Two single-family residences closed at WaterColor during the third quarter of 2003, generating revenue of $1.7 million and gross profit of $0.5 million, compared to five single-family residences closed during the third quarter of 2002, generating revenues of $4.0 million and gross profit of $1.5 million. Gross profit on single-family home sales as a percentage of revenue decreased to 29% for the third quarter of 2003 from 38% for the third quarter of 2002 due to changes in the product mix. The average price of a single-family residence sold in the third quarter of 2003 was $823,000 compared to $800,000 in the third quarter of 2002. There were 11 multi-family residences closed during the third quarter of 2003, compared to 21 multi-family residences closed during the third quarter of 2002. Sales of multi-family residences, for which revenue is recorded using the percentage of completion method of accounting, generated revenue of less than $0.1 million and gross profit of $(0.6) million for the third quarter of 2003, compared to revenue of $6.4 million and gross profit of $1.2 million in the third quarter of 2002. The decrease in revenue on multi-family residences was due to a change in product availability. The decrease in gross profit was primarily due to increased development and construction costs associated with the wind up of this phase of multi-family residences.

At WaterSound Beach, 46 home sites closed during the third quarter of 2003, generating revenue of $17.3 million and gross profit of $10.6 million, compared to 11 home sites closed in the third quarter of 2002, generating revenue of $4.9 million and gross profit of $3.5 million. Gross profit on sales of home sites as a percentage of revenue decreased to 61% for the third quarter of 2003 from 71% for the third quarter of 2002 due to the recognition in the 2002 period of profit that had been previously deferred due to pending completion of infrastructure development. The average price of a lot sold in the third quarter of 2003 was $376,000, compared to $372,000 in the third quarter of 2002. Revenues and costs of sales in 2003 included beachfront multi-family units for which revenue is recorded using the percentage of completion method of accounting. Revenues recognized were $11.5 million in the third quarter of 2003, with gross profit of $3.4 million.

At Southwood, 45 home sales closed, generating revenues of $8.8 million and gross profit of $1.2 million, compared to 31 home sales closed in the third quarter of 2002, generating revenues of $5.8 million and gross profit of $0.6 million. Gross profit on home sales increased to 14% for the third quarter of 2003 from 10% for the third quarter of 2002 due to lower construction costs and a change in the product mix. The average price of a home was approximately $194,000 in the third quarter of 2003, compared to $188,000 in the third quarter of 2002. In addition, 20 home sites closed during the third quarter of 2003, generating revenues of $1.8 million

and gross profit of $1.0 million, compared to 15 home sites closed during the third quarter of 2002, generating revenues of $1.5 million and gross profit of $0.8 million.

At WindMark Beach, 7 home sites closed during the third quarter of 2003, generating revenues of $3.8 million and gross profit of $3.1 million, compared to 12 home sites closed during the third quarter of 2002, generating revenues of $6.5 million and gross profit of $5.1 million. The decrease in the number of home sites closed is a result of the timing of the release of additional home sites.

At St. Johns Golf and Country Club, 36 home sales closed during the third quarter of 2003, generating revenues of $11.8 million and gross profit of $2.2 million, compared to 38 homes sales closed during the third quarter of 2002, generating revenues of $11.3 million and gross profit of $2.1 million. In addition, eight home sites closed during the third quarter of 2003, generating revenues of $0.4 million and gross profit of $0.3 million, compared to two home sites closed during the third quarter of 2002, generating revenues of $0.2 million and gross profit of $0.1 million. The average price of a home was approximately $327,000 in the third quarter of 2003, compared to $296,000 in the third quarter of 2002.

At James Island, 12 home sales closed during the third quarter of 2003, generating revenues of $4.6 million and gross profit of $0.8 million, compared to 15 home sales closed during the third quarter of 2002, generating revenues of $4.7 million and gross profit of $0.7 million.

At Victoria Park, 28 home sales closed in the third quarter of 2003, generating revenues of $5.8 million and gross profit of $0.6 million, compared to 17 home sales closed in the third quarter of 2002, generating revenues of $3.1 million and gross profit of $0.4 million. Gross profit on home sales as a percentage of revenue decreased to 10% for the third quarter of 2003 from 13% for the third quarter of 2002 due to changes in the product mix. In addition, 13 home sites closed during the third quarter of 2003, generating revenues of $0.9 million and gross profit of $0.4 million, compared to six home sites closed during the third quarter of 2002, generating revenues of $0.2 million and gross profit of less than $0.1 million. The average price of a home increased to approximately $207,000 in the third quarter of 2003, compared to $181,000 in the third quarter of 2002, due to price increases on a comparable unit basis and changes in the product mix.

Saussy Burbank closed sales of 131 homes in the third quarter of 2003, generating revenues of $27.1 million and gross profit of $2.2 million, compared to 130 home sales closed in the third quarter of 2002, generating revenues of $26.3 million and gross profit of $2.1 million. The average price of a home closed in the third quarter of 2003 was $207,000, compared to $202,000 in the third quarter of 2002.

In addition to revenues from sales of homes and home sites and the Company’s equity in the income of Arvida/ JMB, the community residential development segment had other revenues totaling $10.9 million for the third quarter of 2003, with $9.9 million in related costs, compared to revenues totaling $4.8 million for the third quarter of 2002, with $6.1 million in related costs. These included revenues from the WaterColor Inn (the “Inn”), other resort operations, management fees, rental income, land sales and other joint ventures. Management perceives the Inn to be a valuable asset in the generation of revenues from sales of WaterColor homes and home sites as well as surrounding St. Joe developments. Revenues from land sales were $2.0 million in the third quarter of 2003 with related costs of $1.8 million, compared to revenues of $0.1 million in the third quarter of 2002, with related costs of less than $0.1 million. For the third quarter of 2003, the Company recorded pre-tax losses from other joint ventures of $(0.2) million, compared to pre-tax income of $0.2 million for the third quarter of 2002.

The community residential development operations also had other operating expenses, including salaries and benefits of personnel and other administrative expenses, of $11.0 million during the third quarter of 2003, compared to $8.8 million in the third quarter of 2002. The increase was primarily due to increases in project administration and marketing costs attributable to the increases in residential development activity.

Depreciation and amortization for the third quarter of 2003 increased $0.8 million to $1.9 million, compared to the third quarter of 2002. The increase was primarily due to an increase in property associated with club and resort operations.

Table of Contents

Nine Months Ended September 30

Following is a summary of activity by community (dollars in millions) in the periods indicated:

	Nine Months Ended September 30, 2003				Nine Months Ended September 30, 2002			
	Closed Units(a)	Revenues	Cost of Sales(b)	Gross Profit(b)	Closed Units(a)	Revenues	Cost of Sales(b)	Gross Profit(b)
Northwest Florida:								
Walton County:								
WaterColor	180	$ 48.1	$ 21.1	$ 27.0	160	$ 55.5	$ 28.4	$27.1
WaterSound	75	92.2	49.2	43.0	44	14.6	5.4	9.2
Bay County:								
The Hammocks	60	5.1	4.5	0.6	53	4.6	3.9	0.7
Palmetto Trace	60	8.9	8.0	0.9	25	3.7	3.3	0.4
SummerWood	—	—	—	—	12	1.8	1.6	0.2
Woodrun	—	—	—	—	1	0.3	0.3	—
Other Bay County	—	—	—	—	1	0.1	0.1	—
Leon County:								
SouthWood	149	23.5	18.3	5.2	116	18.7	14.6	4.1
Gulf County:								
WindMark Beach	13	7.4	1.4	6.0	59	18.1	4.1	14.0
Northeast Florida:								
St. Johns County:								
St. Johns Golf & Country Club	112	27.7	22.4	5.3	102	26.7	21.2	5.5
Duval County:								
James Island	46	15.4	13.3	2.1	54	16.9	14.4	2.5
Hampton Park	30	9.5	8.1	1.4	22	7.2	6.2	1.0
Central Florida:								
Volusia County:								
Victoria Park	102	17.0	14.4	2.6	50	7.4	6.1	1.3
Osceola County:								
Artisan Park	5	0.6	0.4	0.2	—	—	—	—
North Carolina and South Carolina:								
Saussy Burbank	401	79.4	72.2	7.2	354	69.4	62.1	7.3
Total		$334.8	$233.3	$101.5		$245.0	$171.7	$73.3

(a) Units are comprised of sales of home sites as well as single-family and multi-family residences.

(b) Cost of sales is a component of operating expenses. For the nine months ended September 30, 2003, cost of sales of $233.3 million plus $23.0 million of costs related to other residential operations and $30.1 million of administrative expenses totaled $286.4 million of operating expenses for this segment. For the nine months ended September 30, 2002, cost of sales of $171.7 million plus $15.6 million of costs related to other residential operations and $25.9 million of administrative expenses totaled $213.2 million of operating expenses for this segment. Gross profit equals revenues less cost of sales.

At WaterColor, during the first nine months of 2003, 158 home sites closed, generating revenue of $42.2 million and gross profit of $26.1 million, compared to 105 lots closed in the first nine months of 2002, generating revenue of $27.4 million and gross profit of $18.4 million. Gross profit on sales of home sites as a percentage of revenue decreased to 62% for the first nine months of 2003 from 67% for the first nine months of

2002 primarily due to the deferral of revenue in the third quarter of 2003 resulting from pending infrastructure development. The average price of a home site sold in the first nine months of 2003 was $280,000 compared to $261,000 in the first nine months of 2002. The increase in average lot price was primarily due to sales in the first six months of 2003 of one beach-view lot for $975,000 and three lots at an average price of $523,000 per lot. In addition, prices increased on a comparable per unit basis. Four single-family residences closed at WaterColor during the first nine months of 2003, generating revenue of $3.3 million and gross profit of $1.0 million, compared to 13 single-family residences closed during the first nine months of 2002, generating revenues of $10.5 million and gross profit of $4.0 million. Gross profit on single-family home sales as a percentage of revenue decreased to 30% for the first nine months of 2003 from 38% for the first nine months of 2002 due to changes in the product mix. The average price of a single-family residence sold in the first nine months of 2003 was $836,000, compared to $805,000 in the first nine months of 2002. The increase in average price per unit for single-family residences was primarily due to the location and size of the residences sold. There were 18 multi-family residences closed during the first nine months of 2003, compared to 42 multi-family residences closed during the first nine months of 2002. Revenue from multi-family residences, which is recorded using the percentage of completion method of accounting, was $2.6 million in the first nine months of 2003 with gross profit of $(0.1) million, compared to revenue of $17.6 million and gross profit of $4.7 million in the first nine months of 2002. The decrease in revenue on multi-family residences was due to a change in product availability. The decrease in gross profit recognized on multi-family residences was primarily due to increased development and construction costs associated with the wind up of this phase of multi-family residences.

At WaterSound Beach, 75 home sites closed during the first nine months of 2003, generating revenue of $31.9 million and gross profit of $20.1 million, compared to 44 home sites closed in the first nine months of 2002, generating revenue of $14.6 million and gross profit of $9.2 million. The average price of a lot sold in the first nine months of 2003 was $405,000, compared to $325,000 in the first nine months of 2002. The increase was due to the sales in the first quarter of 2003 of two Gulf front lots at an average price of $1,075,000, the location and size of the home sites sold and price increases on a comparable per unit basis. Revenues and costs of sales in 2003 included beachfront multi-family units for which revenue is recorded using the percentage of completion method of accounting. Revenues recognized were $60.3 million in the first nine months of 2003, with related cost of sales of $37.4 million.

At Southwood, 99 home sales closed in the first nine months of 2003, generating revenues of $18.9 million and gross profit of $2.7 million, compared to 81 home sales closed in the first nine months of 2002, generating revenues of $14.9 million and gross profit of $2.0 million. In addition, 50 home sites closed during the first nine months of 2003, generating revenues of $4.6 million and gross profit of $2.5 million, compared to 35 home sites closed during the first nine months of 2002, generating revenues of $3.8 million and gross profit of $2.1 million. The average price of a home was approximately $190,000 in the first nine months of 2003, compared to $184,000 in the first nine months of 2002.

At WindMark Beach, 13 home sites closed during the first nine months of 2003, generating revenues of $7.4 million and gross profit of $6.0 million, compared to 59 home sites closed during the first nine months of 2002, generating revenues of $18.1 million and gross profit of $14.0 million. The average price of a home site was $567,000 in the first nine months of 2003, compared to $301,000 in the first nine months of 2002. The increase in home site price was due to the relative size and location of home sites sold in each year and increases in prices of comparable lots.

At St. Johns Golf and Country Club, 83 home sales closed during the first nine months of 2003, generating revenues of $26.2 million and gross profit of $4.5 million, compared to 85 homes sales closed during the first nine months of 2002, generating revenues of $26.0 million and gross profit of $5.3 million. Gross profit on home sales as a percentage of revenue decreased to 17% for the first nine months of 2003 from 20% for the first nine months of 2002 due to increases in interest costs and contractor costs and an increase in construction personnel. In addition, 29 home sites closed during the first nine months of 2003, generating revenues of $1.5 million and gross profit of $0.8 million, compared to 17 home sites closed during the first nine months of 2002, generating revenues of $0.7 million and gross profit of $0.2 million. The average price of a home was

approximately $314,000 in the first nine months of 2003, compared to $306,000 in the first nine months of 2002.

At James Island, 46 home sales closed during the first nine months of 2003, generating revenues of $15.4 million and gross profit of $2.1 million, compared to 54 home sales closed during the first nine months of 2002, generating revenues of $16.9 million and gross profit of $2.5 million.

At Victoria Park, 76 home sales closed in the first nine months of 2003, generating revenues of $15.1 million and gross profit of $1.8 million, compared to 39 home sales closed in the first nine months of 2002, generating revenues of $6.8 million and gross profit of $1.1 million. Gross profit on home sales as a percentage of revenue decreased to 12% for the first nine months of 2003 from 15% for the first nine months of 2002 due to changes in the product mix. In addition, 26 home sites closed during the first nine months of 2003 generating revenues of $1.9 million and gross profit of $0.8 million, compared to 11 home sites closed during the first nine months of 2002, generating revenues of $0.6 million and gross profit of $0.2 million. The average price of a home was $198,000 in the first nine months of 2003, compared to $176,000 in the first nine months of 2002.

Saussy Burbank closed sales of 382 homes and 19 home sites in the first nine months of 2003, generating revenues of $79.4 million and gross profit of $7.2 million, compared to 354 home sales closed in the first nine months of 2002, generating revenues of $69.4 million and gross profit of $7.3 million. The average price of a home closed in the first nine months of 2003 was $198,000, compared to $196,000 in the first nine months of 2002.

In addition to revenues from sales of homes and home sites and the Company's equity in the income of Arvida/ JMB, the community residential development segment had revenues totaling $16.7 million for the first nine months of 2003, with $23.0 million in related costs, compared to revenues totaling $11.2 million for the first nine months of 2002, with $15.6 million in related costs. These included revenues from the Inn, other resort operations, management fees, rental income, land sales and other joint ventures. Management perceives the Inn to be a valuable asset in the generation of revenues from sales of WaterColor homes and home sites as well as surrounding St. Joe developments. Revenues from land sales were $3.0 million in the first nine months of 2003 with related costs of $1.9 million, compared to revenues of $0.5 million in the first nine months of 2002 with related costs of less than $0.1 million. For the first nine months of 2003, the Company recorded pre-tax losses from other joint ventures of $(0.8) million, compared to pre-tax losses of $(1.4) million for the first nine months of 2002.

The community residential development operations also had other operating expenses, including salaries and benefits of personnel and other administrative expenses, of $30.1 million during the first nine months of 2003, compared to $25.9 million in the first nine months of 2002. The increase was primarily due to increases in project administration costs and marketing costs attributable to the increase in residential development activity.

Depreciation and amortization for the first nine months of 2003 increased $2.5 million to $5.4 million, compared to the first nine months of 2002. The increase was primarily due to an increase in property associated with club and resort operations.

Commercial Real Estate Development and Services

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2003	2002	2003	2002
Revenues	$29.3	$23.0	$89.7	$68.1
Operating expenses	23.5	19.0	67.1	57.8
Depreciation and amortization	3.6	3.0	10.0	7.3
Impairment loss	—	—	14.1	—
Other expense	(1.9)	(2.0)	(5.7)	(5.5)
Pretax (loss) income from continuing operations	0.3	(1.0)	(7.2)	(2.5)

Operations of the commercial real estate development and services segment include development of St. Joe properties and rental income from St. Joe's investment property portfolio ("St. Joe Commercial"), the Advantis service businesses, and investments in unconsolidated affiliates.

St. Joe Commercial is converting timberland across Northwest Florida into commerce parks. Currently, the Company has commerce parks operating or under development in six Northwest Florida counties.

Development Property

In the third quarter of 2003, St. Joe Commercial continued development of WaterColor Crossings, a commercial center in WaterColor, with a new full-service 28,800-square-foot Publix Super Market scheduled to open in December of 2003. The center has an additional 14,400 square feet of retail space and three out-parcels for retail operations.

At SouthWood Village, a retail development within SouthWood, a new Publix Super Market opened in the third quarter of 2003. SouthWood Village has an additional 18,000 square feet of retail space and 11 out-parcels for retail operations.

Beckrich Office Two, the second 35,000-square-foot office building in Beckrich Office Park in Panama City Beach, was completed in the third quarter of 2003. Leasing activity is underway.

During the third quarter, predevelopment planning began on Highland Commons, a retail project in Panama City Beach, Florida. Also during the third quarter, a contract was accepted from Home Depot for a 14-acre site to be used for a 140,000-square-foot store in Highland Commons, which is located across U.S. 98 from Beckrich Office Park.

Infrastructure construction continues at Pier Park, a mixed-use project in Panama City Beach, Florida. Pier Park is a public/private venture between St. Joe and the City of Panama City Beach with plans featuring retail, dining and family entertainment venues. Adjacent to six acres of white-sand beach, the project has 50 acres of land available for retail, dining and entertainment facilities near the beach, plus hotel and timeshare sites and 70 acres of highway-oriented commercial land.

Commerce Parks

St. Joe Commercial has commerce parks operating or under development in six Northwest Florida counties. At September 30, 2003, St. Joe Commercial was selling land in three developed commercial parks, totaling 258 net saleable acres offered at prices ranging from $30,000 to $435,000 per acre. Planning is underway for seven additional commerce parks, totaling 553 net saleable acres offered at prices ranging from $30,000 to $435,000 per acre.

Three Months Ended September 30

Rental revenues generated by operating properties owned by St. Joe Commercial were $9.8 million during the third quarter of 2003, an increase of 14%, compared to $8.6 million in the third quarter of 2002. The increase was primarily attributable to four new buildings placed in service or acquired, partially offset by two buildings sold, since the third quarter of 2002. Operating expenses relating to these revenues were $4.2 million, an increase of 27% compared to $3.3 million in the third quarter of 2002. As of September 30, 2003, St. Joe Commercial had interests in 22 operating properties with 2.7 million total rentable square feet in service. As of September 30, 2002, St. Joe Commercial had interests in 20 operating properties with 2.3 million total rentable square feet in service. At September 30, 2003 and 2002, three buildings that are owned by partnerships and accounted for using the equity method of accounting totaled approximately 0.4 million square feet. The overall leased percentage decreased to 78% at September 30, 2003, compared to 81% at September 30, 2002. During the fourth quarter of 2002, the Company sold its interests in Tree of Life and Nextel Call Center, two buildings with leased percentages of 100% at September 30, 2002. Additionally, the Company is still in the process of procuring tenants for Beckrich Office II and 245 Riverside, two buildings for which development was recently completed. In the third quarter of 2003, the Company purchased Crescent Ridge, a 100% leased office building in Charlotte, North Carolina. Less than 0.1 million square feet of office space was under construction as of September 30, 2003.

The Company uses net operating income (“NOI”) as a measure to evaluate the performance of the commercial operating properties. Information about commercial income producing properties owned or managed by the Company, along with results of operations for the third quarter of 2003 and 2002, is presented in the tables below.

	Location	Net Rentable Square Feet at September 30, 2003	Percentage Leased at September 30, 2003	Net Rentable Square Feet at September 30, 2002	Percentage Leased at September 30, 2002
Buildings purchased with tax-deferred proceeds:					
Harbourside	Clearwater, FL	147,000	92%	147,000	87%
Prestige Place I and II	Clearwater, FL	143,000	86	143,000	84
Lakeview	Tampa, FL	125,000	77	125,000	76
Palm Court	Tampa, FL	62,000	60	62,000	93
Westside Corporate Center	Plantation, FL	100,000	74	100,000	80
280 Interstate North	Atlanta, GA	126,000	67	126,000	92
Southhall Center	Orlando, FL	155,000	88	155,000	95
1133 20th Street	Washington, DC	119,000	99	119,000	99
1750 K Street	Washington, DC	152,000	87	152,000	94
Millenia Park One	Orlando, FL	158,000	62	158,000	44
Beckrich Office One	Panama City Beach, FL	34,000	88	34,000	88
5660 New Northside	Atlanta, GA	275,000	91	(b)	(b)
SouthWood Office One	Tallahassee, FL	88,000	58	88,000	51
Crescent Ridge	Charlotte, NC	158,000	100	(b)	(b)
Subtotal		1,842,000		1,409,000	

Table of Contents

	Location	Net Rentable Square Feet at September 30, 2003	Percentage Leased at September 30, 2003	Net Rentable Square Feet at September 30, 2002	Percentage Leased at September 30, 2002
Development property:					
Westchase Corporate Center	Houston, TX	184,000	93	184,000	87
Tree of Life	St. Augustine, FL	(a)	(a)	69,000	100
TNT Logistics	Jacksonville, FL	99,000	83	99,000	73
245 Riverside	Jacksonville, FL	134,000	38	(b)	(b)
Nextel Call Center	Panama City Beach, FL	(a)	(a)	67,000	100
Beckrich Office II	Panama City Beach, FL	34,000	8	(b)	(b)
Subtotal		451,000		419,000	
Total		2,293,000		1,828,000	

(a) These properties were sold prior to the date reported.

(b) These properties were acquired or completed after the date reported.

	Three Months Ended September 30, 2003					Three Months Ended September 30, 2002				
	Rental Revenues	Operating Expenses (a)	NOI (b)	Adjustments (c)	Pre-tax Income (Loss)	Rental Revenues	Operating Expenses (a)	NOI (b)	Adjustments (c)	Pre-tax Income (Loss)
	(In millions)									
Buildings purchased withtax-deferred proceeds:										
Harbourside	$0.9	$0.3	$0.6	$(0.4)	$ 0.2	$0.7	$0.3	$0.4	$(0.4)	$ —
Prestige Place I and II	0.5	0.3	0.2	(0.2)	—	0.5	0.2	0.3	(0.3)	—
Lakeview	0.5	0.2	0.3	(0.4)	(0.1)	0.8	0.3	0.5	(0.3)	0.2
Palm Court	0.1	0.1	—	—	—	0.2	0.1	0.1	(0.1)	—
Westside Corporate Center	0.5	0.2	0.3	(0.2)	0.1	0.5	0.3	0.2	(0.3)	(0.1)
280 Interstate North	0.4	0.2	0.2	(0.2)	—	0.6	0.2	0.4	(0.3)	0.1
Southhall Center	0.7	0.3	0.4	(0.4)	—	0.8	0.3	0.5	(0.4)	0.1
1133 20th Street	1.0	0.4	0.6	(0.5)	0.1	1.0	0.3	0.7	(0.5)	0.2
1750 K Street	1.3	0.5	0.8	(0.7)	0.1	1.3	0.5	0.8	(0.6)	0.2
Millenia Park One	0.5	0.2	0.3	(0.4)	(0.1)	0.4	0.2	0.2	(0.3)	(0.1)
Beckrich Office One	0.1	0.1	—	—	—	0.1	—	0.1	(0.1)	—
5660 New Northside	1.2	0.5	0.7	(0.4)	0.3	—	—	—	—	—
SouthWood Office One	0.2	0.1	0.1	(0.1)	—	—	—	—	—	—
Crescent Ridge	0.3	0.1	0.2	(0.2)	—	—				
Subtotal	$8.2	$3.5	$4.7	$(4.1)	$ 0.6	$6.9	$2.7	$4.2	$(3.6)	$ 0.6
Development property:										
Westchase Corporate Center	1.0	0.4	0.6	(0.5)	0.1	0.9	0.4	0.5	(0.5)	—
Tree of Life	—	—	—	—	—	0.3	0.1	0.2	(0.2)	—
TNT Logistics	0.3	0.1	0.2	(0.2)	—	0.3	0.1	0.2	(0.2)	—
245 Riverside	0.3	0.2	0.1	(0.3)	(0.2)	—	—	—	—	—
Nextel Call Center	—	—	—	—	—	0.2	—	0.2	(0.1)	0.1
Other	—	—	—	—	—	—	—	—	—	—
Subtotal	$1.6	$0.7	$0.9	$(1.0)	$(0.1)	$1.7	$0.6	$1.1	$(1.0)	$ 0.1
Total	$9.8	$4.2	$5.6	$(5.1)	$ 0.5	$8.6	$3.3	$5.3	$(4.6)	$ 0.7

(a) For the quarter ended September 30, 2003, operating expenses of rental operations of $4.2 million plus $17.2 million in operating expenses for Advantis, $0.3 million of cost of real estate sales, and $1.8 million of administrative expenses totaled $23.5 million of operating expenses for this segment. For the quarter ended September 30, 2002, operating expenses of rental operations of $3.3 million plus $13.8 million in

operating expenses for Advantis, $0.1 million of cost of real estate sales, and $1.8 million of administrative expenses totaled $19.0 million of operating expenses for this segment.

(b) NOI is defined as rental revenues less operating expenses.

(c) Adjustments include interest expense, depreciation and amortization.

Operating revenues generated from Advantis totaled $16.8 million during the third quarter of 2003 compared with $13.9 million for the third quarter of 2002. The 21% increase was primarily due to an increase in construction revenues. Advantis' expenses, excluding depreciation and amortization, were $17.2 million during the third quarter of 2003 compared with $13.8 million for the third quarter of 2002, an increase of 25%. The increase was due to increases in construction costs associated with the increase in construction revenues and an increase in office administration expenses. Advantis' expenses included construction costs, commissions paid to brokers, property management expenses, and office administration expenses.

During the third quarter of 2003, St. Joe Commercial realized $0.9 million in revenue from real estate sales with related costs of $0.3 million. This included the sale of approximately 13.6 acres at Beach Commerce Center, generating revenues of $0.7 million and gross profit of $0.5 million, the sale of approximately 1.3 acres at Port St. Joe Commerce Center, generating revenues and gross profit of less than $0.1 million, and miscellaneous commercial land sales of approximately 8.9 acres, generating revenues of $0.2 million and gross profit of $0.1 million. During the third quarter of 2002, St. Joe Commercial realized $0.4 million in revenue from real estate sales with related costs of less than $0.1 million.

The Company has investments in various real estate developments and affiliates that are accounted for by the equity method of accounting. Earnings from these investments contributed $1.5 million to revenues in the third quarter of 2003, compared to a loss of $(0.1) million in the third quarter of 2002. The Company also had development fees earned of $0.3 million in the third quarter of 2003, compared to $0.2 million in the third quarter of 2002.

General and administrative expenses for St. Joe Commercial, which are included in operating expenses, were $1.8 million for the third quarter of 2003 and for the third quarter of 2002.

Depreciation and amortization, which is primarily made up of depreciation on operating properties, was $3.6 million for the third quarter of 2003, compared to $3.0 million for the third quarter of 2002. The increase in depreciation was primarily due to an increase in commercial buildings that are 100% owned by the Company and are fully consolidated for accounting purposes.

Nine Months Ended September 30

Rental revenues generated by St. Joe Commercial owned operating properties were $28.7 million during the first nine months of 2003, an increase of 19%, compared to $24.1 million in the first nine months of 2002. The increase was primarily caused by four new buildings placed in service or acquired, partially offset by two buildings sold, since the third quarter of 2002. Operating expenses relating to these revenues were $11.6 million, an increase of 33% compared to $8.7 million for the first nine months of 2002. As of September 30, 2003, St. Joe Commercial had interests in 22 operating properties with 2.7 million total rentable square feet in service. As of September 30, 2002, St. Joe Commercial had interests in 20 operating properties with 2.2 million total rentable square feet in service. At September 30, 2003 and 2002, three buildings that are owned by partnerships and accounted for using the equity method of accounting totaled approximately 0.4 million square feet. The overall leased percentage decreased to 78% at September 30, 2003, compared to 81% at September 30, 2002. During the fourth quarter of 2002, the Company sold its interests in Tree of Life and Nextel Call Center, two buildings with leased percentages of 100% at September 30, 2002. Additionally, the Company is still in the process of procuring tenants for Beckrich Office II and 245 Riverside, two buildings for which development was recently completed. In the third quarter of 2003, the Company purchased Crescent Ridge, a 100% leased office building in Charlotte, North Carolina. Less than 0.1 million square feet of office space was under construction as of September 30, 2003.

The Company uses NOI as a measure to evaluate the performance of the commercial operating properties. Results of operations for the commercial operating properties for the first nine months of 2003 and 2002 is presented in the table below.

	Nine Months Ended September 30, 2003					Nine Months Ended September 30, 2002				
	Rental Revenues	Operating Expenses (a)	NOI (b)	Adjustments (c)	Pre-tax Income (Loss)	Rental Revenues	Operating Expenses (a)	NOI (b)	Adjustments (c)	Pre-tax Income (Loss)
	(In millions)									
Buildings purchased with tax-deferred proceeds:										
Harbourside	$ 2.3	$ 0.8	$ 1.5	$ (1.2)	$ 0.3	$ 1.8	$0.7	$ 1.1	$ (1.1)	$ —
Prestige Place I and II	1.6	0.8	0.8	(0.8)	—	1.5	0.7	0.8	(0.9)	(0.1)
Lakeview	1.5	0.7	0.8	(1.0)	(0.2)	1.9	0.7	1.2	(0.9)	0.3
Palm Court	0.3	0.3	—	(0.2)	(0.2)	0.6	0.2	0.4	(0.4)	—
Westside Corporate Center	1.5	0.6	0.9	(0.8)	0.1	1.4	0.6	0.8	(0.7)	0.1
280 Interstate North	1.3	0.6	0.7	(0.7)	—	1.7	0.6	1.1	(0.8)	0.3
Southhall Center	2.1	0.7	1.4	(1.2)	0.2	2.6	0.8	1.8	(1.2)	0.6
1133 20th Street	2.9	1.1	1.8	(1.5)	0.3	3.1	1.0	2.1	(1.5)	0.6
1750 K Street	4.1	1.5	2.6	(2.1)	0.5	4.0	1.3	2.7	(1.5)	1.2
Millenia Park One	1.3	0.6	0.7	(1.1)	(0.4)	0.6	0.3	0.3	(0.3)	—
Beckrich Office One	0.5	0.3	0.2	(0.1)	0.1	0.1	0.1	—	—	—
5660 New Northside	4.4	1.4	3.0	(1.1)	1.9	—	—	—	—	—
SouthWood Office One	0.2	0.1	0.1	(0.2)	(0.1)	—	—	—	—	—
Crescent Ridge	0.3	0.1	0.2	(0.2)	—					
Subtotal	$24.3	$ 9.6	$14.7	$(12.2)	$ 2.5	$19.3	$7.0	$12.3	$ (9.3)	$ 3.0
Development property:										
Westchase Corporate Center	3.1	1.2	1.9	(1.5)	0.4	2.6	1.1	1.5	(1.7)	(0.2)
Tree of Life	—	—	—	—	—	0.9	0.3	0.6	(0.6)	—
TNT Logistics	1.0	0.4	0.6	(0.5)	0.1	0.8	0.2	0.6	(0.4)	0.2
245 Riverside	0.6	0.4	0.2	(0.5)	(0.3)	—	—	—	—	—
Nextel Call Center	—	—	—	—	—	0.5	0.1	0.4	(0.4)	—
Other	(0.3)	—	(0.3)	0.2	(0.1)	—	—	—	—	—
Subtotal	$ 4.4	$ 2.0	$ 2.4	$ (2.3)	$ 0.1	$ 4.8	$1.7	$ 3.1	$ (3.1)	$ —
Total	$28.7	$11.6	$17.1	$(14.5)	$ 2.6	$24.1	$8.7	$15.4	$(12.4)	$ 3.0

(a) For the nine months ended September 30, 2003, operating expenses of rental operations of $11.6 million plus $45.3 million in operating expenses for Advantis, $4.6 million of cost of real estate sales, and $5.6 million of administrative expenses totaled $67.1 million of operating expenses for this segment. For the nine months ended September 30, 2002, operating expenses of rental operations of $8.7 million plus $42.6 million in operating expenses for Advantis, $1.4 million of cost of real estate sales, and $5.1 million of administrative expenses totaled $57.8 million of operating expenses for this segment.

(b) NOI is defined as rental revenues less operating expenses.

(c) Adjustments include interest expense, depreciation and amortization.

Operating revenues generated from Advantis totaled $42.6 million during the first nine months of 2003 compared with $41.1 million for the first nine months of 2002, an increase of 4% due to increases in brokerage and construction revenues, which were partially offset by a small decrease in management services revenues. Advantis' expenses were $45.3 million during the first nine months of 2003 compared with $42.6 million for the first nine months of 2002, an increase of 6%. Advantis' expenses included commissions paid to brokers, property management expenses, office administration expenses and construction costs. As previously discussed, in the second quarter of 2003, the Company recorded an impairment loss to reduce the carrying amount of Advantis' goodwill from $28.9 million to $14.8 million, pursuant to Statement of Financial Accounting Standards No. 142, *Goodwill and Other Intangible Assets.* See note 6 of Notes to Consolidated Financial Statements.

During the first nine months of 2003, St. Joe Commercial realized $15.1 million in revenue from real estate sales with related costs of $4.6 million. This included sales of retail commercial real estate in Bay, Leon, and Walton Counties of approximately 139.4 acres, generating revenues of $10.0 million and gross profit of $7.2 million, the sale of approximately 2.3 acres in Texas, generating revenues of $1.0 million and gross profit of $0.3 million, miscellaneous commercial land sales of approximately 42.3 acres, generating revenues of $1.5 million and gross profit of $1.3 million, the sale of approximately 36.2 acres at Beach Commerce Center, generating revenues of $2.2 million and gross profit of $1.5 million, and the sale of approximately 17.3 acres at Port St. Joe Commerce Center, generating revenues of $0.4 million and gross profit of $0.2 million. During the first nine months of 2002, St. Joe Commercial realized $3.1 million in revenue from real estate sales, which primarily represented sales of Florida and Texas real estate, with related costs of approximately $1.4 million.

The Company has investments in various real estate developments and affiliates that are accounted for by the equity method of accounting. Earnings from these investments contributed $1.8 million to revenues in the first nine months of 2003, compared to a loss of $(0.9) million in the first nine months of 2002. The Company also had development fees earned of $1.5 million in the first nine months of 2003, compared to $0.7 million in the first nine months of 2002.

General and administrative expenses for St. Joe Commercial, which are included in operating expenses, were $5.6 million for the first nine months of 2003, compared to $5.1 million in the first nine months of 2002. The increase was due to an increase in salaries and benefits and an increase in other general and administrative expenses resulting from increased real estate rental and sales activity.

Depreciation and amortization, which is primarily made up of depreciation on operating properties, was $10.0 million for the first nine months of 2003, compared to $7.3 million for the first nine months of 2002. The increase in depreciation was primarily due to an increase in commercial buildings that are 100% owned by the Company and are fully consolidated for accounting purposes.

Land Sales

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2003	2002	2003	2002
Revenues	$19.0	$11.9	$58.7	$47.8
Operating expenses	4.2	3.3	13.4	10.5
Depreciation and amortization	—	—	0.2	—
Other income (expense)	—	—	0.1	0.2
Pretax income from continuing operations	14.8	8.6	45.2	37.5

St. Joe Land Company sells parcels of land from a portion of timberland held by the Company in Northwest Florida. These parcels can be used as secluded home sites, ranches, farms, hunting and fishing preserves and for other recreational uses. The Company also sells conservation land to government and conservation groups.

RiverCamps on Crooked Creek in Bay County is planned to be the first RiverCamps location to have homes and home sites ready for sale. Located on approximately 1,500 acres of former timberland with water on three sides, RiverCamps on Crooked Creek is planned for 450 home sites and features views of West Bay, the Intracoastal Waterway and Crooked Creek. Infrastructure construction for the first phase began at the end of the third quarter of 2003. In October 2003, the sales process began at RiverCamps on Crooked Creek, with over 300 potential buyers submitting offers for the first release of 23 home sites. A lottery process was initiated to choose buyers. Future releases of home sites at RiverCamps at Crooked Creek are scheduled to begin in mid-2004. Construction of three RiverCamps proto-type homes is expected to start in the fourth quarter of 2003. Planning is also underway on other potential RiverCamps sites.

Three Months Ended September 30

During the third quarter of 2003, the land sales division, excluding conservation land sales, had revenues of $15.1 million, which represented sales from 43 transactions totaling 9,051 acres at an average price of $1,667 per acre. During the third quarter of 2002, revenues were $11.7 million, representing sales from 43 transactions totaling 8,133 acres at an average price of $1,439 per acre. Gross profit resulting from land sales in the third quarter of 2003 totaled $12.8 million, or 84% of total revenue, as compared to $9.7 million in the third quarter of 2002, or 84% of total revenue. The average price per acre achieved varies based on the characteristics of the particular acreage sold.

During the third quarter of 2003, the Company sold 2,734 acres of conservation land for proceeds of $3.9 million, or $1,414 per acre. During the third quarter of 2002, the Company sold 78 acres of conservation land for proceeds of approximately $0.2 million, or $1,934 per acre. Gross profit from conservation land sales totaled $3.9 million, or 100% of total revenue, for the third quarter of 2003, compared to approximately $137,000, or 91% of total revenue, for the third quarter of 2002.

Nine Months Ended September 30

During the first nine months of 2003, the land sales division, excluding conservation land sales, had revenues of $33.5 million, which included sales from 129 transactions totaling 18,495 acres at an average price of $1,850 per acre. During the first nine months of 2002, revenues were $39.2 million, representing sales from 124 transactions totaling 23,094 acres at an average price of $1,697 per acre. Gross profit resulting from land sales in the first nine months of 2003 totaled $28.0 million, or 84% of total revenue, as compared to $33.9 million in the first nine months of 2002, or 88% of total revenue. The average price per acre achieved varies based on the characteristics of the particular acreage sold. The decrease in gross profit as a percentage of revenue was primarily due to higher closing costs and cost of sales in the first quarter of 2003 than in the first quarter of 2002.

Also included in land sales for the first nine months of 2003 was the sale of the 2003 HGTV Dream Home, located on East Bay in Bay County, Florida. This sale generated revenue of $0.7 million with related costs of $0.7 million.

During the first nine months of 2003, the Company sold 21,344 acres of conservation land for proceeds of $24.5 million, or $1,146 per acre. During the first nine months of 2002, the Company sold 7,586 acres of conservation lands for proceeds of $8.6 million, or $1,137 per acre. Gross profit resulting from conservation land sales in the first nine months of 2003 totaled approximately $22.2 million, or 91% of total revenue, compared to $7.5 million, or 87% of total revenue, in the first nine months of 2002.

Currently, there is activity underway to sell three additional parcels in 2003, totaling approximately 56,600 acres of conservation land, to state and private conservation interests. Additionally, 17 tracts totaling more than 118,000 acres are being considered for sale in years 2004 to 2006. Since conservation land sales generally are derived from public funding, the timing, sequence and viability of these transactions are uncertain, and some transactions could be delayed or cancelled.

Forestry

	Three Months Ended June 30,		Six Months Ended June 30,	
	2003	2002	2003	2002
Revenues	$8.5	$9.5	$28.2	$31.8
Operating expenses	6.3	7.5	21.2	24.6
Depreciation and amortization	1.0	1.0	3.1	3.1
Other income (expense)	0.6	0.7	1.9	1.8
Pretax income from continuing operations	1.8	1.7	5.8	5.9

Three Months Ended September 30

Total revenues for the forestry segment were $8.5 million in the third quarter of 2003, compared to $9.5 million in the third quarter of 2002. Total sales under the Company's fiber agreement with Jefferson Smurfit, also known as Smurfit-Stone Container Corporation ("Smurfit-Stone"), were $3.0 million (168,000 tons) for the third quarter of 2003, compared to $3.1 million (174,000 tons) for the third quarter of 2002. The decrease in revenue was primarily due to the decrease in volume. Sales to other customers totaled $3.8 million (199,000 tons) for the third quarter of 2003, compared to $4.3 million (187,000 tons) for the third quarter of 2002. The decrease in sales to other customers was due to the sale of a lower percentage of higher margin saw timber products in the third quarter of 2003 than in the third quarter of 2002. Revenues from the Company's cypress mill operation were $1.7 million for the third quarter of 2003, compared to $2.1 million in the third quarter of 2002.

Operating expenses were $6.3 million for the third quarter of 2003, compared to $7.5 million for the third quarter of 2002. Cost of sales, which are included in operating expenses, were $5.7 million, or 67% of revenues, in the third quarter of 2003 as compared to $6.9 million, or 73% of revenues, in the third quarter of 2002. The decrease in cost of sales was primarily due to a decrease in costs associated with the chip plant, which was sold in the fourth quarter of 2002. Cost of sales for the cypress mill operation was $1.3 million in the third quarter of 2003, compared to $1.4 million in the third quarter of 2002. Other operating expenses, excluding depreciation, were $0.6 million in the third quarter of 2003 and in the third quarter of 2002.

Nine Months Ended September 30

Total revenues for the forestry segment were $28.2 million for the first nine months of 2003, compared to $31.8 million for the first nine months of 2002. Total sales under the Company's fiber agreement with Smurfit-Stone were $8.7 million (504,000 tons) for the first nine months of 2003, compared to $9.6 million (528,000 tons) for the first nine months of 2002. The decrease in revenue was due to a decrease in volume and to sales in the third quarter of 2002 of $2.3 million (101,000 tons) from the chip plant, which was sold in the fourth quarter of 2002. Sales to other customers totaled $12.3 million (656,000 tons) for the first nine months of 2003, compared to $14.7 million (596,000 tons) for the first nine months of 2002. The decrease in sales to other customers was due to the sale of a lower percentage of higher margin saw timber products in the first nine months of 2003 than in the first nine months of 2002. Revenues from the cypress mill operation were $7.2 million for the first nine months of 2003, compared to $7.5 million for the first nine months of 2002.

Operating expenses were $21.2 million for the first nine months of 2003, compared to $24.6 million for the first nine months of 2002. Cost of sales, which are included in operating expenses, were $19.3 million, or 69% of revenues, in the first nine months of 2003 as compared to $22.8 million, or 72% of revenues, in the first nine months of 2002. The decrease in cost of sales was primarily due to a decrease in costs associated with the chip plant, which was sold in the fourth quarter of 2002. Cost of sales for the cypress mill operation was $6.2 million in the first nine months of 2003, compared to $5.7 million in the first nine months of 2002. Other operating expenses, excluding depreciation, were $1.9 million in the first nine months of 2003, compared to $1.8 million in the first nine months of 2002.

Liquidity and Capital Resources

The Company generates cash from its:

- Operations;
- Investments and other liquid assets;
- Sales of land holdings, other assets and subsidiaries;
- Borrowings from financial institutions and other debt; and
- Issuances of equity, including exercises of employee stock options.

The Company uses cash for:

- Operations;
- Real estate development;
- Construction and homebuilding;
- Repurchases of the Company's common stock;
- Payments of dividends;
- Repayments of debt; and
- Investments in joint ventures and acquisitions.

Management believes that the financial condition of the Company is strong and that the Company's cash, investments, real estate and other assets, operating cash flows, and borrowing capacity, taken together, provide adequate resources to fund ongoing operating requirements and future capital expenditures related to the expansion of existing businesses, including the continued investment in real estate developments. If the liquidity of the Company is not adequate to fund operating requirements, capital development, stock repurchases, and dividends, the Company has various alternatives to change its cash flow, including eliminating or reducing its stock repurchase program, eliminating or reducing dividends, altering the timing of its development projects and/or selling existing assets.

Cash Flows from Operating Activities

Net cash provided by operations in the first nine months of 2003 and 2002 were $9.7 million and $8.9 million, respectively. During such periods, expenditures relating to the Company's community residential development segment were $243.5 million and $214.0 million, respectively.

Cash Flows from Investing Activities

Net cash used in investing activities for the first nine months of 2003 was $18.1 million. Cash flows from investing activities in 2003 included proceeds from sales of assets totaling $68.7 million and capital expenditures of $66.6 million, consisting of a commercial building purchase, commercial property development, residential club and resort property development, and other property, plant and equipment purchases. Net cash provided by investing activities for the first nine months of 2002 totaled $113.4 million. Included in 2002 cash flows from investing activities was $138.7 million of proceeds received on the sale of ARS, reflecting gross proceeds less closing costs and cash balances of ARS at closing. Also included were capital expenditures of $74.4 million, consisting of commercial property acquisitions and development and other property, plant and equipment.

On July 2, 2003, the Company purchased the 26% interest in St. Joe/ Arvida that it did not previously own for $20.0 million in cash. As a result of this purchase, St. Joe/ Arvida is now a wholly owned subsidiary of the Company. As part of the purchase, the dispute was settled regarding the use of the "Arvida" name by the Company and its affiliates.

Cash Flows from Financing Activities

In the first nine months of 2003, cash flows used in financing activities totaled $1.4 million. In the first nine months of 2002, cash flows used in financing activities totaled $85.4 million.

During the first nine months of 2003, the Company secured borrowings collateralized by its commercial property of $11.1 million, and recorded additional community development district ("CDD") debt of $15.9 million. During the first nine months of 2002, the Company secured borrowings collateralized by its commercial property of $26.0 million and recorded additional CDD debt of $4.1 million.

The Company has a $250 million credit facility for general corporate purposes that matures on March 30, 2005. At September 30, 2003, the balance outstanding on the credit facility was $30 million. At December 31, 2002, there was no balance outstanding on the credit facility.

The credit facility and the Company's medium-term notes ($175.0 million of which were outstanding at September 30, 2003) include financial performance covenants relating to the Company's leverage, interest coverage and net worth positions, as well as negative pledge restrictions. Management believes that the Company is currently in compliance with the covenants of the credit facility and the medium-term notes.

The Company has used CDD bonds to finance the construction of on-site infrastructure improvements at four projects. The principal and interest payments on the bonds are paid by assessments on, or from sales proceeds of, the properties benefited by the improvements financed by the bonds. The Company records a liability for future assessments which are fixed or determinable and will be levied against properties owned by the Company. At September 30, 2003, CDD bonds totaling $99.5 million had been issued, of which $77.1 million had been expended. At December 31, 2002, CDD bonds totaling $83.5 million had been issued, of which $49.4 million had been expended. In accordance with Emerging Issues Task Force Issue 91-10, "Accounting for Special Assessments and Tax Increment Financing," the Company has recorded $27.2 million and $11.3 million of this obligation as of September 30, 2003 and December 31, 2002, respectively.

In August 2002, the Company's Board of Directors authorized $150 million for the repurchase of the Company's outstanding common stock from time to time on the open market (the "St. Joe Stock Repurchase Program"), of which $61.4 million remained available at September 30, 2003. From August 1998 through August 2002, the Company's Board of Directors authorized a total of $650 million for the St. Joe Stock Repurchase Program, of which a total of approximately $588.6 million has been expended through September 30, 2003.

Beginning in December 2000 for an initial 90-day term and for additional 90-day terms from time to time (currently through February 6, 2004), the Alfred I. duPont Testamentary Trust (the "Trust"), the principal stockholder of the Company, and the Trust's beneficiary, the Nemours Foundation (the "Foundation") have agreed to participate in the St. Joe Stock Repurchase Program. Pursuant to this agreement, the Trust or the Foundation will sell to the Company each Monday a number of shares equal to 0.47 (the "share multiplier") times the amount of shares the Company purchased from the public during the previous week, if any, at a price equal to the volume weighted average price, excluding commissions, paid by the Company for shares purchased from the public during that week. However, the Trust and the Foundation are not required to sell shares to the Company if the volume weighted average price of shares repurchased by St. Joe from the public during that prior week is below $30.00 per share (the "floor price"). Effective November 10, 2003, the share multiplier decreased from 0.9 and the floor price increased from $27.00 per share, which had been in effect since February 7, 2003.

As of September 30, 2003, a total of 15,728,366 shares have been repurchased on the open market and 7,464,476 shares have been repurchased from the Trust and the Foundation since inception of the program. The Company expended $59.0 million in the first nine months of 2003 for the purchase of its common stock from the public, the Trust and the Foundation, compared to $116.9 million in the first nine months of 2002. In addition, during the nine months ended September 30, 2003, 341,884 shares of stock with a value of $10.0 million, were surrendered to the Company by company executives as payment for the strike price and taxes due on exercised stock options, and taxes due on vested restricted stock. During the nine months ended September 30, 2002, 65,377 shares with a value of $1.9 million were surrendered to the Company by company executives as payment for the strike price and taxes due on exercised stock options and taxes due on vested restricted stock.

The SEC recently amended Rule 10b-18, which provides a "safe harbor" from liability for manipulation when issuers purchase their own stock in the open market in compliance with the conditions of the rule. These conditions include a requirement that issuers purchase stock within certain daily volume limits. The recent amendments may have the effect of reducing the number of shares which the Company could purchase in the open market on a daily basis pursuant to the St. Joe Stock Repurchase Program.

The Company's Board of Directors declared a quarterly cash dividend for the third quarter of 2003 of $0.12 per share on the Company's common stock. The dividend was paid on September 30, 2003 to shareholders of record at the close of business on September 16, 2003. The total amount expended for payment of the dividend was $9.1 million. In the first nine months of 2003, the Company expended a total of $15.2 million for payment of dividends. In the first nine months of 2002, the Company expended $6.5 million for payment of dividends. The Company intends to review the payment of dividends in the future on a quarterly basis.

Off-Balance Sheet Debt

The Company selectively has entered into business relationships through the form of partnerships and joint ventures with unrelated third parties. These partnerships and joint ventures are utilized to develop or manage real estate projects and services. At September 30, 2003, four of these partnerships had debt outstanding totaling $52.6 million. The Company is wholly or jointly and severally liable as guarantor on these credit obligations. The maximum amount of the debt guaranteed by the Company is $54.5 million. The Company believes that future contributions, if required, will not have a significant impact on the Company's liquidity or financial position.

Forward Sale Contract

On October 15, 1999, the Company entered into three-year forward sale contracts with a major financial institution that led to the ultimate disposition of its investments in equity securities. Under the forward sale agreement, on October 15, 1999, the Company received approximately $111.1 million in cash in exchange for future delivery of a number of these equity securities to the financial institution. The agreement allowed the Company to retain an amount of the securities that represented appreciation up to 20% of their value on October 15, 1999. On February 26, 2002, the Company settled a portion of the forward sale contracts and recognized a pre-tax gain of $94.7 million ($61.6 million, net of taxes).

On October 15, 2002, the remainder of the Forward Sale Contracts matured and the Company delivered the remaining equity securities to fully settle the Forward Sale Contracts, including the related debt balance. In the fourth quarter of 2002, the Company recognized a pre-tax gain of approximately $38.0 million, $24.7 million net of taxes, on maturity of the remaining contracts. Net cash received at maturity was $0.2 million.

Contractual Obligations and Commercial Commitments

There have been no material changes to contractual obligations and commercial commitments during the first nine months of 2003.

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

There have been no material changes to quantitative and qualitative disclosures about market risk during the first nine months of 2003.

Item 4. ***Controls and Procedures***

(a) Evaluation of Disclosure Controls and Procedures. Our Chief Executive Officer and Chief Financial Officer have evaluated the effectiveness of the Company's disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the period covered by this report. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of the period covered by this report, our disclosure controls and procedures are effective in bringing to their attention on a timely basis material information relating to the Company (including its consolidated subsidiaries) required to be included in the Company's periodic filings under the Exchange Act.

(b) Changes in Internal Controls. During the quarter ended September 30, 2003 and since the end of such period, there have not been any significant changes in our internal controls or in other factors that could significantly affect our internal controls.

PART II — OTHER INFORMATION

Item 1. ***Legal Proceedings***

See Part I, Item 1, Note 10.

Item 6. ***Exhibits and Reports on Form 8-K***

(a) *Exhibits*

3.1	Restated and Amended Articles of Incorporation dated May 12, 1998 (incorporated by reference to Exhibit 3.1 of the registrant's registration statement on Form S-1 (File No. 333-89146)).
3.2	Amended and Restated By-laws of the registrant (incorporated by reference to Exhibit 3.01 to the registrant's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2002 (File No. 1-10466)).
4.1	Registration Rights Agreement between the registrant and the Alfred I. duPont Testamentary Trust, dated December 16, 1997 (incorporated by reference to Exhibit 4.01 to the registrant's Amendment No. 1 to the registration statement on Form S-3 (File No. 333-42397)).
4.2	Amendment No. 1 to the Registration Rights Agreement between the Alfred I. duPont Testamentary Trust and the registrant, dated January 26, 1998 (incorporated by reference to Exhibit 4.2 of the registrant's registration statement on Form S-1 (File No. 333-89146)).
4.3	Amendment No. 2 to the Registration Rights Agreement between the Alfred I. duPont Testamentary Trust and the registrant, dated May 24, 2002 (incorporated by reference to Exhibit 4.3 of the registrant's registration statement on Form S-1 (File No. 333-89146)).
4.4	Amendment No. 3 to the Registration Rights Agreement between the Alfred I duPont Testamentary Trust and the registrant dated September 5, 2003 (incorporated by reference to Exhibit 4.4 of the registrant's registration statement on Form S-3 (File No. 333-108292).
10.1	Employment Agreement between the registrant and Peter S. Rummell dated August 19, 2003.
10.2	Employment Agreement between the registrant and Kevin M. Twomey dated August 19, 2003.
10.3	Agreement between the registrant and the Alfred I. duPont Testamentary Trust dated November 6, 2003.
31.1	Certification by Chief Executive Officer.
31.2	Certification by Chief Financial Officer.
32.1	Certification by Chief Executive Officer.
32.2	Certification by Chief Financial Officer.

(b) *Reports on Form 8-K*

Form 8-K Item 9 — Regulation FD Disclosure — July 22, 2003*

Form 8-K Item 9 — Regulation FD Disclosure — July 23, 2003*

Form 8-K Item 9 — Regulation FD Disclosure — July 24, 2003*

Form 8-K Item 9 — Regulation FD Disclosure — August 20, 2003*

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* These reports have been furnished only and shall not be deemed filed by virtue of their reference herein.

Table of Contents

SIGNATURES

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

THE ST. JOE COMPANY

Date: November 12, 2003	/s/ KEVIN M. TWOMEY
	Kevin M. Twomey *President, Chief Operating Officer, and* *Chief Financial Officer*
Date: November 12, 2003	/s/ MICHAEL N. REGAN
	Michael N. Regan *Senior Vice President — Finance and Planning* *(Principal Accounting Officer)*

EXHIBIT 10.1

EMPLOYMENT AGREEMENT

THIS AGREEMENT is entered into as of August 19, 2003 (the "Effective Date") by and between PETER S. RUMMELL ("Executive") and THE ST. JOE COMPANY, a Florida corporation (the "Company").

WHEREAS, the Board of Directors of the Company has determined that it is in the best interests of the Company and its shareholders to secure Executive's continued services and to reinforce and encourage his continued attention and dedication to the development and implementation of a board-approved succession plan, and the Executive wishes to continue to serve the Company and to assist in the development and implementation of such plan.

NOW, THEREFORE, the Company and the Executive agree as follows:

1. DEFINITIONS. For purposes of this Agreement, the following terms shall have the respective meanings set forth below:

1.1 "Business Combination" means a merger, share exchange or consolidation of the Company with or into another entity or any other corporate reorganization.

1.2 "Cause" means conviction of a felony crime following final disposition of any available appeal; pleading guilty or no contest to a felony crime; or gross negligence or a willful breach of any material term of this Agreement, in each case as determined by a court of competent jurisdiction in the State of Florida.

1.3 "Change in Control" means the occurrence of any of the following events after the date of this Agreement:

(a) The consummation of a Business Combination unless, following such Business Combination, all or substantially all of the individuals and entities who were the owners of the Company's outstanding voting stock immediately prior to such Business Combination own, directly or indirectly, and in substantially the same proportions, 50% or more of the continuing or surviving entity's voting stock outstanding immediately after such Business Combination;

(b) The sale, transfer, exchange or other disposition of all or substantially all of the Company's assets;

(c) A change in the composition of the Board of Directors of the Company, as a result of which fewer than two-thirds of the incumbent directors are Continuing Directors;

(d) The liquidation or dissolution of the Company; or

(e) Any transaction as a result of which any person is the "beneficial owner" (as defined in Rule 13d-3 under the 1934 Act), directly or indirectly, of securities of the Company representing 25% or more of the total voting power represented by the Company's then outstanding voting securities. For purposes of this Subsection 1.3(e), the term "person" shall have the same meaning as when used in sections 13(d) and 14(d) of the 1934 Act but shall exclude (i) a trustee or other fiduciary holding securities under an employee benefit plan of the Company or a parent or subsidiary of the Company, (ii) a corporation owned directly or indirectly by the stockholders of the Company in substantially the same proportions as their ownership of the common stock of the Company, (iii) the Alfred I. duPont Testamentary Trust and (iv) the Nemours Foundation.

Notwithstanding the foregoing, a transaction shall not constitute a Change in Control if its sole purpose is to change the state of the Company's incorporation or to create a holding company that will be owned in substantially the same proportions by the persons who held the Company's securities immediately before such transaction. Furthermore, the Company's purchase of Company stock from the Alfred I. duPont Testamentary Trust shall in no event be deemed to result in a Change in Control.

1.4 "Continuation Period" means the period commencing on the effective date of the termination of the Executive's employment pursuant to Section 5 and ending on the earlier of the date 36 months after the effective date of the termination of the Executive's employment or the date of the Executive's death.

1.5 "Continuing Directors" means directors who either (i) had been directors of the Company on the date 24 months prior to the date of the event that may constitute a Change in Control (the "original directors") or (ii) were elected, or nominated for election, to the Board with the affirmative votes of at least a majority of the aggregate of the original directors who were still in office at the time of the election or nomination and the directors whose election or nomination was previously so approved.

1.6 "Disability" means a long-term disability under the Company's long-term disability plan as then in effect.

1.7 "Friendly Change in Control" means a Change in Control that has been approved by the affirmative vote of a majority of the Continuing Directors.

1.8 "Good Reason" means any of the following:

(a) The Executive has experienced a demotion in title with the Company or has experienced a substantial and material reduction in duties or responsibilities with the Company that is not in connection with a succession plan approved by the Company's Board of Directors; provided, that the Executive occupying the same position with a company that is not a publicly-held company subject to the 1934 Act shall constitute a material reduction in responsibilities unless the reason the Company is no longer a publicly-held company subject to the 1934 Act is because of a management and/or employee buyout or other similar transaction whereby, after the completion of such transaction, the Company's management, Company employee benefit plans and/or employees beneficially own(s) (as that term is defined in Rule 13d-3 under the 1934 Act), directly or indirectly, securities of the Company representing 50% or more of the total voting power represented by the Company's then outstanding voting securities;

(b) The Executive has incurred a reduction in his total compensation as an employee of the Company (consisting of annual base salary and target bonus);

(c) The Executive has been notified that his principal place of work as an employee of the Company will be moved to a location that is more than 30 miles from its current location;

(d) Commission by the Company, or a successor thereto, of a material breach of any of the provisions of this Agreement; or

(e) A successor to the Company fails to comply with Section 11.1.

1.9 "Qualifying Termination of Employment" means a termination of the Executive's employment under any of the following circumstances:

(a) The Executive terminates his employment for any reason during the six month period immediately following the first anniversary of a Change in Control;

(b) The Executive terminates his employment for Good Reason; or

(c) The Company terminates the Executive's employment for any reason other than Cause, death, Disability or in connection with a succession plan approved by the Company's Board of Directors.

The determination of whether the Executive's employment has terminated shall be made without regard to whether the Executive continues to provide services to the Company as a member of its Board of Directors

or otherwise in the capacity of an independent contractor. A transfer of the Executive's employment from the Company to a successor of the Company shall not be considered a termination of employment if such successor complies with the requirements of Section 11.1.

1.10 "Unfriendly Change in Control" means a Change in Control that has not been approved by the affirmative vote of a majority of the Continuing Directors.

1.11 "1934 Act" means the Securities Exchange Act of 1934, as amended.

2. TERM. Subject to the provisions of Sections 3, 5, 6, 7 and 8, the Company will employ Executive for a term commencing on the date of this Agreement and continuing to and including August 18, 2008.

3. POSITION; SUCCESSION PLANNING; OUTSIDE ACTIVITIES.

3.1 During the term of this Agreement Executive will serve in a full-time capacity as Chairman and Chief Executive Officer of the Company and its wholly owned subsidiaries, reporting directly to the Board of Directors; provided, however, that all or part of the Executive's titles, duties and responsibilities may be reassigned to another person by the Company's Board of Directors in connection with a succession plan approved by the Board.

3.2 Executive agrees to assist the Company's Board of Directors in the development of a succession plan and to facilitate the implementation of any succession plan approved by the Company's Board of Directors. The Executive acknowledges and agrees that in connection with a Board-approved succession plan the Board may reassign or eliminate the titles and duties assigned to Executive under Section 3.1 or terminate the Executive's employment. Notwithstanding any such reassignment, elimination or termination, the Executive shall be entitled to the compensation provided under Section 4 through August 18, 2008.

3.3 While employed by the Company, other than serving as a member of up to two public company boards of directors, Executive will not engage in any other employment or business activity for compensation without the consent of the Board.

4. COMPENSATION.

4.1 Base Salary. Executive will be paid a base salary at the annual rate of $766,782, payable in accordance with the Company's standard payroll practices for salaried employees. This salary will be subject to reevaluation on each March 1, commencing March 1, 2004. The base salary may be increased but not reduced during the term of this Agreement pursuant to the Company's employee compensation policies in effect from time to time.

4.2 Bonus. Executive will be eligible to participate in the Company's annual incentive plan, which bases bonuses on overall Company performance and individual performance for the calendar year, with a target bonus of 100% of the Executive's base salary. This target bonus will not be reduced during the term of this Agreement. Executive's annual bonus will be computed in a manner consistent with past practice. For the calendar year 2008 Executive's bonus will be paid pro rata based on the number of days of the year that this Agreement is in effect.

4.3 Restricted Stock. On the date of this Agreement Executive is hereby granted an award of restricted common stock of the Company valued at $10,000,000 as of the closing of the New York Stock Exchange on August 18, 2003. The restrictions will lapse on one-third of the stock granted as part of this award on the third anniversary of the date of grant and one-third on each of the fourth and fifth anniversaries. The Executive agrees that he will not sell or transfer any of such shares, except for that number of shares necessary to pay any taxes that become due and payable upon the lapse of restrictions thereon, until the earlier of the termination of his employment by the Company, an unfriendly Change of Control, one year after a friendly Change of Control or August 18, 2008.

4.4 Stock Options. Executive will not be eligible to receive new awards of stock options during the term of this Agreement.

4.5 Expense Reimbursement. Executive will be eligible for reimbursement of necessary and reasonable business expenses subject to Company policy.

5. QUALIFYING TERMINATION OF EMPLOYMENT

5.1 Severance Pay. In the event of a Qualifying Termination of Employment, within 30 business days after the occurrence of such Qualifying Termination of Employment, the Company or its successor shall pay to the Executive a lump sum equal to the product of three times the sum of:

(a) The Executive's annual base salary at the greater of (i) the annual rate in effect on the date when the termination of the Executive's employment with the Company is effective or (ii) the annual rate in effect on the date of the Change in Control; plus

(b) The greater of (i) the Executive's annual bonus for the most recent year completed prior to the date when the termination of the Executive's employment with the Company is effective or (ii) an amount equal to 100% of the Executive's annual base salary, as determined under Section 4.1.

5.2 Supplemental Pension.

(a) In the event of a Qualifying Termination of Employment, in lieu of accruing pension benefits under the Company's Pension Plan, the Company's 401(k) Plan (the "401(k) Plan"), the Company's Deferred Capital Accumulation Plan (the "DCAP"), the Company's Supplemental Retirement Plan (the "SERP"), and any other funded or unfunded pension plans now or hereafter maintained by the Company (collectively, the "Pension Plans") during the Continuation Period, the Executive shall be entitled to receive an unfunded supplemental pension benefit under this Agreement (the "Supplemental Benefit"). The Supplemental Benefit shall be calculated under Subsection 5.2(b) below and shall be paid in a lump sum within 30 business days after the date of the Qualifying Termination of Employment.

(b) The Supplemental Benefit shall be an amount equal to:

(i) The amount payable to the Executive as a single lump sum amount under the Pension Plans had the Executive (A) continued to be employed as an Executive of the Company during the Continuation Period, (B) received compensation equal to the amount described in Section 5.1(a) during the Continuation Period, (C) continued to receive matching contributions under the 401(k) Plan and DCAP through the Continuation Period at the same rate as the Executive was receiving at the time of the Executive's termination of employment, and (D) been 100% vested in each of the Pension Plans; minus

(ii) The amount, calculated as of the date of the Qualifying Termination of Employment, of the single lump sum amount actually payable to the Executive under the Pension Plans, whether or not the Executive elects to receive his benefits under the Pension Plans in the form of a single lump sum amount.

(c) For purposes of determining the lump sum amount payable under this Section 5.2, (i) the Executive's account under the Pension Plan and the SERP shall each be credited with interest at the interest rate in effect under such plan at the date of the Executive's Qualifying Termination of Employment, and (ii) the Executive's account under the 401(k) Plan and the DCAP shall each be credited with interest at the interest rate in effect under the DCAP at the date of the Executive's Qualifying Termination of Employment.

5.3. Equity-Based Compensation.

(a) If Executive terminates his employment for Good Reason or the Company terminates the Executive's employment for any reason other than Cause or there is an Unfriendly Change in Control, all stock options granted to the Executive shall immediately vest in full, and all restrictions on all shares of restricted stock granted to Executive shall immediately lapse.

(b) If there is a Friendly Change in Control, all stock options granted to the Executive which have already vested at the time of the Change in Control shall remain vested, those stock options granted to the Executive which are scheduled to vest within one year of the date of the Change in Control shall vest in accordance with their existing vesting schedule, and all other stock options granted to the Executive shall vest on the first anniversary of the date of the Friendly Change in Control.

(c) If applicable law or the terms of applicable plans or award agreements prohibit the Company from accelerating the lapsing of restrictions on restricted stock or the vesting and exercisability of stock options or other equity-based awards as provided in Sections 5.3(a) and (b), the Company shall pay to the Executive the following: (xx) on the date of the forfeiture of any restricted stock that otherwise would have vested pursuant to this Section 5.3, a cash payment equal to the market value of a number of shares of common stock of the Company (absent restrictions) equal to the number of shares of restricted stock forfeited, (yy) on the date of the forfeiture of any such stock options that otherwise would have vested pursuant to this Section 5.3, a cash payment equal to the difference between the market value of the shares of stock subject to such stock options and the exercise price of such stock options, and (zz) on the date of the forfeiture of any such other equity-based awards that otherwise would have vested pursuant to this Section 5.3, a cash payment equal to the value of such forfeited equity-based awards, as determined by the Board in good faith.

5.4 Bonus, Group Insurance and Financial Planning.

(a) Bonus. In the event of a Qualifying Termination of Employment, the Company shall pay the Executive a target bonus for the year in which such termination occurs. Such target bonus shall not be less than the greater of (i) the Executive's annual incentive plan bonus for the most recent year completed prior to the date when the termination of the Executive's employment with the Company is effective or (ii) the amount of the Executive's target bonus then in effect, in either case prorated to reflect the portion of such year during which the Executive was employed by the Company.

(b) Insurance. In the event of a Qualifying Termination of Employment, during the Continuation Period the Executive (and, where applicable, the Executive's dependents) shall be entitled to medical and dental benefits under the Company's Health Care Plan, or any successor thereto, as if the Executive were still employed during such period. Such benefits shall be provided at the same level and at the same after-tax cost to the Executive as is available to all of the Company's senior executives generally. Where applicable, the Executive's salary, for purposes of such plans, shall be determined at the greater of (i) the annual rate in effect on the date when the termination of the Executive's employment with the Company is effective or (ii) the annual rate in effect on the date of the Change in Control, disregarding for this purpose any reduction in salary that would constitute Good Reason hereunder. To the extent the Company is unable or does not wish to cover the Executive under its plans during the Continuation Period, the Company shall provide the Executive with substantially equivalent benefits on an individual basis at no additional after-tax cost to the Executive. The foregoing notwithstanding, in the event the Executive becomes eligible for comparable group insurance coverage in connection with new employment, the coverage provided by the Company under this Section 5.3(b) shall terminate immediately. The benefits described in this Section 5.4(b) shall be credited against any group health continuation coverage the Company is required to offer under the Consolidated Omnibus Budget Reconciliation Act of 1985.

(c) Financial Planning. In the event of a Qualifying Termination of Employment, during the Continuation Period the Executive shall be entitled to receive reimbursement for financial planning at the greater of the level the Executive was receiving (i) at the time of termination or (ii) at the time of the Change in Control, if applicable.

6. TERMINATION UPON DEATH. In the event of the Executive's death, this Agreement shall terminate and the Company shall only be obligated to (a) pay to the Executive's estate or legal representative the annual base salary to the extent earned by the Executive prior to the Executive's death, (b) take all necessary actions so that all restrictions on the Executive's restricted stock shall lapse and all of the Executive's stock options shall vest and become immediately exercisable in full as of the time of the Executive's death, and (c) take all necessary actions so that all pension benefits accruing under the SERP shall immediately become vested in full as of the time of the Executive's death. The Company may, however, pay the estate or legal representative a bonus that the Executive has earned prior to his death. After making such payment(s) and providing such benefits, the Company shall have no further obligations under this Agreement.

7. DISABILITY. In the event of the Executive's Disability, the Company shall have the right, at its option, to terminate the Executive's employment. Unless and until so terminated, during any period of Disability during which the Executive is unable to perform the services required of him, the Executive's salary shall be payable to the extent of, and subject to, the Company's policies and practices then in effect with regard to sick leave and disability benefits. In the event of the Executive's termination due to the Executive's Disability, the Company shall only be obligated to (a) pay to the Executive or his personal representative the Executive's annual base salary to the extent earned by the Executive prior to the termination of employment, (b) take all necessary actions so that all restrictions on the Executive's restricted stock shall lapse and all of the Executive's stock options shall vest and become immediately exercisable in full as of the time of the Executive's Disability, and (c) take all necessary actions so that all pension benefits accruing under the SERP shall immediately become vested in full as of the time of the Executive's Disability. After making such payment(s) and providing such benefits, the Company shall have no further obligations under this Agreement.

8. TERMINATION FOR CAUSE OR WITHOUT GOOD REASON. In the event that the Company terminates the Executive's employment for Cause or the Executive terminates his employment without Good Reason, the Company shall only be obligated to pay to the Executive the Executive's annual base salary to the extent earned by the Executive prior to the termination of employment. After making such payment, the Company shall have no further obligations under this Agreement.

9. EXCISE TAXES.

9.1 Gross-Up Payment. If it is determined that any payment, benefit or distribution of any type to or for the benefit of the Executive by the Company, any of its affiliates, any person or entity that acquires ownership or effective control of the Company or ownership of a substantial portion of the Company's assets (within the meaning of section 280G of the Internal Revenue Code of 1986, as amended (the "Code"), and the regulations thereunder) or any affiliate of such person or entity, whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise (the "Total Payments"), would be subject to the excise tax imposed by section 4999 of the Code or any interest or penalties with respect to such excise tax (such excise tax and any such interest or penalties are collectively referred to as the "Excise Tax"), then the Executive shall be entitled to receive an additional payment (a "Gross-Up Payment") in an amount calculated to ensure that after payment by the Executive of all taxes (and any interest or penalties imposed with respect to such taxes), including any Excise Tax, imposed upon the Gross-Up Payment, the Executive retains an amount of the Gross-Up Payment equal to the Excise Tax imposed upon the Total Payments. Payments under this section are payable to the Executive, even if the Executive is not eligible for employment termination benefits under this agreement.

9.2 Determination by Accountant. All determinations and calculations required to be made under this Section 9 shall be made by an independent accounting firm selected by the Executive from among the largest four accounting firms in the United States (the "Accounting Firm"), which shall provide its determination (the "Determination"), together with detailed supporting calculations regarding the amount of any Gross-Up Payment and any other relevant matter, both to the Company and the Executive within five days of the termination of the Executive's employment, if applicable, or such earlier time as is requested by the Company or the Executive (if the Executive reasonably believes that any of the Total Payments may be subject to the Excise Tax). If the Accounting Firm determines that no Excise Tax is

payable by the Executive, it shall furnish the Executive with a written statement that such Accounting Firm has concluded that no Excise Tax is payable (including the reasons therefor) and that the Executive has substantial authority not to report any Excise Tax on the Executive's federal income tax return. If a Gross-Up Payment is determined to be payable, it shall be paid to the Executive within five days after the Determination is delivered to the Company or the Executive. Any determination by the Accounting Firm shall be binding upon the Company and the Executive.

9.3 Over- and Underpayments. As a result of uncertainty in the application of section 4999 of the Code at the time of the initial determination by the Accounting Firm hereunder, it is possible that Gross-Up Payments not made by the Company should have been made ("Underpayment"), or that Gross-Up Payments will have been made by the Company which should not have been made ("Overpayments"). In either such event, the Accounting Firm shall determine the amount of the Underpayment or Overpayment that has occurred. In the case of an Underpayment, the amount of such Underpayment shall be promptly paid by the Company to or for the benefit of the Executive. In the case of an Overpayment, the Executive shall, at the direction and expense of the Company, take such steps as are reasonably necessary (including the filing of returns and claims for refund), follow reasonable instructions from, and procedures established by, the Company, and otherwise reasonably cooperate with the Company to correct such Overpayment, provided, however, that (i) the Executive shall in no event be obligated to return to the Company an amount greater than the net after-tax portion of the Overpayment that the Executive has retained or has recovered as a refund from the applicable taxing authorities and (ii) this provision shall be interpreted in a manner consistent with the intent of Subsection 9.1 above, which is to make the Executive whole, on an after-tax basis, from the application of the Excise Tax, it being understood that the correction of an Overpayment may result in the Executive's repaying to the Company an amount which is less than the Overpayment.

9.4 Limitation on Parachute Payments. Any other provision of this Section 9 notwithstanding, if the Excise Tax could be avoided by reducing the Total Payments by 5% or less, then the Total Payments shall be reduced to the extent necessary to avoid the Excise Tax and no Gross-Up Payment shall be made. If the Accounting Firm determines that the Total Payments are to be reduced under the preceding sentence, then the Company shall promptly give the Executive notice to that effect and a copy of the detailed calculation thereof. The Executive may then elect, in the Executive's sole discretion, which and how much of the Total Payments are to be eliminated or reduced (as long as after such election no Excise Tax will be payable) and shall advise the Company in writing of the Executive's election within 10 days of receipt of notice. If no such election is made by the Executive within such 10 day period, then the Company may elect which and how much of the Total Payments are to be eliminated or reduced (as long as after such election, no Excise Tax will be payable) and shall notify the Executive promptly of such election.

10. RESTRICTIVE COVENANTS.

10.1 Confidential Information. During the period of his employment, Executive shall hold in a fiduciary capacity for the benefit of the Company and its affiliates all trade secrets, proprietary or confidential information, knowledge or data relating to the Company, and/or their respective businesses, which shall have been obtained by Executive. Trade secret information includes, but is not limited to, customer lists, pricing information, sales reports, financial and marketing data, reserves estimation processes or procedures, techniques, or processes that: (i) derive independent economic value, actual or potential, from not being generally known to the public or to persons who can obtain economic value from their disclosure or use, and (ii) are the subject of reasonable efforts under the circumstances to maintain their secrecy. After termination of Executive's employment with the Company, Executive shall not, without the prior written consent of the Company, use, communicate or divulge any such information, knowledge or data to anyone at any time.

10.2 Covenant Not to Compete. Executive agrees not to, during the course of employment and for a period of two years commencing upon the termination of employment, voluntarily or involuntarily, for any reason whatsoever, (i) directly or indirectly, individually or on behalf of persons not now parties to this Agreement, or as a director, officer, principal, agent, executive, or in any other capacity or relationship, engage in any business or employment, or aid or endeavor to assist any business or legal

entity that is in the commercial, hotel and/or residential real estate development business that Competes with the Company anywhere in Florida or (ii) hold, directly or indirectly, more than five percent of any class of stock of any corporation or more than a 5% interest in any partnership or other business or legal entity that is in the commercial, hotel and/or residential real estate development business that Competes with the Company anywhere in Florida. "Competes" shall be defined as engaging in commercial, hotel and/or residential real estate development projects where total annual development costs for all such commercial, hotel and/or residential projects in Florida meet or exceed $50,000,000. The Company and Executive acknowledge the reasonableness of this covenant not to compete and the reasonableness of the geographic area and duration of time which are a part of said covenant. This covenant not to compete is contemplated to protect Company's legitimate business interests.

10.3 Solicitation of Customers by Executive. Unless waived in writing by the Company, Executive further agrees that he will not, directly or indirectly, during the course of employment and for two years after termination of his employment, solicit the trade or patronage of any of the customers of the Company, regardless of the location of such customers of the Company with respect to any services, products, or other matters in which the Company is active.

10.4 Solicitation of Company Employees. Unless waived in writing by the Company, Executive further agrees that he will not, directly or indirectly, during the course of employment and for two years after termination of his employment, solicit or attempt to entice away from the Company any director, agent or employee of the Company.

10.5 Compliance with Business Ethics and Conflict of Interest Policy. During the Executive's employment with the Company, the Executive shall comply in all respects with the Company's Business Ethics and Conflict of Interest Policy attached hereto as exhibit "A," and as may be amended from time to time.

10.6 Survival; Injunctive Relief. Executive agrees that Sections 10.1 to 10.4 shall survive the termination of (a) this Agreement and (b) the period of employment hereunder. Executive acknowledges that the Company has no adequate remedy at law and would be irreparably harmed if Executive breaches or threatens to breach any of the provisions of this Section 10 and, therefore, agrees that the Company shall be entitled to injunctive relief to prevent any such breach or threatened breach thereof and to specific performance of the terms of this Section 10 (in addition to any other legal or equitable remedy the Company may have). Executive further agrees that Executive shall not, in any equity proceeding relating to the enforcement of this Section 10, raise the defense that the Company has an adequate remedy at law. Nothing in this Agreement shall be construed as prohibiting the Company from pursuing any other remedies at law or in equity that it may have under and in respect of this Agreement or any other agreement.

11. SUCCESSORS.

11.1 Company's Successors. The Company shall require any successor (whether direct or indirect by purchase, lease, merger, consolidation, liquidation or otherwise) to all or substantially all of the Company's business or assets, by an agreement in substance and form satisfactory to the Executive, to assume this Agreement and to agree expressly to perform this Agreement in the same manner and to the same extent as the Company would be required to perform it in the absence of a succession. For all purposes under this Agreement, the term "Company" shall include any successor to the business or assets of the Company which executes and delivers the assumption agreement described in this Section 11.1 or which becomes bound by this Agreement by operation of law.

11.2 Executive's Successors. This Agreement and all rights of the Executive hereunder shall inure to the benefit of, and be enforceable by, the Executive's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees.

12. LIQUIDATED DAMAGES. The payments and benefits provided in Sections 5 and 9 are intended to be liquidated damages for a termination of the Executive's employment by the Company without Cause or for

the actions of the Company leading to a termination of the Executive's employment by the Executive for Good Reason, and shall be the sole and exclusive remedy therefor.

13. RELEASE. Notwithstanding any provision herein to the contrary, the Company may require that, prior to payment of any amount or provision of any benefit under this Agreement, the Executive shall have executed a complete release of the Company and its affiliates and related parties in such form as is reasonably acceptable to both parties and any waiting periods contained in such release shall have expired.

14. INSURANCE AND INDEMNIFICATION. The Company will indemnify the Executive for his actions as a Company employee or officer pursuant to Company policy.

15. MISCELLANEOUS PROVISIONS.

15.1 Notice. Notices and all other communications contemplated by this Agreement shall be in writing and shall be deemed to have been duly given when personally delivered or when mailed by U.S. registered or certified mail, return receipt requested and postage prepaid. In the case of the Executive, mailed notices shall be addressed to the Executive at the home address that the Executive most recently communicated to the Company in writing. In the case of the Company, mailed notices shall be addressed to its corporate headquarters, and all notices shall be directed to the attention of its Secretary.

15.2 Waiver. No provision of this Agreement shall be modified, waived or discharged unless the modification, waiver or discharge is agreed to in writing and signed by the Executive and by an authorized officer of the Company (other than the Executive). No waiver by either party of any breach of, or of compliance with, any condition or provision of this Agreement by the other party shall be considered a waiver of any other condition or provision or of the same condition or provision at another time.

15.3 Other Agreements; Amendment. This Agreement contains all of the terms of Executive's employment with the Company and supersedes any prior understandings or agreements, whether oral or written, between you and the Company relating to employment and/or severance, including the Severance Agreement between the Executive and the Company dated as of August 21, 2001. This Agreement may be amended only in writing, by an instrument executed by both parties.

15.4 No Setoff; Withholding Taxes. There shall be no right of setoff or counterclaim, with respect to any claim, debt or obligation, against payments to the Executive under this Agreement. Except as provided in Section 9, all payments made or benefits provided under this Agreement shall be subject to reduction to reflect taxes required to be withheld by law. The payments received under this Agreement shall be in lieu of, and not in addition to, any payments or benefits received in connection with the Company's general severance policy then in effect. Should any payment be made or benefits be provided under any such severance policy, the payments and benefits provided hereunder shall be correspondingly reduced by such payments and/or benefits.

15.5 Choice of Law. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of Florida, except their choice-of-law provisions.

15.6 Severability. The invalidity or unenforceability of any provision or provisions of this Agreement shall not affect the validity or enforceability of any other provision hereof, which shall remain in full force and effect.

15.7 Arbitration. Except as otherwise provided in Section 9, any controversy or claim arising out of or relating to this Agreement, or the breach thereof, shall be settled by arbitration in Jacksonville, Florida, in accordance with the Commercial Arbitration Rules of the American Arbitration Association. Arbitration shall be the exclusive remedy for resolving disputes arising under this Agreement. Discovery shall be permitted to the same extent as in a proceeding under the Federal Rules of Civil Procedure. Judgment on the award rendered by the arbitrator may be entered in any court having jurisdiction thereof. All fees and expenses of the arbitrator and such Association shall be paid as determined by the arbitrator.

15.8 Legal Fees. In the event of any controversy or claim arising out of or relating to this Agreement, or the breach thereof, the Company shall pay (on an as-incurred basis) the reasonable fees and costs of the Executive's attorneys attributable to such controversy or claim (the "Legal Fees"); provided that the Executive shall reimburse the Company for all such Legal Fees if the Executive does not prevail on at least one material issue arising in such controversy or claim.

15.9 No Assignment. The rights of any person to payments or benefits under this Agreement shall not be made subject to option or assignment, either by voluntary or involuntary assignment or by operation of law, including (without limitation) bankruptcy, garnishment, attachment or other creditor's process, and any action in violation of this Section 15.9 shall be void.

IN WITNESS WHEREOF, each of the parties has executed this Agreement, in the case of the Company by its duly authorized director, as of the day and year first above written.

EXECUTIVE	THE ST. JOE COMPANY
/s/ Peter S. Rummell	By /s/ Michael Ainslie
Peter S. Rummell	Michael Ainslie Chairman of the Compensation Committee

EXHIBIT 10.2

EMPLOYMENT AGREEMENT

THIS AGREEMENT is entered into as of August 19, 2003 (the "Effective Date") by and between KEVIN M. TWOMEY ("Executive") and THE ST. JOE COMPANY, a Florida corporation (the "Company").

WHEREAS, the Board of Directors of the Company has determined that it is in the best interests of the Company and its shareholders to secure Executive's continued services and to reinforce and encourage his continued attention and dedication to the development and implementation of a board-approved succession plan, and the Executive wishes to continue to serve the Company and to assist in the development and implementation of such plan.

NOW, THEREFORE, the Company and the Executive agree as follows:

1. DEFINITIONS. For purposes of this Agreement, the following terms shall have the respective meanings set forth below:

1.1 "Business Combination" means a merger, share exchange or consolidation of the Company with or into another entity or any other corporate reorganization.

1.2 "Cause" means conviction of a felony crime following final disposition of any available appeal; pleading guilty or no contest to a felony crime; or gross negligence or a willful breach of any material term of this Agreement, in each case as determined by a court of competent jurisdiction in the State of Florida.

1.3 "Change in Control" means the occurrence of any of the following events after the date of this Agreement:

(a) The consummation of a Business Combination unless, following such Business Combination, all or substantially all of the individuals and entities who were the owners of the Company's outstanding voting stock immediately prior to such Business Combination own, directly or indirectly, and in substantially the same proportions, 50% or more of the continuing or surviving entity's voting stock outstanding immediately after such Business Combination;

(b) The sale, transfer, exchange or other disposition of all or substantially all of the Company's assets;

(c) A change in the composition of the Board of Directors of the Company, as a result of which fewer than two-thirds of the incumbent directors are Continuing Directors;

(d) The liquidation or dissolution of the Company; or

(e) Any transaction as a result of which any person is the "beneficial owner" (as defined in Rule 13d-3 under the 1934 Act), directly or indirectly, of securities of the Company representing 25% or more of the total voting power represented by the Company's then outstanding voting securities. For purposes of this Subsection 1.3(e), the term "person" shall have the same meaning as when used in sections 13(d) and 14(d) of the 1934 Act but shall exclude (i) a trustee or other fiduciary holding securities under an employee benefit plan of the Company or a parent or subsidiary of the Company, (ii) a corporation owned directly or indirectly by the stockholders of the Company in substantially the same proportions as their ownership of the common stock of the Company, (iii) the Alfred I. duPont Testamentary Trust and (iv) the Nemours Foundation.

Notwithstanding the foregoing, a transaction shall not constitute a Change in Control if its sole purpose is to change the state of the Company's incorporation or to create a holding company that will be owned in substantially the same proportions by the persons who held the Company's securities immediately before such transaction. Furthermore, the Company's purchase of Company stock from the Alfred I. duPont Testamentary Trust shall in no event be deemed to result in a Change in Control.

1.4 "Continuation Period" means the period commencing on the effective date of the termination of the Executive's employment pursuant to Section 5 and ending on the earlier of the date 36 months after the effective date of the termination of the Executive's employment or the date of the Executive's death.

1.5 "Continuing Directors" means directors who either (i) had been directors of the Company on the date 24 months prior to the date of the event that may constitute a Change in Control (the "original directors") or (ii) were elected, or nominated for election, to the Board with the affirmative votes of at least a majority of the aggregate of the original directors who were still in office at the time of the election or nomination and the directors whose election or nomination was previously so approved.

1.6 "Disability" means a long-term disability under the Company's long-term disability plan as then in effect.

1.7 "Friendly Change in Control" means a Change in Control that has been approved by the affirmative vote of a majority of the Continuing Directors.

1.8 "Good Reason" means any of the following:

(a) The Executive has experienced a demotion in title with the Company or has experienced a substantial and material reduction in duties or responsibilities with the Company that is not in connection with a succession plan approved by the Company's Board of Directors; provided, that the Executive occupying the same position with a company that is not a publicly-held company subject to the 1934 Act shall constitute a material reduction in responsibilities unless the reason the Company is no longer a publicly-held company subject to the 1934 Act is because of a management and/or employee buyout or other similar transaction whereby, after the completion of such transaction, the Company's management, Company employee benefit plans and/or employees beneficially own(s) (as that term is defined in Rule 13d-3 under the 1934 Act), directly or indirectly, securities of the Company representing 50% or more of the total voting power represented by the Company's then outstanding voting securities;

(b) The Executive has incurred a reduction in his total compensation as an employee of the Company (consisting of annual base salary and target bonus);

(c) The Executive has been notified that his principal place of work as an employee of the Company will be moved to a location that is more than 30 miles from its current location;

(d) Commission by the Company, or a successor thereto, of a material breach of any of the provisions of this Agreement; or

(e) A successor to the Company fails to comply with Section 11.1.

1.9 "Qualifying Termination of Employment" means a termination of the Executive's employment under any of the following circumstances:

(a) The Executive terminates his employment for any reason during the six month period immediately following the first anniversary of a Change in Control;

(b) The Executive terminates his employment for Good Reason; or

(c) The Company terminates the Executive's employment for any reason other than Cause, death, Disability or in connection with a succession plan approved by the Company's Board of Directors.

The determination of whether the Executive's employment has terminated shall be made without regard to whether the Executive continues to provide services to the Company as a member of its Board of Directors

or otherwise in the capacity of an independent contractor. A transfer of the Executive's employment from the Company to a successor of the Company shall not be considered a termination of employment if such successor complies with the requirements of Section 11.1.

1.10 "Unfriendly Change in Control" means a Change in Control that has not been approved by the affirmative vote of a majority of the Continuing Directors.

1.11 "1934 Act" means the Securities Exchange Act of 1934, as amended.

2. TERM. Subject to the provisions of Sections 3, 5, 6, 7 and 8, the Company will employ Executive for a term commencing on the date of this Agreement and continuing to and including August 18, 2008.

3. POSITION; SUCCESSION PLANNING; OUTSIDE ACTIVITIES.

3.1 During the term of this Agreement Executive will serve in a full-time capacity as President, Chief Operating Officer and Chief Financial Officer of the Company and its wholly owned subsidiaries, reporting directly to the Chief Executive Officer; provided, however, that all or part of the Executive's titles, duties and responsibilities may be reassigned to another person by the Company's Board of Directors in connection with a succession plan approved by the Board.

3.2 Executive agrees to assist the Company's Board of Directors in the development of a succession plan and to facilitate the implementation of any succession plan approved by the Company's Board of Directors. The Executive acknowledges and agrees that in connection with a Board-approved succession plan the Board may reassign or eliminate the titles and duties assigned to Executive under Section 3.1 or terminate the Executive's employment. Notwithstanding any such reassignment, elimination or termination, the Executive shall be entitled to the compensation provided under Section 4 through August 18, 2008.

3.3 While employed by the Company, other than serving as a member of up to two public company boards of directors, Executive will not engage in any other employment or business activity for compensation without the consent of the Board.

4. COMPENSATION.

4.1 Base Salary. Executive will be paid a base salary at the annual rate of $531,756, payable in accordance with the Company's standard payroll practices for salaried employees. This salary will be subject to reevaluation on each March 1, commencing March 1, 2004. The base salary may be increased but not reduced during the term of this Agreement pursuant to the Company's employee compensation policies in effect from time to time.

4.2 Bonus. Executive will be eligible to participate in the Company's annual incentive plan, which bases bonuses on overall Company performance and individual performance for the calendar year, with a target bonus of 90% of the Executive's base salary. This target bonus will not be reduced during the term of this Agreement. Executive's annual bonus will be computed in a manner consistent with past practice. For the calendar year 2008 Executive's bonus will be paid pro rata based on the number of days of the year that this Agreement is in effect.

4.3 Restricted Stock. On the date of this Agreement Executive is hereby granted an award of restricted common stock of the Company valued at $8,000,000 as of the closing of the New York Stock Exchange on August 18, 2003. The restrictions will lapse on one-third of the stock granted as part of this award on the third anniversary of the date of grant and one-third on each of the fourth and fifth anniversaries. The Executive agrees that he will not sell or transfer any of such shares, except for that number of shares necessary to pay any taxes that become due and payable upon the lapse of restrictions thereon, until the earlier of the termination of his employment by the Company, an unfriendly Change of Control, one year after a friendly Change of Control or August 18, 2008.

4.4 Stock Options. Executive will not be eligible to receive new awards of stock options during the term of this Agreement.

4.5 Car Allowance; Expense Reimbursement.

(a) Executive will receive a car allowance of $1,200 per month (gross) in addition to base salary. This allowance constitutes the full and complete reimbursement of all car expenses by the Company. This allowance will not be included as wages in the calculation of any benefits or compensation plans.

(b) Executive will be eligible for reimbursement of necessary and reasonable business expenses subject to Company policy.

5. QUALIFYING TERMINATION OF EMPLOYMENT

5.1 Severance Pay. In the event of a Qualifying Termination of Employment, within 30 business days after the occurrence of such Qualifying Termination of Employment, the Company or its successor shall pay to the Executive a lump sum equal to the product of three times the sum of:

(a) The Executive's annual base salary at the greater of (i) the annual rate in effect on the date when the termination of the Executive's employment with the Company is effective or (ii) the annual rate in effect on the date of the Change in Control; plus

(b) The greater of (i) the Executive's annual bonus for the most recent year completed prior to the date when the termination of the Executive's employment with the Company is effective or (ii) an amount equal to 100% of the Executive's annual base salary, as determined under Section 4.1.

5.2 Supplemental Pension.

(a) In the event of a Qualifying Termination of Employment, in lieu of accruing pension benefits under the Company's Pension Plan, the Company's 401(k) Plan (the "401(k) Plan"), the Company's Deferred Capital Accumulation Plan (the "DCAP"), the Company's Supplemental Retirement Plan (the "SERP"), and any other funded or unfunded pension plans now or hereafter maintained by the Company (collectively, the "Pension Plans") during the Continuation Period, the Executive shall be entitled to receive an unfunded supplemental pension benefit under this Agreement (the "Supplemental Benefit"). The Supplemental Benefit shall be calculated under Subsection 5.2(b) below and shall be paid in a lump sum within 30 business days after the date of the Qualifying Termination of Employment.

(b) The Supplemental Benefit shall be an amount equal to:

(i) The amount payable to the Executive as a single lump sum amount under the Pension Plans as of the date of the Qualifying Termination of Employment had the Executive (A) continued to be employed as an Executive of the Company during the Continuation Period, (B) received compensation equal to the amount described in Section 5.1(a) during the Continuation Period, (C) continued to receive matching contributions under the 401(k) Plan and DCAP through the Continuation Period at the same rate as the Executive was receiving at the time of the Executive's termination of employment, and (D) been 100% vested in each of the Pension Plans; minus

(ii) The amount, calculated as of the date of the Qualifying Termination of Employment, of the single lump sum amount actually payable to the Executive under the Pension Plans, whether or not the Executive elects to receive his benefits under the Pension Plans in the form of a single lump sum amount.

(c) For purposes of determining the lump sum amount payable under this Section 5.2, (i) the Executive's account under the Pension Plan and the SERP shall each be credited with interest at the interest rate in effect under such plan at the date of the Executive's Qualifying Termination of Employment, and (ii) the Executive's account under the 401(k) Plan and the DCAP shall each be credited with interest at the interest rate in effect under the DCAP at the date of the Executive's Qualifying Termination of Employment.

5.3. Equity-Based Compensation.

(a) If Executive terminates his employment for Good Reason or the Company terminates the Executive's employment for any reason other than Cause or there is an Unfriendly Change in Control, all stock options granted to the Executive shall immediately vest in full, and all restrictions on all shares of restricted stock granted to Executive shall immediately lapse.

(b) If there is a Friendly Change in Control, all stock options granted to the Executive which have already vested at the time of the Change in Control shall remain vested, those stock options granted to the Executive which are scheduled to vest within one year of the date of the Change in Control shall vest in accordance with their existing vesting schedule, and all other stock options granted to the Executive shall vest on the first anniversary of the date of the Friendly Change in Control.

(c) If applicable law or the terms of applicable plans or award agreements prohibit the Company from accelerating the lapsing of restrictions on restricted stock or the vesting and exercisability of stock options or other equity-based awards as provided in Sections 5.3(a) and (b), the Company shall pay to the Executive the following: (xx) on the date of the forfeiture of any restricted stock that otherwise would have vested pursuant to this Section 5.3, a cash payment equal to the market value of a number of shares of common stock of the Company (absent restrictions) equal to the number of shares of restricted stock forfeited, (yy) on the date of the forfeiture of any such stock options that otherwise would have vested pursuant to this Section 5.3, a cash payment equal to the difference between the market value of the shares of stock subject to such stock options and the exercise price of such stock options, and (zz) on the date of the forfeiture of any such other equity-based awards that otherwise would have vested pursuant to this Section 5.3, a cash payment equal to the value of such forfeited equity-based awards, as determined by the Board in good faith.

5.4 Bonus, Group Insurance and Financial Planning.

(a) Bonus. In the event of a Qualifying Termination of Employment, the Company shall pay the Executive a target bonus for the year in which such termination occurs. Such target bonus shall not be less than the greater of (i) the Executive's annual incentive plan bonus for the most recent year completed prior to the date when the termination of the Executive's employment with the Company is effective or (ii) the amount of the Executive's target bonus then in effect, in either case prorated to reflect the portion of such year during which the Executive was employed by the Company.

(b) Insurance. In the event of a Qualifying Termination of Employment, during the Continuation Period the Executive (and, where applicable, the Executive's dependents) shall be entitled to medical and dental benefits under the Company's Health Care Plan, or any successor thereto, as if the Executive were still employed during such period. Such benefits shall be provided at the same level and at the same after-tax cost to the Executive as is available to all of the Company's senior executives generally. Where applicable, the Executive's salary, for purposes of such plans, shall be determined at the greater of (i) the annual rate in effect on the date when the termination of the Executive's employment with the Company is effective or (ii) the annual rate in effect on the date of the Change in Control, disregarding for this purpose any reduction in salary that would constitute Good Reason hereunder. To the extent the Company is unable or does not wish to cover the Executive under its plans during the Continuation Period, the Company shall provide the Executive with substantially equivalent benefits on an individual basis at no additional after-tax cost to the Executive. The foregoing notwithstanding, in the event the Executive becomes eligible for comparable group insurance coverage in connection with new employment, the coverage provided by the Company under this Section 5.3(b) shall terminate immediately. The benefits described in this Section

5.4(b) shall be credited against any group health continuation coverage the Company is required to offer under the Consolidated Omnibus Budget Reconciliation Act of 1985.

(c) Financial Planning. In the event of a Qualifying Termination of Employment, during the Continuation Period the Executive shall be entitled to receive reimbursement for financial planning at the greater of the level the Executive was receiving (i) at the time of termination or (ii) at the time of the Change in Control, if applicable.

6. TERMINATION UPON DEATH. In the event of the Executive's death, this Agreement shall terminate and the Company shall only be obligated to (a) pay to the Executive's estate or legal representative the annual base salary to the extent earned by the Executive prior to the Executive's death, (b) take all necessary actions so that all restrictions on the Executive's restricted stock shall lapse and all of the Executive's stock options shall vest and become immediately exercisable in full as of the time of the Executive's death, and (c) take all necessary actions so that all pension benefits accruing under the SERP shall immediately become vested in full as of the time of the Executive's death. The Company may, however, pay the estate or legal representative a bonus that the Executive has earned prior to his death. After making such payment(s) and providing such benefits, the Company shall have no further obligations under this Agreement.

7. DISABILITY. In the event of the Executive's Disability, the Company shall have the right, at its option, to terminate the Executive's employment. Unless and until so terminated, during any period of Disability during which the Executive is unable to perform the services required of him, the Executive's salary shall be payable to the extent of, and subject to, the Company's policies and practices then in effect with regard to sick leave and disability benefits. In the event of the Executive's termination due to the Executive's Disability, the Company shall only be obligated to (a) pay to the Executive or his personal representative the Executive's annual base salary to the extent earned by the Executive prior to the termination of employment, (b) take all necessary actions so that all restrictions on the Executive's restricted stock shall lapse and all of the Executive's stock options shall vest and become immediately exercisable in full as of the time of the Executive's Disability, and (c) take all necessary actions so that all pension benefits accruing under the SERP shall immediately become vested in full as of the time of the Executive's Disability. After making such payment(s) and providing such benefits, the Company shall have no further obligations under this Agreement.

8. TERMINATION FOR CAUSE OR WITHOUT GOOD REASON. In the event that the Company terminates the Executive's employment for Cause or the Executive terminates his employment without Good Reason, the Company shall only be obligated to pay to the Executive the Executive's annual base salary to the extent earned by the Executive prior to the termination of employment. After making such payment, the Company shall have no further obligations under this Agreement.

9. EXCISE TAXES.

9.1 Gross-Up Payment. If it is determined that any payment, benefit or distribution of any type to or for the benefit of the Executive by the Company, any of its affiliates, any person or entity that acquires ownership or effective control of the Company or ownership of a substantial portion of the Company's assets (within the meaning of section 280G of the Internal Revenue Code of 1986, as amended (the "Code"), and the regulations thereunder) or any affiliate of such person or entity, whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise (the "Total Payments"), would be subject to the excise tax imposed by section 4999 of the Code or any interest or penalties with respect to such excise tax (such excise tax and any such interest or penalties are collectively referred to as the "Excise Tax"), then the Executive shall be entitled to receive an additional payment (a "Gross-Up Payment") in an amount calculated to ensure that after payment by the Executive of all taxes (and any interest or penalties imposed with respect to such taxes), including any Excise Tax, imposed upon the Gross-Up Payment, the Executive retains an amount of the Gross-Up Payment equal to the Excise Tax imposed upon the Total Payments. Payments under this section are payable to the Executive, even if the Executive is not eligible for employment termination benefits under this agreement.

9.2 Determination by Accountant. All determinations and calculations required to be made under this Section 9 shall be made by an independent accounting firm selected by the Executive from among the largest four accounting firms in the United States (the "Accounting Firm"), which shall provide its determination (the "Determination"), together with detailed supporting calculations regarding the amount of any Gross-Up Payment and any other relevant matter, both to the Company and the Executive within five days of the termination of the Executive's employment, if applicable, or such earlier time as is requested by the Company or the Executive (if the Executive reasonably believes that any of the Total Payments may be subject to the Excise Tax). If the Accounting Firm determines that no Excise Tax is payable by the Executive, it shall furnish the Executive with a written statement that such Accounting Firm has concluded that no Excise Tax is payable (including the reasons therefor) and that the Executive has substantial authority not to report any Excise Tax on the Executive's federal income tax return. If a Gross-Up Payment is determined to be payable, it shall be paid to the Executive within five days after the Determination is delivered to the Company or the Executive. Any determination by the Accounting Firm shall be binding upon the Company and the Executive.

9.3 Over- and Underpayments. As a result of uncertainty in the application of section 4999 of the Code at the time of the initial determination by the Accounting Firm hereunder, it is possible that Gross-Up Payments not made by the Company should have been made ("Underpayment"), or that Gross-Up Payments will have been made by the Company which should not have been made ("Overpayments"). In either such event, the Accounting Firm shall determine the amount of the Underpayment or Overpayment that has occurred. In the case of an Underpayment, the amount of such Underpayment shall be promptly paid by the Company to or for the benefit of the Executive. In the case of an Overpayment, the Executive shall, at the direction and expense of the Company, take such steps as are reasonably necessary (including the filing of returns and claims for refund), follow reasonable instructions from, and procedures established by, the Company, and otherwise reasonably cooperate with the Company to correct such Overpayment, provided, however, that (i) the Executive shall in no event be obligated to return to the Company an amount greater than the net after-tax portion of the Overpayment that the Executive has retained or has recovered as a refund from the applicable taxing authorities and (ii) this provision shall be interpreted in a manner consistent with the intent of Subsection 9.1 above, which is to make the Executive whole, on an after-tax basis, from the application of the Excise Tax, it being understood that the correction of an Overpayment may result in the Executive's repaying to the Company an amount which is less than the Overpayment.

9.4 Limitation on Parachute Payments. Any other provision of this Section 9 notwithstanding, if the Excise Tax could be avoided by reducing the Total Payments by 5% or less, then the Total Payments shall be reduced to the extent necessary to avoid the Excise Tax and no Gross-Up Payment shall be made. If the Accounting Firm determines that the Total Payments are to be reduced under the preceding sentence, then the Company shall promptly give the Executive notice to that effect and a copy of the detailed calculation thereof. The Executive may then elect, in the Executive's sole discretion, which and how much of the Total Payments are to be eliminated or reduced (as long as after such election no Excise Tax will be payable) and shall advise the Company in writing of the Executive's election within 10 days of receipt of notice. If no such election is made by the Executive within such 10 day period, then the Company may elect which and how much of the Total Payments are to be eliminated or reduced (as long as after such election, no Excise Tax will be payable) and shall notify the Executive promptly of such election.

10. RESTRICTIVE COVENANTS.

10.1 Confidential Information. During the period of his employment, Executive shall hold in a fiduciary capacity for the benefit of the Company and its affiliates all trade secrets, proprietary or confidential information, knowledge or data relating to the Company, and/or their respective businesses, which shall have been obtained by Executive. Trade secret information includes, but is not limited to, customer lists, pricing information, sales reports, financial and marketing data, reserves estimation processes or procedures, techniques, or processes that: (i) derive independent economic value, actual or potential, from not being generally known to the public or to persons who can obtain economic value from their disclosure or use, and (ii) are the subject of reasonable efforts under the circumstances to maintain their secrecy. After termination of Executive's employment with the Company, Executive shall not,

without the prior written consent of the Company, use, communicate or divulge any such information, knowledge or data to anyone at any time.

10.2 Covenant Not to Compete. Executive agrees not to, during the course of employment and for a period of two years commencing upon the termination of employment, voluntarily or involuntarily, for any reason whatsoever, (i) directly or indirectly, individually or on behalf of persons not now parties to this Agreement, or as a director, officer, principal, agent, executive, or in any other capacity or relationship, engage in any business or employment, or aid or endeavor to assist any business or legal entity that is in the commercial, hotel and/or residential real estate development business that Competes with the Company anywhere in Florida or (ii) hold, directly or indirectly, more than five percent of any class of stock of any corporation or more than a 5% interest in any partnership or other business or legal entity that is in the commercial, hotel and/or residential real estate development business that Competes with the Company anywhere in Florida. "Competes" shall be defined as engaging in commercial, hotel and/or residential real estate development projects where total annual development costs for all such commercial, hotel and/or residential projects in Florida meet or exceed $50,000,000. The Company and Executive acknowledge the reasonableness of this covenant not to compete and the reasonableness of the geographic area and duration of time which are a part of said covenant. This covenant not to compete is contemplated to protect Company's legitimate business interests.

10.3 Solicitation of Customers by Executive. Unless waived in writing by the Company, Executive further agrees that he will not, directly or indirectly, during the course of employment and for two years after termination of his employment, solicit the trade or patronage of any of the customers of the Company, regardless of the location of such customers of the Company with respect to any services, products, or other matters in which the Company is active.

10.4 Solicitation of Company Employees. Unless waived in writing by the Company, Executive further agrees that he will not, directly or indirectly, during the course of employment and for two years after termination of his employment, solicit or attempt to entice away from the Company any director, agent or employee of the Company.

10.5 Compliance with Business Ethics and Conflict of Interest Policy. During the Executive's employment with the Company, the Executive shall comply in all respects with the Company's Business Ethics and Conflict of Interest Policy attached hereto as exhibit "A," and as may be amended from time to time.

10.6 Survival; Injunctive Relief. Executive agrees that Sections 10.1 to 10.4 shall survive the termination of (a) this Agreement and (b) the period of employment hereunder. Executive acknowledges that the Company has no adequate remedy at law and would be irreparably harmed if Executive breaches or threatens to breach any of the provisions of this Section 10 and, therefore, agrees that the Company shall be entitled to injunctive relief to prevent any such breach or threatened breach thereof and to specific performance of the terms of this Section 10 (in addition to any other legal or equitable remedy the Company may have). Executive further agrees that Executive shall not, in any equity proceeding relating to the enforcement of this Section 10, raise the defense that the Company has an adequate remedy at law. Nothing in this Agreement shall be construed as prohibiting the Company from pursuing any other remedies at law or in equity that it may have under and in respect of this Agreement or any other agreement.

11. SUCCESSORS.

11.1 Company's Successors. The Company shall require any successor (whether direct or indirect by purchase, lease, merger, consolidation, liquidation or otherwise) to all or substantially all of the Company's business or assets, by an agreement in substance and form satisfactory to the Executive, to assume this Agreement and to agree expressly to perform this Agreement in the same manner and to the same extent as the Company would be required to perform it in the absence of a succession. For all purposes under this Agreement, the term "Company" shall include any successor to the business or assets

of the Company which executes and delivers the assumption agreement described in this Section 11.1 or which becomes bound by this Agreement by operation of law.

11.2 Executive's Successors. This Agreement and all rights of the Executive hereunder shall inure to the benefit of, and be enforceable by, the Executive's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees.

12. LIQUIDATED DAMAGES. The payments and benefits provided in Sections 5 and 9 are intended to be liquidated damages for a termination of the Executive's employment by the Company without Cause or for the actions of the Company leading to a termination of the Executive's employment by the Executive for Good Reason, and shall be the sole and exclusive remedy therefor.

13. RELEASE. Notwithstanding any provision herein to the contrary, the Company may require that, prior to payment of any amount or provision of any benefit under this Agreement, the Executive shall have executed a complete release of the Company and its affiliates and related parties in such form as is reasonably acceptable to both parties and any waiting periods contained in such release shall have expired.

14. INSURANCE AND INDEMNIFICATION. The Company will indemnify the Executive for his actions as a Company employee or officer pursuant to Company policy.

15. MISCELLANEOUS PROVISIONS.

15.1 Notice. Notices and all other communications contemplated by this Agreement shall be in writing and shall be deemed to have been duly given when personally delivered or when mailed by U.S. registered or certified mail, return receipt requested and postage prepaid. In the case of the Executive, mailed notices shall be addressed to the Executive at the home address that the Executive most recently communicated to the Company in writing. In the case of the Company, mailed notices shall be addressed to its corporate headquarters, and all notices shall be directed to the attention of its Secretary.

15.2 Waiver. No provision of this Agreement shall be modified, waived or discharged unless the modification, waiver or discharge is agreed to in writing and signed by the Executive and by an authorized officer of the Company (other than the Executive). No waiver by either party of any breach of, or of compliance with, any condition or provision of this Agreement by the other party shall be considered a waiver of any other condition or provision or of the same condition or provision at another time.

15.3 Other Agreements; Amendment. In consideration for entering into this Agreement, the Long-Term Incentive Compensation Agreement between the Executive and the Company dated as of August 21, 2001 (the "LTIC Agreement"), is hereby terminated and neither the Company nor the Executive shall have any rights or obligations thereunder; provided, however, that within 10 days after the date of this Agreement Executive shall be paid an amount in cash equal to $2,307,692. This Agreement contains all of the terms of Executive's employment with the Company and supersedes any prior understandings or agreements, whether oral or written, between the Executive and the Company relating to employment and/or severance, including the Severance Agreement between the Executive and the Company dated as of August 21, 2001. This Agreement may be amended only in writing, by an instrument executed by both parties.

15.4 No Setoff; Withholding Taxes. There shall be no right of setoff or counterclaim, with respect to any claim, debt or obligation, against payments to the Executive under this Agreement. Except as provided in Section 9, all payments made or benefits provided under this Agreement shall be subject to reduction to reflect taxes required to be withheld by law. The payments received under this Agreement shall be in lieu of, and not in addition to, any payments or benefits received in connection with the Company's general severance policy then in effect. Should any payment be made or benefits be provided under any such severance policy, the payments and benefits provided hereunder shall be correspondingly reduced by such payments and/or benefits.

15.5 Choice of Law. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of Florida, except their choice-of-law provisions.

15.6 Severability. The invalidity or unenforceability of any provision or provisions of this Agreement shall not affect the validity or enforceability of any other provision hereof, which shall remain in full force and effect.

15.7 Arbitration. Except as otherwise provided in Section 9, any controversy or claim arising out of or relating to this Agreement, or the breach thereof, shall be settled by arbitration in Jacksonville, Florida, in accordance with the Commercial Arbitration Rules of the American Arbitration Association. Arbitration shall be the exclusive remedy for resolving disputes arising under this Agreement. Discovery shall be permitted to the same extent as in a proceeding under the Federal Rules of Civil Procedure. Judgment on the award rendered by the arbitrator may be entered in any court having jurisdiction thereof. All fees and expenses of the arbitrator and such Association shall be paid as determined by the arbitrator.

15.8 Legal Fees. In the event of any controversy or claim arising out of or relating to this Agreement, or the breach thereof, the Company shall pay (on an as-incurred basis) the reasonable fees and costs of the Executive's attorneys attributable to such controversy or claim (the "Legal Fees"); provided that the Executive shall reimburse the Company for all such Legal Fees if the Executive does not prevail on at least one material issue arising in such controversy or claim.

15.9 No Assignment. The rights of any person to payments or benefits under this Agreement shall not be made subject to option or assignment, either by voluntary or involuntary assignment or by operation of law, including (without limitation) bankruptcy, garnishment, attachment or other creditor's process, and any action in violation of this Section 15.9 shall be void.

IN WITNESS WHEREOF, each of the parties has executed this Agreement, in the case of the Company by its duly authorized director, as of the day and year first above written.

EXECUTIVE	THE ST. JOE COMPANY
/s/ Kevin M. Twomey	By /s/ Michael Ainslie
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Kevin M. Twomey	Michael Ainslie Chairman of the Compensation Committee

Exhibit 10.3

AGREEMENT

THIS AGREEMENT is entered into on November 6, 2003 by THE ST. JOE COMPANY (“St. Joe”) and the ALFRED I. DUPONT TESTAMENTARY TRUST and THE NEMOURS FOUNDATION (collectively, the “Trust”).

RECITALS

I. St. Joe’s Board of Directors has authorized an open market stock repurchase program (the “Stock Repurchase Program”) for the purchase of shares of St. Joe’s outstanding common stock, no par value (“Shares”).

II. The Trust desires to sell Shares to St. Joe, and St. Joe desires to purchase Shares from the Trust, in connection with the Stock Repurchase Program as provided in this Agreement.

III. This Agreement is being entered into in good faith and not as part of a plan or scheme to evade the prohibitions of Rule 10b5-1 under the Securities Exchange Act of 1934, as amended (the “1934 Act”).

IN CONSIDERATION OF the mutual promises contained in this Agreement, St. Joe and the Trust agree:

A. Purchase and Sale

1. St. Joe shall deliver to the Trust a completed notice in the form attached to this Agreement as Exhibit “A” (a “Notice”) at or before 12:00 p.m. Eastern Time each Monday or, if Monday is not a business day, on the next business day. The Trust shall, after receipt of the Notice, deliver and sell to St. Joe, and St. Joe shall buy from the Trust (each such transaction, a “Sale”), at or before midnight on the third business day following receipt of the Notice (a “Closing Date”) a number of shares equal to 0.47 (the “Share Multiplier”), *multiplied by* the aggregate number of Shares St. Joe has purchased on the open market from persons other than the Trust during the calendar week ending immediately prior to the date of the relevant Notice (the “Prior Week’s Purchased Shares”). On each Closing Date, (a) the Trust shall deliver to St. Joe’s transfer agent the Shares which are the subject of the applicable Sale, free and clear of any security interests, claims, liens, equities or other encumbrances, together with instructions to transfer such Shares to St. Joe, together with such stock powers and other instruments as may be necessary to give effect to such

instructions, and (b) St. Joe shall pay the total amount payable for the Shares which are the subject of such Sale in immediately available funds to such account as the Trust has designated in writing.

2. The price per Share to be paid by St. Joe under each Sale shall be the Volume Weighted Average Price ("VWAP") paid by St. Joe for the Prior Week's Purchased Shares. For purposes of this Agreement, VWAP is calculated by dividing the total consideration paid, without taking commissions into account, for the Prior Week's Purchased Shares by the Prior Week's Purchased Shares, excluding any transaction involving the purchase of shares directly from affiliates of St. Joe. An example of the calculation of VWAP is set forth in the schedule attached to this Agreement as Exhibit "B". The price per Share shall be set forth in Item 3 of the Notice.

3. The Trust shall not be required to effect any Sale if the price to be paid by St. Joe for the Shares is less than $30.00 (the "Floor Price") per Share.

4. St. Joe shall not be obligated to deliver a Notice and neither St. Joe nor the Trust shall be required to effect a Sale if the performance of their respective obligations would violate applicable law.

5. Only one Notice may be delivered and one Sale may be effected each week.

6. Any fractional amounts of Shares required to be sold to St. Joe under any Notice shall be rounded up to the nearest whole number.

7. For purposes of this agreement, (a) "business day" means a day on which the New York Stock Exchange is open for trading, and (b) "affiliate" has the meaning given it in Rule 12b-2 under the 1934 Act.

B. Term. The initial term of this Agreement shall commence on November 10, 2003, and shall continue through February 6, 2004; provided that February 12, 2004 shall be a Closing Date for a Sale based on the Prior Week's Purchased Shares, if any. The parties, by mutual agreement, may renew this Agreement for additional terms of ninety (90) days each, subject to mutual agreement on the Floor Price in Section A (3) with respect to such renewal period. It is the intent of the parties that the Trust participate in the Stock Repurchase Program on a pro rata basis with the public shareholders. Accordingly, the parties agree that upon

renewal, the Share Multiplier defined in Section A (1) will be adjusted, if necessary, to properly account for the then current ownership position of the Trust and the public shareholders.

C. Representations and Warranties.

1. The Trust represents and warrants to St. Joe that (a) each Sale will have been duly authorized by the trustees of the Trust, (b) no Sale will contravene, or require any consent, notice or filing which has not been obtained, given or made, under (i) any law applicable to the Trust, (ii) the organizational documents of the Trust or (iii) any judgment, order or decree or any contract or agreement to which the Trust is subject, (c) the Trust has or will have valid title to the Shares to be sold to St. Joe and the legal right and power to sell, transfer and deliver such Shares, (d) the delivery of the Shares under each Sale will, upon payment of the total amount payable therefor, pass valid title to St. Joe to such Shares free and clear of any security interests, claims, liens, equities, and other encumbrances, and (e) as of the date of this Agreement, the Trust is not aware of any material nonpublic information with respect to St. Joe as that term is used in Rule 10b5-1 under the 1934 Act.

2. St. Joe represents and warrants to the Trust that (a) each Sale will have been duly authorized by the Board of Directors of St. Joe, (b) no Sale will contravene, or require any consent, notice or filing which has not been obtained, given or made, under (i) any law applicable to St. Joe, (ii) the organizational documents of St. Joe or (iii) any judgment, order or decree or any contract or agreement to which St. Joe is subject, and (c) as of the date of this Agreement, there is no material nonpublic information with respect to St. Joe as that term is used in Rule 10b5-1 under the 1934 Act.

D. Third-Party Beneficiaries. This Agreement is intended solely for the benefit of St. Joe and the Trust and may not be assigned.

E. Arbitration. All disputes that may arise between the parties regarding the interpretation or application of this Agreement and the legal effect of this Agreement shall, to the exclusion of any court of law, be arbitrated and determined by a board of arbitrators, unless the parties can resolve the dispute by

mutual agreement. Either party shall have the right to submit any dispute to arbitration ten (10) days after the other party has been notified as to the nature of the dispute. If the dispute goes to arbitration, each party shall select one arbitrator and the two arbitrators shall jointly select a third arbitrator. The arbitration shall be governed by the rules of the American Arbitration Association and the laws of the State of Florida. The proceeding shall be held in Jacksonville, Florida. The parties consent that any papers, notices, or process necessary or proper for the institution or continuance of, or relating to any arbitration proceeding, or for the confirmation of an award and entry of judgment on any award made, including appeals in connections with any judgment or award, may be served on each of the parties by registered mail addressed to the party at the principal office of the party, or by personal service on the party. St. Joe and the Trust consent to the jurisdiction of the arbitration panel and agree that its decision shall be final and not subject to appeal.

F. Sales Plan. It is the intent of the parties that this Agreement comply with the requirements of Rule 10b5-1(c) under the 1934 Act and this Agreement shall be interpreted to comply with the requirements of Rule 10b5-1(c) under the 1934 Act.

G. Complete Agreement. This Agreement constitutes the entire agreement between the parties with respect to its subject matter and supersedes all prior agreements, oral or written, with respect to such subject matter.

H. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Florida applicable to contracts made and to be performed in the State of Florida.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the day and year first above written.

THE ST. JOE COMPANY

By: ____________________________

Name:
Title:

ALFRED I. DUPONT TESTAMENTARY TRUST

By: ____________________________

Name:
Title:

THE NEMOURS FOUNDATION

By: ____________________________

Name:
Title:

EXHIBIT “A”

NOTICE OF PURCHASE OF STOCK

Date: ____________

Item 1. Prior Week’s Purchased Shares: _______________________.

Item 2. Shares to be purchased from the Trust by St. Joe in connection with this Notice: __________________.

Item 3. Price per Share (Volume Weighted Average Price paid by St. Joe for the Prior Week’s Purchased Shares based upon the volume of Shares purchased at a given price): ______________________.

Item 4. Total amount payable under Sale effected in connection with this Notice: ______________________.

EXHIBIT “B”

Example of calculation of VWAP

Date	Purchased Shares		Average Price (1)	Amount Payable (Cost)
9/22/03	12,000		$31.9763	$383,715.60
9/23/03	12,000		$32.0008	$384,009.60
9/24/03	12,000		$32.0212	$384,254.40
9/25/03	12,000		$32.0511	$384,613.20
9/26/03	12,000		$31.6262	$379,514.40
Prior Week’s Purchased Shares	60,000	VWAP	$31.9351	Total $1,916,107.20

(1) Average Price excludes any commissions

Exhibit 31.1

I, Peter S. Rummell, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the quarter ended September 30, 2003 of The St. Joe Company;

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

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

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

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

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

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

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

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

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

Date: November 12, 2003

/s/ Peter S. Rummell

Peter S. Rummell
Chief Executive Officer

Exhibit 31.2

I, Kevin M. Twomey, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the quarter ended September 30, 2003 of The St. Joe Company;

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

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

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

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

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

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

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

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

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

Date: November 12, 2003

/s/ Kevin M. Twomey

Kevin M. Twomey
Chief Financial Officer

Exhibit 32.1

Pursuant to 18 USC §1350, the undersigned officer of The St. Joe Company (the "Company") hereby certifies that the Company's Quarterly Report on Form 10-Q for the period ended September 30, 2003 (the "Report") fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Peter S. Rummell

Peter S. Rummell
Chief Executive Officer

Dated: November 12, 2003

The foregoing certificate is being furnished solely pursuant to 18 USC §1350 and is not being filed as part of the Report or as a separate disclosure document.

Exhibit 32.2

Pursuant to 18 USC §1350, the undersigned officer of The St. Joe Company (the “Company”) hereby certifies that the Company’s Quarterly Report on Form 10-Q for the period ended September 30, 2003 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Kevin M. Twomey

Kevin M. Twomey
Chief Financial Officer

Dated: November 12, 2003

The foregoing certificate is being furnished solely pursuant to 18 USC §1350 and is not being filed as part of the Report or as a separate disclosure document.