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 March 31, 2012

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

For the transition period from to .

Commission file number 1-10466

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

Florida **(State or other jurisdiction of incorporation or organization)**	**59-0432511** **(I.R.S. Employer Identification No.)**
133 South WaterSound Parkway **WaterSound, Florida** **(Address of principal executive offices)**	**32413** **(Zip Code)**

(850) 231-6400
(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 ☐

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

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

Large accelerated filer	☐	Accelerated filer	☒
Non-accelerated filer	☐ (Do not check if a smaller reporting company)	Smaller reporting company	☐

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

As of April 27, 2012, there were 92,278,431 shares of common stock, no par value, issued and 92,278,431 outstanding, with 16,195 shares of treasury stock.

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THE ST. JOE COMPANY
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PART I — FINANCIAL INFORMATION

Item 1. ***Financial Statements***

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

	(Unaudited) March 31, 2012	December 31, 2011
Assets		
Investments in real estate	$ 386,495	$ 387,202
Cash and cash equivalents	165,689	162,391
Notes receivable	4,123	4,563
Pledged treasury securities	22,789	23,299
Prepaid pension asset	35,811	35,125
Property, plant and equipment, net	14,506	14,946
Income taxes receivable	187	69
Deferred tax asset	11,594	11,715
Other assets	21,676	21,981
	$ 662,870	$ 661,291
Liabilities and Stockholders' Equity		
Liabilities:		
Debt	$ 52,776	$ 53,458
Accounts payable	19,835	16,450
Accrued liabilities and deferred credits	45,945	47,491
Total Liabilities	118,556	117,399
Stockholders' Equity:		
Common stock, no par value; 180,000,000 shares authorized; 92,262,236 and 92,267,256 shares outstanding at March 31, 2012 and December 2011, respectively	891,438	890,314
Accumulated deficit	(337,747)	(336,873)
Accumulated other comprehensive (loss)	(9,442)	(9,880)
Treasury stock at cost, 16,195 and zero shares held at March 31, 2012 and December 31, 2011, respectively	(260)	—
Total Stockholders' Equity	543,989	543,561
Noncontrolling interest	325	331
Total equity	544,314	543,892
Total Liabilities and Stockholders' Equity	$ 662,870	$ 661,291

See notes to consolidated financial statements.

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

	Three Months Ended March 31, 2012	Three Months Ended March 31, 2011
Revenues:		
Real estate sales	$ 13,946	$ 5,212
Resort and club revenues	6,344	5,112
Timber sales	9,495	62,624
Other revenues	733	488
Total revenues	30,518	73,436
Expenses:		
Cost of real estate sales	7,665	1,780
Cost of resort and club revenues	6,863	6,574
Cost of timber sales	6,336	6,240
Cost of other revenues	697	493
Other operating expenses	3,744	7,010
Corporate expense, net	4,431	18,247
Depreciation and amortization	2,328	6,504
Impairment losses	—	782
Restructuring charges	55	4,476
Total expenses	32,119	52,106
Operating (loss) income	(1,601)	21,330
Other income (expense):		
Investment income, net	476	207
Interest expense	(831)	(997)
Other, net	1,734	1,127
Total other income	1,379	337
Income from operations before equity in (loss) income of unconsolidated affiliates and income taxes	(222)	21,667
Equity in (loss)of unconsolidated affiliates	(11)	(24)
Income tax expense (benefit)	647	7,553
Net (loss) income	(880)	14,090
Less: Net (loss) attributable to noncontrolling interest	(6)	(9)
Net (loss) income attributable to the Company	$ (874)	$ 14,099
(LOSS) EARNINGS PER SHARE		
Basic		
Weighted average shares outstanding	92,265,059	92,335,090
Net (loss) income attributable to the Company	$ (0.01)	$ 0.15
Diluted		
Weighted average shares outstanding	92,265,059	92,378,738
Net (loss) income attributable to the Company	$ (0.01)	$ 0.15

See notes to consolidated financial statements.

THE ST. JOE COMPANY
CONSOLIDATED STATEMENT OF COMPREHENSIVE (LOSS) INCOME
(Unaudited)
(Dollars in thousands)

	Three Months Ended	
	March 31, 2012	March 31, 2011
Net (loss) income:	$ (880)	$ 14,090
Other comprehensive income, net of tax:		
Defined benefit pension plan		—
Amortization of pension and postretirement benefit costs, net	438	169
Total comprehensive (loss) income	$ (442)	$ 14,259

See notes to consolidated financial statements.

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THE ST. JOE COMPANY
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
(Unaudited)
(Dollars in thousands, except per share amounts)

	Common Stock Shares	Common Stock Amount	Accumulated Deficit	Accumulated Other Comprehensive income (loss)	Treasury Stock	Non-controlling Interest	Total
Balance, December 31, 2011	**92,267,256**	**$890,314**	**$ (336,873)**	**$ (9,880)**	**$ —**	**$ 331**	**$543,892**
Comprehensive income:							
Net (loss)			(874)			(6)	(880)
Amortization of pension and postretirement benefit costs, net				438			438
Total comprehensive (loss)							(442)
Issuances of common stock	36,023	576					576
Forfeitures of restricted stock	(31,514)				(108)		(108)
Excess(reduction in)tax benefit on options exercised and vested restricted stock		525					525
Amortization of stock-based compensation		23					23
Treasury shares received in lieu of taxes to be remitted on share award	(9,529)				(152)		(152)
Balance, March 31, 2012	**92,262,236**	**$891,438**	**$ (337,747)**	**$ (9,442)**	**$ (260)**	**$ 325**	**$544,314**

See notes to consolidated financial statements.

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

	Three Months Ended March 31, 2012	Three Months Ended March 31, 2011
Cash flows from operating activities		
Net (loss) income	$ (880)	$ 14,090
Adjustments to reconcile net (loss) income to net cash provided by operating activities		
Depreciation and amortization	2,328	6,504
Stock-based compensation	491	8,472
Equity in (income) loss of unconsolidated joint ventures	11	24
Deferred income tax (benefit) expense	647	9,589
Impairment losses	—	782
Cost of operating properties sold	7,162	1,167
Expenditures for operating properties	(8,296)	(4,234)
Pension charges	(247)	—
Changes in operating assets and liabilities:		
Notes receivable	440	524
Other assets	139	(185)
Accounts payable and accrued liabilities	1,836	1,445
Income taxes payable	—	(732)
Net cash provided by operating activities	3,631	37,446
Cash flows from investing activities:		
Purchases of property, plant and equipment	(189)	(288)
Proceeds from disposition of property, plant and equipment	8	—
Net cash (used in) investing activities	(181)	(288)
Cash flows from financing activities:		
Repayments of other long-term debt	—	(166)
Excess (reduction in) tax benefits from stock-based compensation	—	53
Taxes paid on behalf of employees related to stock-based compensation	(152)	(4,646)
Net cash (used in) financing activities	(152)	(4,759)
Net increase (decrease) in cash and cash equivalents	3,298	32,399
Cash and cash equivalents at beginning of period	162,391	183,827
Cash and cash equivalents at end of period	$ 165,689	$ 216,226

See notes to consolidated financial statements.

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

1. Description of Business and Basis of Presentation

Description of Business

The St. Joe Company (the "Company") is a Florida-based real estate developer and manager. The Company owns approximately 573,000 acres of land concentrated primarily in Northwest Florida and has significant residential and commercial land-use entitlements in hand or in process. The majority of land not under development is used for the growing and selling of timber or is available for sale. The Company also owns various commercial, resort and club properties.

Basis of Presentation

The accompanying unaudited interim financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC") for reporting on Form 10-Q. Accordingly, certain information and footnotes required by U.S. generally accepted accounting principles ("GAAP") for complete financial statements are not included herein. The consolidated interim financial statements include the accounts of the Company and all of its majority-owned and controlled subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation. The December 31, 2011 balance sheet amounts have been derived from the Company's December 31, 2011 audited financial statements.

The statements reflect all normal recurring adjustments that, in the opinion of management, are necessary for fair presentation of the information contained herein. The consolidated interim statements should be read in conjunction with the financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2011. The Company adheres to the same accounting policies in preparation of its interim financial statements. As permitted under generally accepted accounting principles, interim accounting for certain expenses, including income taxes, are based on full year assumptions. For interim financial reporting purposes, income taxes are recorded based upon estimated annual income tax rates.

Long-Lived Assets

The Company reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Long-lived assets include the Company's investments in operating, development and investment property. Some of the events or changes in circumstances that are considered by the Company as indicators of potential impairment include:

- a prolonged decrease in the market price or demand for the Company's properties;
- a change in the expected use or development plans for the Company's properties;
- a current period operating or cash flow loss for an operating property; and,
- an accumulation of costs in a development property that significantly exceeds its historically low basis in property held long-term.

Homes and homesites substantially completed and ready for sale are measured at the lower of carrying value or fair value less costs to sell. Homes and homesites ready for sale include properties that are actively marketed with an intent to sell such properties in the near term. Management identifies properties as being ready for sale when the intent is to sell such assets in the near term and under current market conditions. Other properties for which management does not intend to sell in the near term under current market conditions are evaluated for impairment based on management's best estimate of the long-term use and eventual disposition of such property.

For projects under development, an estimate of undiscounted future cash flows is performed using estimated future expenditures necessary to develop and maintain the existing project and using management's best estimates about future sales prices and holding periods. The projection of undiscounted cash flows requires that management develop various assumptions including:

- The projected pace of sales of homesites based on estimated market conditions and the Company's development plans;
- Estimated pricing and projected price appreciation over time, which can range from 0% to 10% annually;
- The trajectory of price appreciation over the estimated selling period;
- The length of the estimated development and selling periods, which can range from 4 to13 years depending on the size of the development and the number of phases to be developed;
- The amount of remaining development costs and holding costs to be incurred over the selling period;
- For bulk land sales of undeveloped and developed parcels, future pricing is based upon estimated developed lot pricing less estimated development costs and estimated developer profit at 20%;
- For commercial development property, future pricing is based on sales of comparable property in similar markets; and
- Whether liquidity is available to fund continued development.

For operating properties, an estimate of undiscounted cash flows also requires management to make assumptions about the use and disposition of such properties. These assumptions include:

- for investments in hotel and rental condominium units, average occupancy and room rates, revenues from food and beverage and other amenity operations, operating expenses and capital expenditures, and the amount of proceeds to be realized upon disposition of such properties as condo-hotels or condominiums, based on current prices for similar units appreciated to the expected sale date;
- for investments in commercial or retail property, future occupancy and rental rates and the amount of proceeds to be realized upon disposition of such property at a terminal capitalization rate; and
- for investments in golf courses, future rounds and greens fees, operating expenses and capital expenditures, and the amount of proceeds to be realized upon eventual disposition of such properties at a multiple of terminal year cash flows.

Other properties that management does not intend to sell in the near term under current market conditions and has the ability to hold are evaluated for impairment based on management's best estimate of the long-term use and eventual disposition of the property.

The results of impairment analyses for development and operating properties are particularly dependent on the estimated holding and selling period for each asset group. Based on our recently adopted risk-adjusted investment return criteria, these future holding periods have been reduced to a maximum period of 13 years.

The Company classifies the assets and liabilities of a long-lived asset as held-for-sale when management approves and commits to a formal plan of sale and it is probable that a sale will be completed. The carrying value of the assets held-for-sale are then recorded at the lower of their carrying value or fair market value less costs to sell. The operations and gains on sales of operating assets for which the Company has continuing involvement or significant cash flows are reported as income from continuing operations.

Timber Deed

Timber deed sales are agreements in which the buyer agrees to purchase and harvest specified timber (i.e. mature pulpwood and/or sawlogs) on a tract of land over the term of the contract. Unlike a pay-as-cut sales contract, risk of loss and title to the trees transfer to the buyer when the contract is signed. The buyer pays the full purchase price when the contract is signed and the Company does not have any additional performance obligations. Under a timber deed, the buyer or some other third party is responsible for all logging and hauling costs, if any, and the timing of such activity. Revenue from a timber deed sale is recognized when the contract is signed because the earnings process is complete.

On March 31, 2011, the Company entered into a $55.9 million agreement with an investment fund for the sale of a timber deed which gives the investment fund the right to harvest timber on specific tracts of land (encompassing 40,975 acres) over a maximum term of 20 years. Pursuant to the agreement, the Company entered into timber deeds conveying ownership of the timber stands but retaining ownership of the underlying land. Furthermore, as part of the agreement, the Company also entered into a Thinnings Supply Agreement, pursuant to which we agreed, to the extent that the buyer decided to conduct “First Thinnings”, to purchase 85% of such First Thinnings of at fair market value. During the three months ended March 31, 2012, we purchased approximately $0.1 million of First Thinnings. During the three months ended March 31, 2011, the Company recognized $54.5 million in revenue related to the timber deed with $1.4 million recorded as an imputed land lease to be recognized over the life of the timber deed.

Recently Adopted Accounting Pronouncements

In June 2011, the Financial Accounting Standards Board (“FASB”) issued an accounting standard update which requires the presentation of components of other comprehensive income with the components of net income in either (1) a continuous statement of comprehensive income that contains two sections, net income and other comprehensive income, or (2) two separate but consecutive statements. This accounting standard update eliminates the option to present components of other comprehensive income as part of the statement of stockholders’ equity, and is effective for interim and annual periods beginning after December 15, 2011. The adoption of this accounting standard update did not have an impact on our consolidated financial position, results of operations, or cash flows, as it only requires a change in the format of our current presentation of comprehensive income.

In May 2011, the FASB issued an accounting standard update that amends the accounting standard on fair value measurements. The accounting standard update provides for a consistent definition and measurement of fair value, as well as similar disclosure requirements between GAAP and International Financial Reporting Standards. The accounting standard update changes certain fair value measurement principles, clarifies the application of existing fair value measurement, and expands the fair value measurement disclosure requirements, particularly for Level 3 fair value measurements. The amendments in this accounting standard update are to be applied prospectively and are effective for interim and annual periods beginning after December 15, 2011. The adoption of this accounting standard update did not have a material effect on our consolidated financial statements.

Recently Issued Accounting Pronouncements

In December 2011, the FASB issued guidance to enhance disclosures about offsetting assets and liabilities. Entities are required to disclose information about offsetting and related arrangements to enable users of its financial statements to understand the effect of those arrangements on its financial position. The guidance is effective for interim and annual periods beginning on or after January 1, 2013. We do not expect adoption of this guidance to impact our financial condition or results of operations.

2. Stock-Based Compensation and Earnings Per Share

On May 12, 2009, the Company adopted The St. Joe Company 2009 Equity Incentive Plan whereby options, stock appreciation rights, restricted stock, restricted stock units and performance awards may be granted to directors and employees. The 2009 Equity Incentive Plan provides for the issuance of a maximum of 2.0 million shares of the Company’s common stock. As of March 31, 2012, 1.5 million shares remained available for issuance under the 2009 Equity Incentive Plan.

Stock-Based Compensation

The changes to the composition of the Company’s board of directors which occurred during the first quarter of 2011 constituted a “change in control event” under the terms of certain of our incentive plans. As a result, during March 2011, the Company accelerated the vesting of approximately 300,000 restricted stock units resulting in $6.2 million in accelerated stock compensation expense.

Stock-based compensation cost is measured at the grant date based on the fair value of the award and is typically recognized as expense on a straight-line basis over the requisite service period, which is the vesting period. Stock-based compensation cost may be recognized over a shorter requisite service period if an employee meets retirement eligibility requirements. Upon exercise of stock options, the Company will issue new common stock. Additionally, the 15% discount at which employees purchased the Company’s common stock through payroll deductions was recognized as compensation expense. The Company discontinued the employee stock purchase plan as of July 1, 2011.

Service-Based Grants

A summary of service-based restricted stock unit activity as of March 31, 2012 and changes during the three month period are presented below:

Service-Based Restricted Stock Units	Number of Units	Weighted Average Grant Date Fair Value
Balance at December 31, 2011	37,815	$ 26.99
Granted	—	—
Vested	(24,076)	23.13
Forfeited	(1,656)	21.52
Balance at March 31, 2012	12,083	$ 21.52

As of March 31, 2012, there was less than $0.1 million of unrecognized compensation cost, adjusted for estimated forfeitures, related to restricted stock unit and stock option compensation arrangements which will be recognized over a weighted average period of four years.

Market Condition Grants

From time to time the Company has granted to select executives and other key employees restricted stock units whose vesting is based upon the achievement of certain market conditions, which are defined as the Company's total shareholder return as compared to the total shareholder return of certain peer groups during a three year performance period.

The Company used a Monte Carlo simulation pricing model to determine the fair value of its market condition awards. The determination of the fair value of market condition awards is affected by the stock price as well as by assumptions regarding a number of other variables. These variables included expected stock price volatility over the requisite performance term of the awards, the relative performance of the Company's stock price and shareholder returns to those companies in its peer groups and a risk-free interest rate assumption. Compensation cost is recognized regardless of the achievement of the market condition, provided the requisite service period is met.

A summary of the activity for market condition restricted stock units during the three months ended March 31, 2012 is presented below:

Market Condition Restricted Stock Units	Number of Units	Weighted Average Grant Date Fair Value
Balance at December 31, 2011	23,192	$ 15.69
Granted	—	—
Vested	—	—
Forfeited	(23,192)	15.69
Balance at March 31, 2012	—	$ —

Total stock-based compensation recognized in the consolidated statements of operations was as follows:

	Three Months Ended March 31,	
	2012	2011
Stock-based compensation expense	$ 491	$ 8,472

Included in compensation expense for the three months ended March 31, 2012 is approximately $0.6 million in compensation related to the issuance of 36,023 immediately vesting common shares issued to the Chief Executive Officer of the Company in lieu of a cash bonus.

Earnings (Loss) Per Share

Basic earnings (loss) per share is calculated by dividing net income (loss) by the average number of common shares outstanding for the period. Diluted earnings (loss) per share is calculated by dividing net income (loss) by the weighted average number of common shares outstanding for the period, including all potentially dilutive shares issuable under outstanding stock options and service-based restricted stock units. Stock options and restricted stock units are not considered in any diluted earnings per share calculations when the Company has a loss from continuing operations. Restricted stock units are treated as contingently issuable shares and are issued and outstanding only upon the satisfaction of the market conditions.

The following table presents a reconciliation of average shares outstanding:

	Three Months Ended March 31,	
	2012	2011
Basic average shares outstanding	92,265,059	92,335,090
Net effect of stock options assumed to be exercised	—	13,071
Net effect of non-vested restricted stock assumed to be vested	—	30,577
Diluted average shares outstanding	92,265,059	92,378,738

3. Fair value measurements

The Company follows the provisions of Accounting Standards Codification (“ASC”) No. 820 for its financial and non-financial assets and liabilities. ASC 820, among other things, defines fair value, establishes a consistent framework for measuring fair value and expands disclosure for each major asset and liability category measured at fair value on either a recurring or nonrecurring basis. ASC 820 clarifies that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that is determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, ASC 820 establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

Level 1. Observable inputs such as quoted prices in active markets;

Level 2. Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; and

Level 3. Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

Financial Instruments

Assets and liabilities measured at fair value on a recurring basis are as follows:

Fair value as of March 31, 2012:

	Fair Value March 31, 2012	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Recurring:				
Investments in money market and short term treasury instruments	$147,046	$ 147,046	$ —	$ —
Retained interest in entities	10,817	—	—	10,817
Total, net	$157,863	$ 147,046	$ —	$ 10,817

Fair value as of December 31, 2011:

	Fair Value December 31, 2011	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Recurring:				
Investments in money market and short term treasury instruments	$ 148,985	$ 148,985	$ —	$ —
Retained interest in entities	10,707	—	—	10,707
Total, net	$ 159,692	$ 148,985	$ —	$ 10,707

The Company has recorded a retained interest with respect to the monetization of certain installment notes, which is recorded in other assets. The retained interest is an estimate based on the present value of cash flows to be received over the life of the installment notes. The Company's continuing involvement with the entities is in the form of receipts of net interest payments, which are recorded as interest income and approximated $0.2 million during the three months ended March 31, 2012 and 2011. The Company will receive the payment of the remaining principal on the installment notes during 2022 and 2023.

In accordance with ASC 325, *Investments — Other, Subtopic 40 — Beneficial Interests in Securitized Financial Assets*, the Company recognizes interest income over the life of the retained interest using the effective yield method. This income adjustment is being recorded as an offset to loss on monetization of notes over the life of the installment notes. In addition, fair value may be adjusted at each reporting date when, based on management's assessment of current information and events, there is a favorable or adverse change in estimated cash flows from cash flows previously projected. The Company did not make any changes in previously projected cash flows during the first quarter of 2012 or 2011.

The following is a reconciliation of the Company's retained interest:

	2012
Balance, January 1	$10,707
Additions	—
Accretion of interest income	110
Balance, March 31	$10,817

In the event of a failure and liquidation of the financial institution involved in our installment sales, the Company could be required to write-off the remaining retained interest recorded on its balance sheet in connection with the installment sale monetization transactions, which would have an adverse effect on the Company's results of operations and financial position.

Guarantees

On October 21, 2009, the Company entered into a strategic alliance agreement with Southwest Airlines to facilitate the commencement of low-fare air service in May 2010 to the Northwest Florida Beaches International Airport (see Note 13 *"Contingencies"*). The Company has agreed to reimburse Southwest Airlines in the form of a guarantee if it incurs losses on its service at the airport during the first three years of service by making specified break-even payments. At inception, the Company measured the associated standby guarantee liability at fair value based upon a discounted cash flow analysis based on management's best estimates of future cash flows to be paid by the Company pursuant to the strategic alliance agreement. These cash flows were estimated using numerous estimates including future fuel costs, passenger load factors, air fares, and seasonality. Subsequently, the guarantee is measured at the greater of the fair value of the guarantee liability at inception or the reimbursable amount that is probable and reasonably estimable of occurring, if any.

The Company carried a standby guarantee liability of $0.8 million at March 31, 2012 related to this strategic alliance agreement. The Company has made no payments under the standby guarantee.

Long Lived Assets

The Company reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Homes and homesites substantially completed and ready for sale, and which management intends to sell in the near term under current market conditions, are measured at lower of carrying value or fair value less costs to sell. The fair value of these properties is determined based upon final sales prices of inventory sold during the period (level 2 inputs) or estimates of selling prices based on current market data (level 3 inputs). Other properties for which management does not intend to sell in the near term under current market conditions, including development and operating properties are evaluated for impairment based on management's best estimate of the long-term use and eventual disposition of the property. If determined to be impaired, the fair value of these properties is determined based on the net present value of discounted cash flows using estimated future expenditures necessary to maintain and complete the existing project and management's best estimates about future sales prices, sales volumes, sales velocity and holding periods (level 3 inputs). The estimated length of expected development periods, related economic cycles and inherent uncertainty with respect to these projects such as the impact of changes in development plans and the Company's intent and ability to hold the projects through the development period, could result in changes to these estimates. For operating properties, an estimate of undiscounted cash flows requires management to make similar assumptions about the use and eventual disposition of such properties.

The Company did not record any impairment charges in the three months ended March 31, 2012. For the three months ended March 31, 2011, the Company recorded impairment charges in the commercial real estate segment and residential real estate segment of $0.8 million and $0.1 million, respectively, and, as a result of the decision to indefinitely delay the development of the new corporate headquarters building in VentureCrossings Enterprise Centre, the Company impaired $0.8 million of predevelopment costs.

4. Investment in Real Estate

Real estate by segment includes the following:

	March 31, 2012	December 31, 2011
Operating property:		
Residential real estate	$ 136,641	$ 136,563
Commercial	5,367	4,691
Rural land sales	139	139
Forestry	57,841	58,087
Other	410	410
Total operating property	200,398	199,890
Development property:		
Residential real estate	158,671	157,245
Commercial real estate	57,683	57,600
Rural land sales	8,029	9,573
Other	—	—
Total development property	224,383	224,418
Investment property:		
Commercial real estate	700	700
Forestry	953	953
Other	3,471	3,471
Total investment property	5,124	5,124
Investment in unconsolidated affiliates:		
Residential real estate	2,248	2,259
Total real estate investments	432,153	431,691
Less: Accumulated depreciation	45,658	44,489
Investment in real estate	$ 386,495	$ 387,202

Included in operating property are Company-owned amenities related to residential real estate, the Company's timberlands and land and buildings developed by the Company and used for commercial rental purposes. Development property consists of residential real estate land and inventory currently under development or available for sale. Investment property primarily includes the Company's land held for future use.

5. Notes Receivable

Notes receivable consists of the following:

	March 31, 2012	December 31, 2011
Various builder notes, non-interest bearing — 5.0% at March 31, 2012 and December 31, 2011, respectively, due October 2012 thru January 2013	295	712
Pier Park Community Development District notes, non-interest bearing, due December 2024, net of unamortized discount of $0.1 million, effective rates 5.73% — 8.0%	2,770	2,768
Various mortgage notes, secured by certain real estate bearing interest at various rates	1,058	1,083
Total notes receivable	$ 4,123	$ 4,563

The Company evaluates the carrying value of the notes receivable and the need for an allowance for doubtful notes receivable at each reporting date. Notes receivable balances are adjusted to net realizable value based upon a review of entity specific facts or when terms are modified.

6. Property, Plant and Equipment

Property, plant and equipment consists of the following:

	March 31, 2012	December 31, 2011	Estimated Useful Life (in years)
Transportation property and equipment	$ 10,140	$ 10,140	3
Machinery and equipment	18,681	18,978	3-10
Office equipment	19,855	19,845	5-10
Autos and trucks	1,928	1,951	5-10
	50,604	50,914	
Less: Accumulated depreciation	36,528	36,514	
	14,076	14,400	
Construction in progress	430	546	
Total	$ 14,506	$ 14,946	

Depreciation expense on property, plant and equipment was $2.3 million and $6.4 million for the three months ended March 31, 2012 and 2011, respectively.

7. Restructuring

On February 25, 2011, the Company entered into a Separation Agreement with Wm. Britton Greene in connection with his resignation as President, Chief Executive Officer and director of the Company. On April 11, 2011, the Company entered into separation agreements with four additional members of senior management. Additionally, certain other employees were terminated

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pursuant to the Company's 2011 restructuring program. In connection with these terminations, the Company expensed less than $0.1 million during the three months ended March 31, 2012, and recorded $4.2 million of charges under this program for the three months ended March 31, 2011. The charges associated with the Company's 2011 restructuring program by segment are as follows:

	Residential Real Estate	Commercial Real Estate	Rural Land Sales	Forestry	Other	Total
Three months ended March 31, 2012:						
One-time termination benefits to employees	$ 1	$ —	$ 1	$ —	$ —	$ 2
Three months ended March 31, 2011:						
One-time termination benefits to employees	$ —	$ —	$ —	$ —	$4,207	$ 4,207
Cumulative restructuring charges, January 1, 2011 through March 31, 2012	$ 624	$ 1,659	$ 209	$ 77	$8,364	$10,933
Remaining one-time termination benefits to employees — to be incurred during 2012	$ —	$ —	$ —	$ —	$ —	$ —

During 2010, the Company relocated its corporate headquarters from Jacksonville, Florida to WaterSound, Florida. The Company also consolidated other existing offices from Tallahassee, Port St. Joe and Walton County into the WaterSound location. The Company expensed $0.1 million and $0.3 million during the three months ended March 31, 2012 and 2011, respectively.

The charges associated with the Company's 2010 restructuring and relocation program by segment are as follows:

	Residential Real Estate	Commercial Real Estate	Rural Land Sales	Forestry	Other	Total
Three months ended March 31, 2012:						
One-time termination and relocation benefits to employees	$ 22	$ —	$ —	$ —	$ 31	$ 53
Three months ended March 31, 2011:						
One-time termination and relocation benefits to employees	$ 43	$ (3)	$ 12	$ —	$ 217	$ 269
Cumulative restructuring charges, January 1, 2010 through March 31, 2012	$ 1,035	$ 43	$ 793	$ 193	$3,636	$5,700
Remaining one-time termination benefits to employees — to be incurred during 2012	$ —	$ —	$ —	$ —	$ 8	$ 8

Termination benefits are comprised of severance-related payments for all employees terminated in connection with the restructuring. At March 31, 2012, the accrued liability associated with the relocation and restructuring programs consisted of the following:

	Balance at December 31, 2011	Costs Accrued	Payments	Balance at March 31, 2012	Due within 12 months
One-time termination benefits to employees — 2010 restructuring and relocation program	$ 8	$ 53	$ 53	$ 8	$ 8
One-time termination benefits to employees — 2011 restructuring program	$ 782	$ 2	$ 513	$ 271	$ 271
Total	$ 790	$ 55	$ 566	$ 279	$ 279

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8. Accrued Liabilities and Deferred Credits

Accrued liabilities and deferred credits consists of the following:

	March 31, 2012	December 31, 2011
Accrued compensation	$ 1,834	$ 1,687
Restructuring liability	279	790
Environmental and insurance liabilities	1,848	1,887
Deferred revenue	29,861	29,859
Retiree medical and other benefit reserves	92	100
Legal	1,162	2,972
Other accrued liabilities	10,869	10,196
Total accrued liabilities and deferred credits	$ 45,945	$ 47,491

Deferred revenue at March 31, 2012 and December 31, 2011 includes $23.5 million related to a 2006 sale of approximately 3,900 acres of rural land to the Florida Department of Transportation. Revenue is recognized when title to a specific parcel is legally transferred. As of March 31, 2012, 1,595 acres remain to be transferred.

9. Debt

Debt at March 31, 2012 and December 31, 2011 consists of the following:

	March 31, 2012	December 31, 2011
Non-recourse defeased debt, interest payable monthly at 5.6% at March 31, 2012 and December 31, 2011, secured and paid by pledged treasury securities, due October 1, 2015 (includes unamortized premium of $1.7 million at March 31, 2012)	22,789	23,299
Community Development District debt, secured by certain real estate and standby note purchase agreements, due May 1, 2016 — May 1, 2039, bearing interest at 6.7% to 7.15% at March 31, 2012	29,987	30,159
Total debt	$ 52,776	$ 53,458

The aggregate maturities of debt subsequent to March 31, 2012 are as follows (a):

2012	1,508
2013	1,586
2014	1,507
2015	18,188
2016	0
Thereafter	29,987
Total	$52,776

(a) Includes debt defeased in connection with the sale of the Company's office portfolio in the amount of $22.8 million.

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Community Development District ("CDD") bonds financed the construction of infrastructure improvements at several of the Company's 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 has recorded a liability for CDD debt that is associated with platted property, which is the point at which the assessments become fixed or determinable. Additionally, the Company has recorded a liability for the balance of the CDD debt that is associated with unplatted property if it is probable and reasonably estimable that the Company will ultimately be responsible for repaying either as the property is sold by the Company or when assessed to the Company by the CDD. Accordingly, the Company has recorded debt of $30.0 million and $30.2 million related to CDD debt as of March 31, 2012 and December 31, 2011, respectively. Total outstanding CDD debt was $56.6 million at March 31, 2012 and $56.8 million at December 31, 2011.

In connection with the sale of the Company's office building portfolio in 2007, the Company has approximately $22.8 million of defeased debt. The Company purchased treasury securities sufficient to satisfy the scheduled interest and principal payments contractually due under the mortgage debt agreement. These securities were placed into a collateral account for the sole purpose of funding the principal and interest payments as they become due. The indebtedness remains on the Company's Consolidated Balance Sheets at March 31, 2012 and December 31, 2011 since the transaction was not considered to be an extinguishment of debt.

10. Employee Benefit Plans

A summary of the net periodic benefit (credit) follows:

	Three Months Ended March 31, 2012	Three Months Ended March 31, 2011
Service cost	$ 1,040	$ 2,014
Interest cost	881	344
Expected return on assets	(2,606)	(841)
Prior service costs	438	178
Actuarial loss	—	—
Net periodic pension cost(credit)	$ (247)	$ 1,695

The Company remeasures its plan assets and benefit obligation at each December 31. No events occurred during the three months ended March 31, 2012 which would require the Company to remeasure its plan assets or benefit obligation.

11. Income Taxes

The Company had approximately $1.7 million of total unrecognized tax benefits as of March 31, 2012 and December 31, 2011. The Company recognizes interest and/or penalties related to income tax matters in income tax expense. The Company has not accrued interest expense with respect to this unrecognized tax benefit at March 31, 2012 and December 31, 2011.

At March 31, 2012, the Company had a federal net operating loss carryforward of approximately $93.4 million and a state net operating loss carry forward of $614.1 million. At December 31, 2011, the Company had a federal net operating loss carryforward of approximately $92.0 million and a state net operating loss carry forward of $612.6 million. These net operating losses are available to offset future taxable income through 2031.

In general, a valuation allowance is recorded if based on the weight of available evidence it is more likely than not that some portion or all of the deferred tax asset will not be realized. Realization of the Company's deferred tax assets is dependent upon the Company generating sufficient taxable income in future years in the appropriate tax jurisdictions to obtain a benefit from the reversal of deductible temporary differences and from loss carryforwards. Based on the timing of reversal of future taxable amounts and the Company's recent history of losses and future expectations of reporting taxable losses, management does not believe it met the requirements to realize the benefits of certain of its deferred tax assets and has adjusted the valuation allowance by $0.7 million. The valuation allowance balance was $96.2 million at March 31, 2012 and $95.5 million at December 31, 2011.

12. Gain on Claims from Oil Spill

The Company has filed lawsuits and claims seeking the recovery of damages against parties we believe are responsible for the 2010 Deepwater Horizon oil spill, which the U.S. Coast Guard termed the "largest oil spill in U.S. history" causing "significant environmental damage to the Gulf of Mexico." In April 2012, we received payment of $0.6 million from the Gulf Coast Claims Facility, which represents a small portion of one of our claims. Due to the nature of this event and the uncertainty surrounding future satisfaction or our claims, we classified this payment as a gain in our statements of operations and is included in the line item "Other, net" for the quarter ended March 31, 2012.

13. Segment Information

The Company's reportable operating segments are residential real estate, commercial real estate, rural land sales and forestry. The residential real estate segment primarily develops and sells homesites to builders. This segment also includes the Company's resort and club operations, the purpose of which is to enhance the desirability of the Company's residential real estate. The commercial real estate segment sells and leases developed and undeveloped lands. The rural land sales segment primarily sells parcels of land included in the Company's timberland holdings. The forestry segment produces and sells pine woodfiber, sawtimber and other forest products.

The Company uses (loss) income from continuing operations before equity in (loss) income of unconsolidated affiliates, income taxes and noncontrolling interest for purposes of making decisions about allocating resources to each segment and assessing each segment's performance, which the Company believes represents current performance measures.

The accounting policies of the segments are the same as those described above in the summary of significant accounting policies herein and in our Form 10-K. Total revenues represent sales to unaffiliated customers, as reported in the Company's consolidated statements of operations. All significant intercompany transactions have been eliminated. The caption entitled "Other" consists of corporate general and administrative expenses, net of investment income.

Information by business segment is as follows:

	Three Months Ended March 31, 2012	Three Months Ended March 31, 2011
OPERATING REVENUES:		
Residential real estate	$10,520	$ 7,765
Commercial real estate	6,220	297
Rural land sales	4,283	2,750
Forestry	9,495	62,624
Consolidated operating revenues	$30,518	$ 73,436
(Loss) Income from operations before equity in (loss) income of unconsolidated affiliates and income taxes:		
Residential real estate	$ (3,799)	$ (8,845)
Commercial real estate	1,894	(1,866)
Rural land sales	2,139	2,285
Forestry	2,761	52,744
Other	(3,217)	(22,651)
Consolidated (loss) income from operations before equity in (loss) income of unconsolidated affiliates and income taxes	$ (222)	$ 21,667

	March 31, 2012	December 31, 2011
TOTAL ASSETS:		
Residential real estate	$ 274,584	$ 272,210
Commercial real estate	68,450	67,650
Rural land sales	8,482	10,048
Forestry	55,247	58,638
Other	256,107	252,745
Total Assets	$ 662,870	$ 661,291

14. Commitments and Contingencies

The Company has obligations under various noncancelable long-term operating leases for office space and equipment. Some of these leases contain escalation clauses for operating costs, property taxes and insurance. In addition, the Company has various obligations under other office space and equipment leases of less than one year.

Total rent expense was less than $0.1 million for the three months ended March 31, 2012, and $0.5 million for the three months ended March 31, 2011.

The future minimum rental commitments under noncancelable long-term operating leases due over the next five years, including buildings leased through a sale-leaseback transaction are as follows:

2012	$ 346
2013	406
2014	294
2015	294
2016	153
Thereafter	3,521

In accordance with applicable accounting guidance, the Company establishes an accrued liability for litigation and regulatory matters when those matters present loss contingencies that are both probable and estimable. In such cases, there may be an exposure to loss in excess of any amounts accrued. When a loss contingency is not both probable and estimable, the Company does not establish an accrued liability. As a litigation or regulatory matter develops, the Company, in conjunction with any outside counsel handling the matter, evaluates on an ongoing basis whether such matter presents a loss contingency that is probable and estimable. If, at the time of evaluation, the loss contingency related to a litigation or regulatory matter is not both probable and estimable, the matter will continue to be monitored for further developments that would make such loss contingency both probable and estimable. Once the loss contingency related to litigation or regulatory matter is deemed to be both probable and estimable, the Company will establish an accrued liability with respect to such loss contingency and record a corresponding amount of litigation-related expense. The Company continues to monitor the matter for further developments that could affect the amount of the accrued liability that has been previously established.

Regardless of whether an accrued liability has been established for a loss contingency, the Company estimates and discloses a range of possible loss for matters in which a loss is probable or reasonably possible in future periods. In such cases, the Company reviews and evaluates its material litigation and regulatory matters on an ongoing basis, in conjunction with any outside counsel handling the matter, in light of potentially relevant factual and legal developments. In cases in which the Company possesses sufficient appropriate information to develop an estimate of loss or range of possible loss, that estimate is aggregated and disclosed below. There may be other disclosed matters for which a loss is probable or reasonably possible but such an estimate may not be possible. For those matters where an estimate is possible, management currently estimates the aggregate range of possible loss below in excess of the accrued liability (if any) related to those matters. This estimated range of possible loss is based upon currently available information and is subject to significant judgment and a variety of assumptions, and known and unknown uncertainties. The matters underlying the estimated range will change from time to time, and actual results may vary significantly from the current estimate. Those matters for which an estimate is not possible are not included within this estimated range. Therefore, this estimated range of possible loss represents what the Company believes to be an estimate of possible loss only for certain matters meeting these criteria. It does not represent the Company's maximum loss exposure. Information is provided below regarding the nature of all of these contingencies and, where specified, the amount of the claim associated with these loss contingencies. Based on current knowledge, management does not believe that loss contingencies arising from pending matters, including the matters described herein, will have a material adverse effect on the consolidated financial position or liquidity of the Company. However, in light of the inherent uncertainties involved in these matters, some of which are beyond the Company's control, and the very large or indeterminate damages sought in some of these matters, an adverse outcome in one or more of these matters could be material to the Company's results of operations or cash flows for any particular reporting period.

The Company is subject to costs arising out of environmental laws and regulations, which include obligations to remove or limit the effects on the environment of the disposal or release of certain wastes or substances at various sites, including sites which have been previously sold. It is the Company's policy to accrue and charge against earnings environmental cleanup costs when it is probable that a liability has been incurred and an amount can be reasonably estimated. As assessments and cleanups proceed, these accruals are reviewed and adjusted, if necessary, as additional information becomes available.

The Company's former paper mill site in Gulf County and certain adjacent properties are subject to various Consent Agreements and Brownfield Site Rehabilitation Agreements with the Florida Department of Environmental Protection. The paper mill site has been rehabilitated by Smurfit-Stone Container Corporation in accordance with these agreements. The Company is in the process of assessing and rehabilitating certain adjacent properties. Management is unable to quantify the rehabilitation costs at this time.

Other proceedings and litigation involving environmental matters are pending against the Company. Aggregate environmental-related accruals were $1.5 million at March 31, 2012 and December 31, 2011. Although in the opinion of management none of our environmental litigation matters or governmental proceedings is expected to have a material adverse effect on the Company's consolidated financial position, results of operations or liquidity, it is possible that the actual amounts of liabilities resulting from such matters could be material.

On November 3, 2010 and December 7, 2010, two securities class action complaints were filed against the Company and certain of its current and former officers and directors in the Northern District of Florida. These cases have been consolidated in the U.S. District Court for the Northern District of Florida and are captioned as Meyer v. The St. Joe Company et al. (No. 5:11-cv-00027). A consolidated class action complaint was filed in the case on February 24, 2011.

The complaint was filed on behalf of persons who purchased the Company's securities between February 19, 2008 and October 12, 2010 and alleged that the Company and certain of its current and former officers and directors, among others, violated the Securities Act of 1933 and the Securities Exchange Act of 1934 by making false and/or misleading statements and/or by failing to disclose that, as the Florida real estate market was in decline, the Company failed to take adequate and required impairments and accounting write-downs on many of the Company's Florida-based properties and as a result, the Company's financial statements materially overvalued the Company's property developments. The plaintiff also alleged that the Company's financial statements were not prepared in accordance with Generally Accepted Accounting Principles, and that the Company lacked adequate internal and financial controls, and as a result of the foregoing, the Company's financial statements were materially false and misleading. The complaint sought an unspecified amount in damages. On April 5, 2011, at the request of the plaintiff, the court dismissed the claims under the Securities Act of 1933 and dismissed the current and former director defendants from the case. The Company filed a motion to dismiss the case on April 6, 2011. On January 12, 2012, the Court granted the motion to dismiss with prejudice and entered judgment in favor of the Company and the individual defendants. On February 9, 2012, plaintiff filed a motion to alter or amend the judgment, which the Court denied on February 14, 2012. On March 15, 2012, plaintiff file a notice of appeal to the United States Court of Appeals for the Eleventh Circuit and that appeal is currently pending.

On March 29, 2011 and July 21, 2011, two separate derivative lawsuits were filed by shareholders on behalf of St. Joe against certain of its officers and directors in the United States District Court for the Northern District of Florida (Nakata v. Greene et. al., No. 5:11-cv-00090 and Packer v. Greene, et al., No. 3:11-cv-00344). The complaints allege breaches of fiduciary duties, waste of corporate assets and unjust enrichment arising from substantially similar allegations as those described above in the Meyer case. On June 6, 2011, the court granted the parties' motion to stay the Nakata action pending the outcome of the Meyer action. On September 12, 2011, a third derivative lawsuit was filed in the Northern District of Florida (Shurkin v. Berkowitz, et al., No. 5:11-cv-304) making similar claims as those in the Nakata and Packer actions. St. Joe and the individual defendants have not been served with the Shurkin complaint. On September 16, 2011, plaintiffs in Nakata and Packer filed a joint motion to consolidate all derivative actions and appoint lead counsel. On October 3, 2011, plaintiff in Shurkin filed a cross motion seeking separate lead counsel for Shurkin and coordination of Shurkin with the other derivative cases. On October 6, 2011, the Company filed a response in which it stated that all derivative cases should be consolidated. On October 14, 2011, Nakata and Packer plaintiffs filed an amended joint motion seeking consolidation of those two cases only. On October 21, 2011, the court issued an order consolidating the Nakata and Packer lawsuits. Further action in the Nakata and Packer action is awaiting resolution of the Meyer action discussed above.

The Company believes that it has meritorious defenses to the above claims and intends to defend the actions vigorously. The Company believes that the probability of loss related to this litigation and an estimate of the amount of loss, if any, are not determinable at this time. The Company cannot evaluate the likelihood of an unfavorable outcome related to this litigation to be either "probable" or "remote", nor can they predict the amount or range of possible loss from an unfavorable outcome to give an estimated range.

On January 4, 2011 the SEC notified the Company it was conducting an inquiry into the Company's policies and practices concerning impairment of investment in real estate assets. On June 24, 2011, the Company received notice from the SEC that it has issued a related order of private investigation. The order of private investigation covers a variety of matters for the period beginning January 1, 2007 including (a) the antifraud provisions of the Federal securities laws as applicable to the Company and its past and present officers, directors, employees, partners, subsidiaries, and/or affiliates, and/or other persons or entities, (b) compliance by past and present reporting persons or entities who were or are directly or indirectly the beneficial owner of more than 5% of the Company's common stock (which includes Fairholme Funds, Inc, Fairholme Capital Management L.L.C. and the Company's current Chairman

Bruce R. Berkowitz) with their reporting obligations under Section 13(d) of the Exchange Act, (c) internal controls, (d) books and records, (e) communications with auditors and (f) financial reports. The order designates officers of the SEC to take the testimony of the Company and third parties with respect to any or all of these matters. The Company is cooperating with the SEC on historical matters as well as communicating and providing relevant information regarding the Company's recent change in investment strategy and impairments. The Company believes that the probability of loss related to this matter and an estimate of the amount of loss, if any, are not determinable at this time. The Company cannot evaluate the likelihood of an unfavorable outcome related to this matter to be either "probable" or "remote", nor can they predict the amount or range of possible loss from an unfavorable outcome to give an estimated range.

On October 21, 2009, the Company entered into a strategic alliance agreement with Southwest Airlines to facilitate the commencement of low-fare air service in May 2010 to the Northwest Florida Beaches International Airport. The Company has agreed to reimburse Southwest Airlines if it incurs losses on its service at the airport during the first three years of service. The term of the agreement extends for a period of three years after the commencement of Southwest's air service at the airport. Although the agreement does not provide for maximum payments, the agreement may be terminated by the Company if the payments to Southwest exceed $14 million in the first year of air service or $12 million in the second year. The agreement also provides that Southwest's profits from the air service during the term of the agreement will be shared with the Company up to the maximum amount of the break-even payments. Profits from any calendar year, however, do not carryover from year to year. Southwest may terminate the agreement if its actual annual revenues attributable to the air service at the airport are less than certain minimum annual amounts established in the agreement. The Company carried a standby guarantee liability of $0.8 million at March 31, 2012 related to this strategic alliance agreement.

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

At March 31, 2012 and December 31, 2011, the Company was party to surety bonds related to certain development projects of $14.7 million and $15.7 million, respectively, and standby letters of credit in the amount of $0.8 million at March 31, 2012 and December 31, 2011, which may potentially result in liability to the Company if certain obligations of the Company are not met

15. Concentration of Risks and Uncertainties

The Company's real estate investments are concentrated in the State of Florida in a number of specific development projects. The duration of the current economic slump has had an adverse impact on the Company's real estate values and operations, and a continued duration could cause the Company to sell assets at depressed values.

Financial instruments that potentially subject the Company to a concentration of credit risk consist of cash, cash equivalents, notes receivable and retained interests. The Company deposits and invests excess cash with one or more financial institutions in the United States. Balances may exceed the amount of insurance provided on such deposits.

Some of the Company's notes receivable are from homebuilders and other entities associated with the real estate industry. As with many entities in the real estate industry, revenues have contracted for these companies, and they may be increasingly dependent on their lenders' continued willingness to provide funding to maintain ongoing liquidity. The Company evaluates the need for an allowance for doubtful notes receivable at each reporting date.

Smurfit-Stone's Panama City mill is the largest consumer of pine wood fiber within the immediate area in which most of the Company's timberlands are located. In July of 2010, Smurfit-Stone emerged from approximately 18 months of bankruptcy protection, and during the first quarter of 2011, RockTenn announced its acquisition of Smurfit-Stone. Deliveries made by St. Joe during Smurfit-Stone's bankruptcy proceedings were uninterrupted and payments were made on time. Under the terms of the Wood Fiber Supply Agreement entered into in November 2010, Smurfit-Stone and its successor RockTenn would be liable for any monetary damages as a result of the closure of the mill due to economic reasons for a period of one year. Nevertheless if the RockTenn mill in Panama City were to permanently cease operations, the price for our pulpwood may decline, and the cost of delivering logs to alternative customers would increase.

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

Overview

We own a large inventory of land suitable for development in Florida. The majority of our land is located in Northwest Florida and has a very low initial cost basis. In order to increase the value of real estate assets, we seek higher and better land-uses through infrastructure improvements, developing community amenities, undertaking strategic and expert land planning and development, parceling our land holdings in creative ways, performing land restoration and enhancement, and promoting economic development.

We have four operating segments: residential real estate, commercial real estate, rural land and forestry. The table below sets forth the relative contribution of these operating segments to our consolidated operating revenues:

	Three Months Ended March 31,	
	2012	2011
Segment Operating Revenue:		
Residential real estate	34.5%	10.6%
Commercial real estate	20.4%	0.4%
Rural land sales	14.0%	3.7%
Forestry	31.1%	85.3%
Consolidated operating revenues	**100.0%**	**100.0%**

Our operations continued to be adversely affected during the first quarter of 2012 by the national real estate downturn, slow economic recovery, and other adverse market conditions. This challenging environment has exerted negative pressure on the demand for real estate in our region.

We believe that the large oil spill in the Gulf of Mexico from the Deepwater Horizon incident has had a negative impact on our properties, operations and stock price and has created uncertainty about the future of the Gulf Coast region. We have filed lawsuits and claims seeking the recovery of damages against parties we believe are responsible for the oil spill. In April, we received payment of the amount of $0.6 million from the Gulf Coast Claims Facility which represents a small portion of one of our claims. We cannot be certain, however, of the amount of any further recovery or the ultimate success of our claims.

Residential Real Estate

Our residential real estate segment typically plans and develops mixed-use resort, primary and seasonal residential communities of various sizes, primarily on our existing land. We own large tracts of land in Northwest Florida, including significant Gulf of Mexico beach frontage and waterfront properties, and land in and around Jacksonville and Tallahassee.

Our residential real estate segment generates revenues from:

- the sale of developed homesites;
- the sale of parcels of entitled, undeveloped lots;
- the sale of housing units built by us or with partners;
- resort and club operations;
- rental income; and
- fees on transactions.

Our residential real estate segment incurs cost of revenues from:

- costs directly associated with the land, development and construction of real estate sold, indirect costs such as development overhead, project administration, warranty, capitalized interest and selling costs;
- resort and club personnel costs, cost of goods sold, and management fees paid to third party managers;
- operating expenses of rental properties; and
- brokerage fees.

Commercial Real Estate

Our commercial real estate segment plans, develops and entitles our land holdings for a broad range of retail, office, hotel, industrial and multi-family uses. We sell and develop commercial land and provide development opportunities for national and regional retailers as well as strategic partners in Northwest Florida. We also offer land for commercial and light industrial uses within large and small-scale commerce parks, as well as for a wide range of multi-family rental projects. Our commercial real estate segment generates revenues from the sale or lease of developed and undeveloped land for retail, multi-family, office, hotel and industrial uses and rental income. Our commercial real estate segment incurs costs of revenues from costs directly associated with the land, development costs and selling costs and operating costs of rental properties.

Rural Land Sales

Our rural land sales segment markets and sells tracts of land of varying sizes for rural recreational, conservation and timberland uses. The land segment prepares land for sale for these uses through harvesting, thinning and other silviculture practices, and in some cases, limited infrastructure development. Our rural land sales segment generates revenues from the sale of undeveloped land, land with limited development, and easements and mitigation bank credits. Our rural land segment incurs costs of revenue from the cost of land sold, minimal development costs and selling costs.

In recent years, our revenue from rural land sales have significantly decreased as a result of our decision to sell only non-strategic rural land and to principally use our rural land resources to create sources of recurring revenue as well as from declines in demand for rural land due to difficult current market conditions. We may, however, rely on rural land sales as a source of revenues and cash in the future.

Forestry

Our forestry segment focuses on the management and harvesting of our extensive timber holdings. We grow, harvest and sell sawtimber, wood fiber and forest products and provide land management services for conservation properties. Our forestry segment generates revenues from the sale of wood fiber, sawtimber, standing timber and forest products and conservation land management services. Our forestry segment incurs costs of revenues from internal costs of forestry management, external logging costs, and property taxes.

New Real Estate Investment Strategy

On January 25, 2012, we adopted a new real estate investment strategy, which is focused on reducing future capital outlays and employing new risk-adjusted investment return criteria for evaluating our properties and future investments in such properties. Pursuant to this new strategy, we intend to significantly reduce planned future capital expenditures for infrastructure, amenities and master planned community development and reposition assets to encourage increased absorption of properties in their respective markets. As part of this repositioning, we expect properties may be sold in bulk in undeveloped or developed parcels, or at lower price points and over shorter time periods. We anticipate that the amount of future capital expenditures associated with existing projects will be reduced by approximately $190 million, the majority of which was expected to be spent in the next 10 years. We believe this new investment strategy continues to build upon the successful cost reduction initiatives implemented in 2011 and positions us to i) increase our short and medium-term cash flow, ii) reduce our long-term risk and iii) maintain the strong cash position necessary to best exploit our substantial land resources. Additionally, reducing capital expenditures on existing projects will allow us to focus on opportunities that meet our new investment criteria.

First Quarter 2012 Operational Developments:

- Leased 20 acres of the Port St. Joe facility to a regional ship builder; the commencement of rent is contingent upon the Company's performance of certain requirements under the agreement, which are expected to occur this year;
- Continued construction of build-to-suit facility for ITT Corporation at the VentureCrossings site; construction is expected to be completed in the fall of 2012;
- Recognition of a $0.6 million gain related to the first of what may be several payments against our claims stemming from the Deepwater Horizon Oil Spill;
- Operating expenses declined $17.1 million as compared to the first quarter of 2011 as a result of a reduction in staff, lower legal fees and restructuring and severance costs, and reduced stock-based compensation charges;
- Closed two commercial property sales in Northwest Florida, consisting of 17.5 acres, for a total $6.0 million; and
- Completion of quick-serve restaurant site, generating long-term lease income.

Critical Accounting Estimates

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

The critical accounting policies that we believe reflect our more significant judgments and estimates used in the preparation of our consolidated financial statements are set forth in Item 7 of our Annual Report on Form 10-K for the year ended December 31, 2011. There have been no significant changes in these policies during the first three months of 2012, however there is no assurance that these policies will not change in the future.

Recently Issued Accounting Standards

See Note 1 to our unaudited consolidated financial statements included in this report for recently issued accounting standards, including the expected dates of adoption and estimated effects on our consolidated financial statements.

Seasonality

Our real estate business and our Northwest Florida residential resort and seasonal and resort and club communities are affected by seasonal fluctuations, with the spring and summer months traditionally being the most active time of year for customer traffic and sales.

Results of Operations

The Company generated a net loss of ($0.9) million, or ($.01) per share in the first quarter of 2012, compared to net income of $14.1 million, or $0.15 per share, for the first quarter of 2011. Results for the three months ended March 31, 2011 include a pre-tax gain of $50.3 million from the sale of the timber deed to an investment fund. Excluding the gain resulting from the timber deed, the Company reported losses in the first quarter of 2011 primarily due to the impact of continuing economic challengers and restructuring expenses.

Consolidated Results

Revenues and expenses. The following table sets forth a comparison of revenues and certain expenses of our operations for the three months ended March 31, 2012 and 2011:

	Three Months Ended March 31,			
	2012	2011	Difference	% Change
	Dollars in millions			
Revenues:				
Real estate sales	$14.0	$ 5.2	$ 8.8	166.2%
Resort and club revenues	6.3	5.1	1.2	23.5
Timber sales	9.5	62.6	(53.1)	(84.8)
Other	0.7	0.5	0.2	40.0
Total	**30.5**	**73.4**	**(42.9)**	**(58.4)%**
Expenses:				
Cost of real estate sales	7.7	1.8	5.9	327.7%
Cost of resort and club revenues	6.9	6.6	0.3	4.5
Cost of timber sales	6.3	6.2	0.1	1.6
Cost of other revenues	0.7	0.5	0.2	40.0
Other operating expenses	3.7	7.0	(3.3)	(47.1)
Corporate expenses	4.4	18.2	(13.8)	(75.7)
Depreciation and amortization	2.3	6.5	(4.2)	(64.6)
Impairment losses	—	0.8	(0.8)	(100.0)
Restructuring charges	0.1	4.5	(4.4)	(97.7)
Total	**$32.1**	**$52.1**	**$ (20.0)**	**(38.4)%**
Operating (Loss) Income	**$ (1.6)**	**$21.3**	**$ (22.9)**	

Real estate revenues. Real estate sales for the quarter ended March 31, 2012 increased approximately 170% from the same results for the quarter ended March 31, 2011, driven in large part by the following:

- Increased revenues from homesite closings from sales to national and local homebuilders, contributing an additional $1.5 million of revenue quarter over quarter,
- Two commercial land sales in the quarter ended March 31, 2012, contributing an additional $5.8 million of revenue over the amount generated from one significant land sale in the quarter ended March 31, 2011, and
- A rural land sale in the quarter ended March 31, 2012 contributing an additional $1.5 million of revenue over the same amount generated from one rural land sale in the quarter ended March 31, 2011.

Resort and club revenues. Resort and club revenues increased approximately $1.2 million over the quarters ended March 31, 2012 and 2011, driven by rate increases, increased occupancy rates and improved operating margins within our four primary property operations.

Timber revenues. Excluding the $54.5 million impact of the timber deed sale (discussed below) in the first quarter of 2011, timber revenues increased approximately $1.4 million on a quarter over quarter comparison as a result of increases in open market sales.

Other operating and Corporate expenses. The quarter over quarter decrease of approximately $17.1 million in other operating and corporate expenses is a reflection of two primary drivers:

- A reduction in stock-based compensation from $8.5 million for the quarter ended March 31, 2011 to $0.5 million for the quarter ended March 31, 2012, which resulted from substantially all elements in our stock-compensation programs becoming fully vested and exercised during 2011, or cancelled or forfeited through the quarter ending March 31, 2012, and
- The continued execution of our expense reduction initiatives introduced in 2011 to align our operating and support cost structure with our repositioned investment and growth strategy.

Restructuring charge. Restructuring charges were limited in the quarter ended March 31, 2012 as programs commencing in periods prior to 2012 were substantially complete at the beginning of the quarter.

Depreciation and Amortization. The decline in depreciation and amortization costs in the quarter over quarter period results from the impairment of our long-lived assets in the fourth quarter of 2011. The reduction in the carrying cost to many of these assets necessarily reduced the balances subject to depreciation in the quarter ended March 31, 2012 and periods subsequent thereto, compared to the balances subject to depreciation for the quarter ended March 31, 2011.

Segment Results

Residential Real Estate

Our residential real estate segment typically plans and develops mixed-use resort, primary and seasonal residential communities of various sizes, primarily on our existing land. We own large tracts of land in Northwest Florida, including significant Gulf of Mexico beach frontage and waterfront properties, and land near Jacksonville and Tallahassee.

We believe our residential sales are showing signs of recovery in some of our Northwest Florida projects. However, our residential sales remain weak in the remainder of our communities. The real estate downturn and weak economic recovery have exerted negative pressure on the demand for real estate products in our markets. Inventories of resale homes and homesites remain high in certain of our markets and prices remain depressed. With the U.S. and Florida economies battling the adverse effects of home foreclosures, severely restrictive credit, significant inventories of unsold homes and uncertain economic conditions, the timing of a sustainable recovery to all our residential projects remains uncertain.

Three Months Ended March 31, 2012 Compared to Three Months Ended March 31, 2011

The table below sets forth the results of continuing operations of our residential real estate segment for the three Months ended March 31, 2012 and 2011.

	Three Months Ended March 31, 2012	Three Months Ended March 31, 2011
	Dollars in Millions	
Revenues:		
Real estate sales	$ 3.6	$ 2.2
Resort and club revenues	6.3	5.1
Other revenues	0.6	0.4
Total revenues	10.5	7.7
Expenses:		
Cost of real estate sales	2.4	1.7
Cost of resort and club revenues	6.9	6.6
Cost of other revenues	0.5	0.4
Other operating expenses	2.4	4.5
Depreciation and amortization	1.6	2.5
Impairment loss	0.0	0.0
Restructuring charge	0.0	0.0
Total expenses	13.8	15.7
Other (expense) income	(0.5)	(0.8)
Pre-tax (loss) from continuing operations	$ (3.8)	$ (8.8)

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Real estate sales include the sale of homesites. Cost of real estate sales includes direct costs (e.g., development and construction costs), selling costs and other indirect costs (e.g., development and construction overhead; warranty and project administration costs). Resort and club revenues and cost of resort and club revenues include results of operations from the WaterColor Inn, WaterColor, WaterSound and WindMark Beach vacation rental programs and other resort, golf, club and marina operations. Other revenues and cost of other revenues consist primarily of brokerage fees and rental operations.

The following table sets forth the components of our real estate sales and cost of real estate sales related to homes and homesites:

	Three Months Ended March 31, 2012			Three Months Ended March 31, 2011		
	Homes	Homesites	Total	Homes	Homesites	Total
	Dollars in millions					
Sales	$ 0.0	$ 3.6	$ 3.6	$ 0.0	$ 2.2	$ 2.2
Cost of sales:						
Direct costs	0.0	2.2	2.2	0.0	1.4	1.4
Selling costs	0.0	0.1	0.1	0.0	0.1	0.1
Other indirect costs	0.0	0.1	0.1	0.0	0.2	0.2
Total cost of sales	0.00	2.4	2.4	0.0	1.7	1.7
Gross profit	$ 0.0	$ 1.2	$ 1.2	$ 0.0	$ 0.5	$ 0.5
Gross profit margin	0%	33%	33%	0%	23%	23%
Units sold	0	31	31	0	22	22

Homesite closings and revenues have increased due to the sale of homesites to national and local homebuilders. The sales to the homebuilders may generate additional revenues and gross profit in future periods upon the sale to the end-user.

The following table sets forth home and homesite sales activity by geographic region and property type:

	Three Months Ended March 31, 2012				Three Months Ended March 31, 2011			
	Closed Units	Revenues	Cost of Sales	Gross Profit	Closed Units	Revenues	Cost of Sales	Gross Profit
	Dollars in millions							
Northwest Florida:								
Resort								
Single-family homes	0	$ 0.0	$ 0.0	$ 0.0	0	$ 0.0	$ 0.0	$ 0.0
Homesites	13	2.7	1.7	1.0	14	1.9	1.4	0.5
Primary								
Single-family homes	0	$ 0.0	$ 0.0	$ 0.0	0	$ 0.0	$ 0.0	$ 0.0
Homesites	15	0.8	0.6	0.2	8	0.3	0.3	0.0
Northeast Florida:								
Single-family homes	0	$ 0.0	$ 0.0	$ 0.0	0	$ 0.0	$ 0.0	$ 0.0
Homesites	3	0.1	0.1	0.0	0	0.0	0.0	0.0
Total	31	$ 3.6	$ 2.4	$ 1.2	22	$ 2.2	$ 1.7	$ 0.5

Our Northwest Florida resort and seasonal communities included WaterColor, WaterSound Beach, WaterSound, WaterSound West Beach, WindMark Beach, RiverCamps on Crooked Creek, SummerCamp Beach and Wild Heron, while primary communities included Breakfast Point and Southwood. Our sole Northeast Florida community, RiverTown, is primary.

The following factors also contributed to the results of operations shown above:

- For our Northwest Florida resort and seasonal communities, homesite revenues increased in 2012 as compared to 2011 primarily due to the increased price levels at our WaterBeach and WaterSound West Beach communities; and
- In our Northwest Florida primary communities, homesite closings and revenue increased in 2012 as compared to 2011 due to sales to homebuilders, some of which may generate additional revenues and gross profits in future periods upon sale to the end-user.

Resort and club revenues include revenue from the WaterColor Inn, WaterColor, WaterSound Beach and WindMark Beach vacation rental programs and other resort, golf, club and marina operations. Total resort and club revenues were $6.3 million for the quarter ended March 31, 2012 with related costs of $6.9 million as compared to revenue totaling $5.1 million for the quarter ended March 31, 2011 with $6.6 million in related costs. Increased revenues were primarily due to increased activity at our resorts, resulting in higher occupancies, room rates and ancillary revenue at our resort lodging operations as well as stronger activity and rates at our golf courses. Related costs also increased in conjunction with the stronger activity, but operating margins improved due to cost reductions in our resorts and the incremental impact of higher revenues on a cost base that has many fixed components.

Other operating expenses include salaries and benefits, marketing, project administration, support personnel, other administrative expenses and litigation reserves. Other operating expenses were $2.4 million for the quarter ended March 31, 2012 as compared to $4.5 million for the quarter ended March 31, 2011. The decrease of $2.1 million in operating expenses was primarily due to reductions in employee costs, marketing, homeowners association funding costs, warranty and real estate taxes.

Other expense decreased $0.4 million during the first quarter 2012 as compared to the first quarter of 2011 which was primarily due to insurance proceeds and reduction in litigation involving a contract dispute related to a 1997 purchase of land for our former Victoria Park Community, which was settled in 2011.

Commercial Real Estate

Our commercial real estate segment plans, develops and entitles our land holdings for a broad range of retail, office, hotel, industrial and multi-family uses. We sell or lease and develop commercial land and provide development opportunities for national and regional retailers as well as strategic partners in Northwest Florida. We also offer land for commercial and light industrial uses within large and small-scale commerce parks, as well as for multi-family rental projects. Consistent with residential real estate, the markets for commercial real estate, particularly retail, remain weak.

Three Months Ended March 31, 2012 Compared to Three Months Ended March 31, 2011

The table below sets forth the results of the continuing operations of our commercial real estate segment for the three months ended March 31, 2012 and 2011:

	Three Months Ended March 31, 2012	2011
	Dollars in Millions	
Revenues:		
Real estate sales	$ 6.0	$ 0.2
Other revenue	0.2	0.1
Total revenues	6.2	0.3
Expenses:		
Cost of real estate sales	3.2	—
Cost of other revenues	0.2	—
Other operating expenses	0.7	1.6
Depreciation and amortization	0.2	—
Impairment Losses	—	0.8
Total expenses	4.3	2.4
Other income	—	0.2
Pre-tax (loss) from continuing operations	$ 1.9	$ (1.9)

During the three months ended March 31, 2012, there were two commercial land sales in Northwest Florida for a total of 17.53 acres at an average price of $343,000 per acre, and one in Northwest Florida during the three months ended March 31, 2011 of 1.13 acres at an average price of $192,000 per acre.

Other revenue primarily relates to lease income from long-term leases in Northwest Florida.

Other operating expenses include salaries and benefits, professional fees and other administrative expenses. Other operating expenses were $0.7 million in the first quarter of 2012 compared to $1.6 million in the first quarter for 2011. The decrease of $0.9 million was primarily due to reductions in employee costs, professional fees, and marketing expenses.

Rural Land Sales

Our rural land sales segment markets and sells tracts of land of varying sizes for rural recreational, conservation and timberland uses. The land sales segment prepares land for sale for these uses through harvesting, thinning and other silviculture practices, and in some cases, limited infrastructure development.

Three Months Ended March 31, 2012 Compared to Three Months Ended March 31, 2011

The table below sets forth the results of operations of our rural land sales segment for the three months ended March 31, 2012 and 2011:

	Three Months Ended March 31, 2012	Three Months Ended March 31, 2011
	Dollars in Millions	
Revenues:		
Real estate sales	$ 4.3	$ 2.8
Expenses:		
Cost of real estate sales	2.0	0.1
Other operating expenses	0.2	0.5
Restructuring charge	0.0	0.0
Total expenses	2.2	0.6
Other income	0.0	0.1
Pre-tax income from continuing operations	$ 2.1	$ 2.3

Rural land sales for the three months ended March 31 are as follows:

	Number of Sales	Number of Acres	Average Price per Acre	Gross Sales Price	Gross Profit
				Dollars in Millions	
Three Months Ended:					
March 31, 2012	1	2,855	$ 1,500	$ 4.3	$ 2.2
March 31, 2011	1	98	$28,000	$ 2.8	$ 2.7

During the three months ended March 31, 2012, we closed one land sale of 2,855 acres in Northwest Florida for $4.3 million, or $1,500 per acre, compared to one sale of 98 acres in Northcentral Florida for $2.8 million, or $28,000 per acre, for the three months ended March 31, 2011. Average sales prices per acre vary according to the characteristics of each particular piece of land being sold and its highest and best use. As a result, average prices will vary from one parcel to another and one period to another. In the case of the 2,855 acre land sale referenced above, we sold a non-strategic parcel of land that was not connected to any of our other property. The price at which it was sold was comparable to the value of the surrounding property. The cost basis for this particular piece of property was relatively high due to the capital improvements that had been made to the property. We may continue to sell non-strategic property in the future if the opportunity arises.

Other operating expenses included salaries and benefits, marketing, and other administrative expenses. Other operating expenses were $0.2 million in the first quarter of 2012 compared to $0.5 million in the first quarter of 2011. The decrease of $0.3 million in operating expenses was primarily due to reductions in employee costs.

Forestry

Our forestry segment focuses on the management and harvesting of our extensive timber holdings. We grow, harvest and sell timber and wood fiber and provide land management services for conservation properties.

Three Months Ended March 31, 2012 and 2011

The table below sets forth the results of the continuing operations of our forestry segment for the three months ended March 31, 2012 and 2011.

	Three Months Ended March 31,	
	2012	2011
	Dollars in Millions	
Revenues:		
Timber sales	$ 9.5	$ 62.6
Expenses:		
Cost of timber sales	6.3	6.2
Other operating expenses	0.4	0.4
Depreciation and amortization	0.5	3.7
Restructuring charge	—	—
Total expenses	7.2	10.3
Other income	0.5	0.5
Pre-tax income from continuing operations	$ 2.8	$ 52.8

Timber sales during the three months ended March 31, 2012 and March 31, 2011 arose from sales of wood fiber to RockTenn, pursuant to our wood fiber agreement and sale in the open market. In November 2010, we entered into a Wood Fiber Supply Agreement with RockTenn, which increased our pricing terms by approximately 25%, to more closely mirror current market rates. The new agreement expires on December 31, 2017, and replaces the existing wood fiber supply agreement that was scheduled to expire on June 30, 2012. RockTenn has a Panama City, Florida mill which is the largest consumer of pine pulpwood logs within the immediate area where most of our timberlands are located. Sales under this agreement were $3.5 million (138,000 tons) in the first quarter of 2012 and $4.0 million (155,000 tons) during the first quarter of 2011, which reflects price stability during the first quarter of 2012.

Open market sales within our Forestry segment in the first quarter totaled $6.0 million (213,000 tons) in 2012 as compared to $58.6 million (3,060,000 tons) in 2011. First quarter 2011 results include the sale of a 2.9 million ton timber deed for $55.9 million in revenue which gives the purchaser the right to harvest timber on specific tracts of land (encompassing 40,975 acres) over a maximum term of 20 years. As part of the agreement, we also entered into a Thinning Supply Agreement to purchase First Thinning of timber included in the timber deed at fair market value from the investment fund. We recognized revenue of $54.5 million related to the timber deed in 2011, with $1.4 million recorded as an imputed lease to be recognized over the life of the timber deed. The resulting pre-tax gain on this timber deed transaction, net of cost of sales and depletion of $4.2 million, was $50.3 million during the first quarter. Excluding the impact of timber deed sale, pricing for open market sales was relatively flat compared to the first quarter of 2011.

Other income, which consists primarily of income from hunting leases, was $0.5 million during the first quarters of 2012 and 2011.

Liquidity and Capital Resources

As of March 31, 2012, we had cash and cash equivalents of $165.7 million, compared to $162.4 million as of December 31, 2011.

We invest our excess cash primarily in bank deposit accounts, government-only money market mutual funds, short term U.S. treasury investments and overnight deposits, which we believe are highly liquid, as we intend to keep such funds readily available for operating expenses and strategic long-term investment purposes.

We believe that our current cash position and our anticipated cash flows will provide us with sufficient liquidity to satisfy our currently anticipated working capital needs and capital expenditures.

We currently expect to incur approximately $20.9 million of capital expenditures during the remainder of 2012. These capital expenditures primarily relate to development of our residential and commercial real estate projects, construction of amenities at these facilities, and includes the construction of a new build to suit at VentureCrossings.

In 2010, we entered into a strategic alliance agreement with Southwest Airlines to facilitate low-fare air service to the new Northwest Florida Beaches International Airport. We have agreed to reimburse Southwest Airlines if it incurs losses on its service at the new airport during the first three years of service by making break-even payments. There has been no reimbursement required since the effective date of the agreement in May 2010.

Cash Flows from Operating Activities

Net cash provided by operations was $3.6 million for the three months ended March 31, 2012 as compared to $37.4 million for the same period in 2011. The 2011 cash flows provided by operations includes $55.9 million in proceeds related to the timber deed. During the period ended March 31, 2012, capital expenditures relating to our residential real estate segment were $3.8 million. Additional capital expenditures were $4.4 million, primarily related to commercial real estate development in VentureCrossings.

Cash Flows from Investing Activities

Net cash used in investing activities was $(0.2) million in the first three months of 2012 compared to net cash used of $(0.3) million in the first three months of 2011.

Cash Flows from Financing Activities

Net cash used in financing activities was $(0.2) million in the first three months of 2012 compared to $(4.8) million in the first three months of 2011. During 2011, net cash used in financing activities primarily related to payment of taxes on behalf of employees' related to stock-based compensation.

Off-Balance Sheet Arrangements

There were no material changes to the quantitative and qualitative disclosures about off-balance sheet arrangements presented in our Form 10-K for the year ended December 31, 2011, during the first quarter of 2012.

Contractual Obligations and Commercial Commitments

There have been no material changes in the amounts of our contractual obligations and commercial commitments presented in our Form 10-K for the year ended December 31, 2011, during the first quarter of 2012.

Forward-Looking Statements

This quarterly report contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These statements concern expectations, beliefs, projections, plans and strategies, anticipated events or trends and similar expressions concerning matters that are not historical facts. Specifically, this quarterly report contains forward-looking statements regarding:

- our expectation regarding capital expenditures during 2012, and the reduced amount of future capital expenditures that will be required to complete certain projects;
- our intent to reduce future capital expenditures and reposition certain assets, and our expectation regarding the sale of such assets;
- our expectation regarding the effect of our new investment strategy;
- our expectation that our current cash position and our anticipated cash flows will provide us with sufficient liquidity to satisfy our working capital needs and capital expenditures;
- our expectation regarding the completion of the build-to-suit facility at the VentureCrossings site;
- our expectation regarding payments against our claims stemming from the Deepwater Horizon Oil Spill;
- our expectation regarding the commencement of rent at the Port St. Joe facility;
- our expectation regarding the impact of pending litigation matters or governmental proceedings on our financial position or results of operations, and our belief regarding the defenses to litigation claims against us; and
- our estimates regarding certain tax matters and accounting valuations.

These forward-looking statements reflect our current views about future events and are subject to risks, uncertainties and assumptions. We wish to caution readers that certain important factors may have affected and could in the future affect our actual results and could cause actual results to differ significantly from those expressed in any forward-looking statement. The most important factors that could prevent us from achieving our goals, and cause the assumptions underlying forward-looking statements and the actual results to differ materially from those expressed in or implied by those forward-looking statements include, but are not limited to, the following:

- a delay in the recovery of real estate markets in Florida and across the nation, or any further downturn in such markets;
- reductions in the availability of mortgage financing or property insurance, increases in foreclosures, interest rates, the cost of property insurance, inflation, or unemployment rates or declines in consumer confidence or the demand for, or the prices of, housing and other factors that affect the desire or ability of our customers to purchase new homes in markets in which we conduct our business;
- a decline in the value of the land and home inventories we maintain or possible future write-downs of the book value of our real estate assets and notes receivable;
- our ability to successfully dispose of our repositioned assets and other properties at expected prices and within anticipated time frames;
- our ability to effectively execute our strategy, and our ability to successfully anticipate the impact of our strategy;
- increases in operating costs, including costs related to real estate taxes, construction materials, labor and insurance, and our ability to manage our cost structure;
- natural disasters and other unforeseen damage for which our insurance may not provide adequate coverage;
- the adverse impact of Deepwater Horizon oil spill to the economy and future growth of Northwest Florida and other coastal states;
- the amounts and timing of any recoveries arising from the Horizon Deepwater Oil Spill litigation;
- the expense, management distraction and possible liability associated with pending securities class action litigation, shareholder derivative litigation and/or the SEC inquiry;
- the financial impact to our results of operations if the RockTenn mill in Panama City were to permanently cease operations;
- a reduction or termination of air service at Northwest Florida Beaches International Airport, especially any reduction or termination of Southwest Airlines' service;
- potential liability under environmental or construction laws, or other laws or regulations;
- expectations regarding the impact of pending environmental litigation matters or governmental proceedings on our financial position or results of operations;
- our ability to identify and successfully implement new opportunities that are accretive to shareholders;
- changes in laws, regulations or the regulatory environment affecting the development of real estate or forestry activities;
- significant tax payments arising from any acceleration of deferred taxes;
- our ability to successfully estimate the impact of certain accounting and tax matters; and
- our ability to capitalize on our cost reduction initiatives implemented in 2011, and the impact of our restructuring initiatives on our operations.

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

There have been no material changes to the quantitative and qualitative disclosures about market risk set forth in our Form 10-K for the year ended December 31, 2011, during the first quarter of 2012.

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

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 Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended) as of the end of the period covered by this report. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of the period covered by this report, our disclosure controls and procedures were effective.

Changes in Internal Controls over Financial Reporting

During the quarter ended March 31, 2012, there were no changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II — OTHER INFORMATION

Item 1. *Legal Proceedings*

Oil Spill Lawsuits

As a result of the Deepwater Horizon oil spill, we have incurred significant expenses and our properties, results of operations and stock price have been negatively impacted. We are currently exploring funds that may be available through the Gulf Coast Claims Facility to reimburse us for these losses. In addition, we have filed, and may in the future file, additional lawsuits or claims against those parties we believe are responsible for the Deepwater Horizon oil spill.

On October 12, 2010, we filed a lawsuit in the Superior Court of the State of Delaware in New Castle County against Transocean Holdings, LLC, Transocean Offshore Deepwater Drilling, Inc., Transocean Deepwater, Inc. and Triton Asset Leasing GmbH (collectively, "Transocean"). The lawsuit alleges that Transocean, the owner of the drilling rig, was grossly negligent in the operation and maintenance of the drilling rig and its equipment and in overseeing drilling activities on the rig leading to the blowout of the well. We are seeking compensatory and punitive damages. On March 15, 2011, Judge Leonard Stark of the United States District Court for the District of Delaware issued an order in our action against Transocean Holdings, LLC and its related entities agreeing with us that the case must proceed in Delaware state court, not in federal court. Transocean appealed that ruling to the Third Circuit Court of Appeals, which promptly dismissed the appeal. On March 25, 2011, Judge Carl Barbier of the United States District Court for the Eastern District of Louisiana, who is overseeing the federal multidistrict litigation against a number of the Deepwater Horizon defendants, temporarily stayed our case against Transocean. We are voluntarily dismissing the lawsuit in Delaware against Transocean that is stayed in accordance with Judge Barbier's March 25, 2011 order and will proceed against Transocean in the federal multidistrict litigation

On August 4, 2010, we filed a lawsuit in the Superior Court of the State of Delaware in New Castle County against Halliburton Energy Services, Inc. ("Halliburton"). The lawsuit alleges that Halliburton, the cementing contractor for the oil well, was grossly negligent in its management of the well cementing process leading to the blowout of the well. We are seeking compensatory and punitive damages.

On August 26, 2010, we filed a lawsuit in the Superior Court of the State of Delaware in New Castle County against M-I, L.L.C. (a/k/a "M-I SWACO"). The lawsuit alleges that M-I SWACO, the drilling fluid contractor for the drilling rig, was grossly negligent in the way that it managed and conducted the use of drilling fluids to maintain well control leading to the blowout of the well. We are seeking compensatory and punitive damages.

Shareholder Lawsuits

We have an ongoing securities class action lawsuit against St. Joe and certain of our current and former officers pending before Judge Richard Smoak in the United States District Court for the Northern District of Florida (Meyer v. The St. Joe Company et al., No. 5:11-cv-00027). A consolidated class action complaint was filed in the case on February 24, 2011 alleging various securities laws violations primarily related to our accounting for our real estate assets. The complaint seeks an unspecified amount in damages. We filed a motion to dismiss the case on April 6, 2011, which the court granted without prejudice on August 24, 2011. Plaintiff filed an amended complaint on September 23, 2011. The Company filed a motion to dismiss the amended complaint on October 24, 2011. On January 12, 2012, the Court granted the motion to dismiss with prejudice and entered judgment in favor of the Company and the individual defendants. On February 9, 2012, plaintiff filed a motion to alter or amend the judgment, which the Court denied on February 14, 2012. On March 15, 2012, plaintiff file a notice of appeal to the United States Court of Appeals for the Eleventh Circuit and that appeal is currently pending.

On March 29, 2011 and July 21, 2011, two separate derivative lawsuits were filed by shareholders on behalf of St. Joe against certain of its officers and directors in the United States District Court for the Northern District of Florida (Nakata v. Greene et. al., No. 5:11-cv-00090 and Packer v. Greene, et al., No. 3:11-cv-00344). The complaints allege breaches of fiduciary duties, waste of corporate assets and unjust enrichment arising from substantially similar allegations as those described above in the Meyer case. The complaints seek an unspecified amount in damages. On June 6, 2011, the court granted the parties' motion to stay the Nakata action pending the outcome of the Meyer action. On September 12, 2011, a third derivative lawsuit was filed in the Northern District of Florida (Shurkin v. Berkowitz, et al., No. 5:11-cv-304) making similar claims as those in the Nakata and Packer actions and seeking an unspecified amount in damages. St. Joe and the individual defendants have not been served with the Shurkin complaint. On September 16, 2011, plaintiffs in Nakata and Packer filed a joint motion to consolidate all derivative actions and appoint lead counsel. On October 3, 2011, plaintiff in Shurkin filed a cross motion seeking separate lead counsel for Shurkin and coordination of Shurkin with the other derivative cases. On October 6, 2011, the Company filed a response in which it stated that all derivative cases should be consolidated. On October 14, 2011, Nakata and Packer plaintiffs filed an amended joint motion seeking consolidation of those two cases only. On October 21, 2011, the court issued an order consolidating the Nakata and Packer lawsuits. Further action in the Nakata and Packer action is awaiting resolution of the Meyer action discussed above.

Securities and Exchange Commission Investigation

On January 4, 2011 the SEC notified the Company it was conducting an inquiry into the Company's policies and practices concerning impairment of investment in real estate assets. On June 24, 2011, the Company received notice from the SEC that it has issued a related order of private investigation. The order of private investigation covers a variety of matters for the period beginning January 1, 2007 including (a) the antifraud provisions of the Federal securities laws as applicable to the Company and its past and present officers, directors, employees, partners, subsidiaries, and/or affiliates, and/or other persons or entities, (b) compliance by past and present reporting persons or entities who were or are directly or indirectly the beneficial owner of more than 5% of the Company's common stock (which includes Fairholme Funds, Inc, Fairholme Capital Management L.L.C. and the Company's current Chairman Bruce R. Berkowitz) with their reporting obligations under Section 13(d) of the Exchange Act, (c) internal controls, (d) books and records, (e) communications with auditors and (f) financial reports. The order designates officers of the SEC to take the testimony of the Company and third parties with respect to any or all of these matters. The Company is cooperating with the SEC on historical matters as well as communicating and providing relevant information regarding the Company's recent change in investment strategy and impairments. The Company believes that the probability of loss related to this matter and an estimate of the amount of loss, if any, are not determinable at this time. The Company cannot evaluate the likelihood of an unfavorable outcome related to this matter to be either "probable" or "remote", nor can they predict the amount or range of possible loss from an unfavorable outcome to give an estimated range.

Item 5. *Other Information*

Item 5.02 Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.

(e) On March 2, 2012, the Company granted Park Brady 36,023 shares of restricted stock, which vested immediately on the grant date. The restricted stock had a grant date fair value of $15.99. Mr. Brady elected to receive 36,023 shares of stock in lieu of his 2011 discretionary cash bonus.

As previously disclosed on the Form 8-K filed with the SEC on March 13, 2012, Janna L. Connolly resigned from her position as Senior Vice President and Chief Financial Officer of Company. On March 23, 2012, the Company entered into a Separation Agreement with Ms. Connolly pursuant to which Ms. Connelly received the severance amounts due under her employment agreement with the Company dated as of September 29, 2009.

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Item 6. *Exhibits*

Exhibit Number	Description
*10.47	Restricted Stock Agreement, dated March 2, 2012, between Park Brady and The St. Joe Company.
*10.48	Separation Agreement, dated March 23, 2012, between Janna L. Connolly and The St. Joe Company.
*31.1	Certification by Park Brady, Chief Executive Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
*31.2	Certification by Thomas Hoyer, Chief Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
*32.1	Certification by Park Brady, Chief Executive Officer, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
*32.2	Certification by Thomas Hoyer, Chief Financial Officer, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
**101	The following information from the Company’s Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2012, formatted in XBRL (eXtensible Business Reporting Language): (i) the Consolidated Balance Sheets, (ii) the Consolidated Statements of Operations, (iii) the Consolidated Statement of Changes in Equity (iv) the Consolidated Statements of Cash Flow and (v) Notes to the Consolidated Financial Statements, tagged as blocks of text.

* Filed herewith.

** In accordance with Regulation S-T, the XBRL-related information in Exhibit 101 to this Quarterly Report on Form 10-Q shall be deemed to be “furnished” and not “filed”.

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: May 3, 2012	/s/ Park Brady
	Park Brady *Chief Executive Officer*
Date: May 3, 2012	/s/ Thomas J. Hoyer
	Thomas J. Hoyer *Chief Financial Officer*

RESTRICTED STOCK AGREEMENT

Award Details:

Participant:	Park Brady
Number of Shares of Restricted Stock:	36,023
Date of Grant:	March 2, 2012
Fair Market Value (at close of business on Date of Grant):	$15.99

Agreement:

This Restricted Stock Agreement (the "Agreement") is entered into effective as of the Date of Grant between the Participant and The St. Joe Company, a Florida corporation (the "Company"), pursuant to the Company's 2009 Equity Incentive Plan (the "Plan").

WHEREAS, the Company desires to grant, and the Participant desires to receive, an Award of Restricted Stock pursuant and subject to the terms and conditions of the Plan and this Agreement (the "Award").

NOW, THEREFORE, the Participant and the Company hereby agree as follows:

1. The Plan, Award Details and Defined Terms. The provisions of the Plan and the Award Details listed above are incorporated into this Agreement by reference. Capitalized terms used but not defined in this Agreement or the Award Details set forth above shall have the meanings ascribed to them in the Plan.

2. Grant of Restricted Stock. As of the Date of Grant, the Company hereby grants to the Participant the number of shares of Restricted Stock set forth in the Award Details above (the "Restricted Stock"), subject to the terms and conditions of the Plan and this Agreement.

3. Vesting of Restricted Stock. The Restricted Stock shall vest as follows: 100% shall vest immediately.

4. Restrictions on Transfer of Restricted Stock. None of the Restricted Stock shall be sold, transferred, pledged, assigned or otherwise alienated or hypothecated by the Participant, other than upon the Participant's death to a beneficiary in accordance with the Plan or by will or the laws of descent and distribution. Participant agrees not to sell, transfer, pledge, assign or otherwise alienate or hypothecate any shares of Common Stock acquired upon the vesting of the Restricted Stock if applicable laws or Company policies prohibit any such action.

5. Delivery of Title to Shares. Subject to any governing rules or regulations, the Company shall deliver any shares of Common Stock acquired in connection with the vesting of the Restricted Stock to or for the benefit of the Participant either (a) by delivering to the Participant evidence of book entry shares of Common Stock credited to the account of the Participant, or (b) by depositing such shares of Common Stock for the benefit of the Participant with a broker designated by the Company. The Company shall not be required to issue stock certificates for any shares of Common Stock acquired in connection with the vesting of the Restricted Stock.

6. Rights of a Shareholder. The Participant shall have all of the rights of a shareholder of the Company with respect to the shares of Restricted Stock, including the right to vote the shares and receive dividends and other distributions with respect thereto.

7. Administration by the Committee. The Plan, this Agreement and the Restricted Stock shall be subject to such administrative procedures and rules as the Committee shall adopt. Decisions of the Committee on all matters relating to the Plan, this Agreement and the Restricted Stock shall be in the Committee's sole discretion and shall be conclusive and binding on all parties.

8. Compliance with Law and Regulations. The Plan, this Agreement and the Restricted Stock shall be subject to all applicable federal and state laws, rules, and regulations and to such approvals by any government or regulatory agency as may be required. The Company shall have no liability to deliver any shares in connection with the Award unless such delivery would comply with all applicable state, federal and foreign laws (including, without limitation and if applicable, the requirements of the Securities Act of 1933), and any applicable requirements of any securities exchange or similar entity and under any blue sky or other securities laws. As a condition precedent to the issuance of shares of Common Stock in connection with an Award, the Company may require the Participant to take any reasonable action to meet such requirements.

9. Company Policies. Participant agrees that he or she has read and will comply with the Company's Insider Trading Policy as described in its Code of Conduct. A copy of the Code of Conduct is available by contacting the Company's Human Resources Department or by accessing the Human Resources section of the Company's intranet.

10. Adjustments. If any change in corporate capitalization (such as a stock split, reverse stock split, stock dividend, combination or reclassification of shares, or any other similar transaction; or a recapitalization, repurchase, rights offering, reorganization, merger, consolidation, combination, exchange of shares, spin-off, spin-out or other distribution of assets to shareholders or other similar corporate transaction or event) results in the outstanding shares of Common Stock, or any securities exchanged therefor or received in their place, being exchanged for a different number or class of shares or other securities of the Company, or for shares of stock or other securities of any other corporation (or new, different or additional shares or other securities of the Company or of any other corporation being received by the holders of outstanding shares of Common Stock), or a material change in the value of the outstanding shares of Common Stock as a result of the change, transaction or distribution, then the Committee shall make equitable adjustments, as it determines are necessary and appropriate to prevent the enlargement or dilution of benefits intended to be made available under the Award.

11. Tax Matters.

(a) Participant shall be liable for any and all taxes, including withholding taxes, arising out of this Award or the vesting of Restricted Stock hereunder. The Company shall have the right to deduct from any and all payments made in connection with the Award, or to require the Participant, through payroll withholding, cash payment or otherwise, to make adequate provision for, the federal, state, local and foreign taxes, if any, required by law to be withheld by the Company with respect to the Award or the shares acquired pursuant thereto. The Company shall have no obligation to deliver shares of Common Stock issuable to the Participant upon the vesting of the Restricted Stock until the Company's tax withholding obligations have been satisfied by the Participant.

(b) The Company shall have the right, but not the obligation, to deduct from the shares of Common Stock issuable to the Participant upon the vesting of the Restricted Stock, or to accept from the Participant the tender of, a number of whole shares of Common Stock having a Fair Market Value equal to all or any part of the tax withholding obligations of the Company. The Fair Market Value of any shares of Common Stock withheld or tendered to satisfy any such tax withholding obligations shall not exceed the minimum amount of tax required to be withheld with respect to the transaction.

(c) Participant acknowledges that, at his or her option, Participant (i) shall be entitled to make an election permitted under section 83(b) of the Internal Revenue Code of 1986, as amended (the "Code"), to include in gross income in the taxable year in which the Restricted Stock is granted, the Fair Market Value of such shares on the Date of Grant, notwithstanding that such shares may be subject to a substantial risk of forfeiture within the meaning of the Code, or (ii) may elect to include in gross income the Fair Market Value of the Restricted Stock as of the date on which such restriction lapses. The Participant agrees to give the Company's Human Resources Department prompt written notice of any election made by such Participant under Code Section 83(b).

12. No Implied Rights. Nothing in the Plan or this Agreement shall confer upon the Participant any right to continue in the employ of the Company or any Subsidiary, or interfere in any way with the right of the Company or any Subsidiary to terminate the Participant's employment relationship at any time.

13. Governing Law. To the extent not preempted by federal law, this Agreement shall be construed in accordance with and governed by the laws of the State of Florida, without giving effect to any choice of law provisions.

14. Participant's Access to the Plan. Participant may obtain a copy of the Plan by contacting the Company's Human Resources Department or by accessing the Human Resources section of the Company's intranet.

15. Entire Agreement. This Agreement and the Plan constitute the entire understanding and agreement between Participant and the Company regarding this Award. Participant acknowledges that any other agreement, statement, understanding or promise with

respect to the Award, whether oral or in writing, not contained in this Agreement or the Plan shall not be valid or binding. Any modification of or amendment to this Agreement shall be effective only if it is in writing and signed by both parties, except as otherwise provided in Article 13 of the Plan.

[Signature Page Follows]

IN WITNESS WHEREOF, the Company and Participant have caused this Agreement to be duly executed on the dates set forth below.

	PARTICIPANT
Date 3/2/12	/s/ Park Brady Park Brady
	THE ST. JOE COMPANY
Date 3/2/12	By: /s/ Rhea Goff Rhea Goff Vice President – Human Resources

SEPARATION AGREEMENT

THIS SEPARATION AGREEMENT (this "Agreement") is entered into as of March 23, 2012, by and between **Janna Connolly** (the "Executive") and **The St. Joe Company,** a Florida corporation (the "Company").

WHEREAS, the Company and the Executive (the "Parties") have entered into an Employment Agreement dated as of September 29, 2009, as amended (the "Employment Agreement");

WHEREAS, the Executive currently serves as Senior Vice President and Chief Financial Officer of the Company; and

WHEREAS, the Company has elected to terminate the Executive's employment other than for "Cause" (as defined in the Employment Agreement) effective as of March 30, 2012 (the "Termination Date").

NOW, THEREFORE, in consideration of the premises and mutual covenants herein contained, and for other good and valuable consideration, the receipt and adequacy of which is hereby acknowledged, the Company and the Executive hereby agree as follows:

1. Definitions

"Affiliate" means, with respect to any Person, any other Person controlling, controlled by, or under direct or indirect common control with such Person. For the purposes of this definition "control", when used with respect to any specified Person, shall mean the power to direct the management and policies of such Person, directly or indirectly, whether through ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled by" shall have the meanings correlative to the foregoing.

"Code" means the Internal Revenue Code of 1986, as amended.

"Person" means an individual, partnership, corporation, limited liability company, business trust, joint stock company, trust, unincorporated association or joint venture.

2. Termination of Employment

2.1 The Executive's employment by the Company, and any and all titles, positions and appointments the Executive holds with the Company and its Affiliates, whether as an officer or employee (including, without limitation, as Senior Vice President and Chief Financial Officer) shall cease as of the Termination Date.

2.2 As of the Termination Date, the Executive shall also have a "separation from service" with the Company within the meaning of Code Section 409A and the regulations thereunder, and notwithstanding anything in this Agreement to the contrary, she shall have no duties or responsibilities after the Termination Date that are inconsistent with having had such a separation from service as of the Termination Date.

3. Compensation and Other Benefits

3.1 The Executive shall continue to receive her annual base salary, at the annual rate of $245,000 per annum ("Base Salary"), for her employment through the Termination Date, in accordance with the Company's regular payroll practices for its senior executives, as in effect from time to time.

3.2 The Company shall also provide the following payments and benefits to the Executive:

(a) pay to the Executive, in a cash lump sum on the first business day following the end of the six month period following the Termination Date, an amount equal to $735,000,

(b) pay to the Executive, in a cash lump sum on the first business day following the end of the six month period following the Termination Date, an amount equal to $123,171,

(c) provided that Executive elects to continue her and her family's medical and dental insurance under COBRA, pay Executive's COBRA premium for the lesser of eighteen (18) months following the Termination Date or the date on which the Executive becomes ineligible for COBRA continuation coverage. The Executive shall be responsible to reimburse the Company, on a monthly basis, for an amount equal to the employee contribution that would be required of an employee participating in the medical and dental insurance plan, as in effect from time-to-time (the "Employee Contribution"). If, at the end of the eighteen (18) month period, the Executive has not become eligible for coverage under the healthcare insurance plan or another employer, the Company shall pay to the Executive, on the first business day that is at least eighteen (18) months after the Termination Date, in a single lump sum, an amount equal to the monthly premium for the period beginning at the end of the eighteen (18) month period through March 30, 2014 for medical and dental insurance coverage providing substantially the same benefits as the medical and dental insurance coverage provided to the Executive and his family under COBRA as in effect at the end of the eighteen (18) month period, less an amount equal to the Employee Contribution for such period. Provided that the Executive elects to convert the basic life and disability insurance policies, the Company will pay the premiums for those policies for a period beginning on the Termination Date and continuing until March 30, 2014. The Company will continue to provide any supplemental life or disability insurance benefit in effect as of the Effective Date for a period beginning on the Termination Date and continuing until March 30, 2014;

(d) pay up to $20,000 as reimbursement for outplacement services, upon the Executive's presentation to the Company of proper documentation supporting expenditures for outplacement services during the 18 months period following the Termination Date;

(e) If any payments to the Executive or on the Executive's behalf under this Section 3.2 are due prior to the expiration of the revocation period of the releases described in

Section 4.1 of this Agreement, such payments shall be made on the first business day following the end of the revocation period; provided, however, that if such payments are required to be made to a third party, the Executive shall be responsible to make such payments in a timely manner and the Executive will be reimbursed by the Company.

3.3 Return of Payments. Anything in this Agreement to the contrary notwithstanding, all payments and benefits to the Executive under Sections 3.2(a) through (e) shall be returned to the Company promptly if the Executive breaches her obligations under Sections 5.1, 5.6, and 5.7 of this Agreement (the "Restrictions") within two years after the Termination Date. Until such Restrictions are completely satisfied, the Executive shall be a constructive trustee of such payments and benefits. In addition, all payments and benefits to the Executive under Sections 3.2(a) through (e) shall remain subject to recoupment by the Company to the extent required under the Sarbanes-Oxley Act of 2002 and/or the Dodd-Frank Act.

4. Effect of Termination

4.1 Release.

(a) General Release. In consideration of the payments and benefits under this Agreement, with the intention of binding the Executive and the Executive's heirs, executors, administrators and assigns, the Executive does hereby release, remise, acquit and forever discharge the Company and each of its Affiliates (the "Company Affiliated Group"), and in their capacity as such, their present and former officers, directors, executives, agents, attorneys, employees and employee benefits plans (and the fiduciaries thereof), and the successors, predecessors and assigns of each of the foregoing (collectively, the "Company Released Parties"), of and from any and all claims, actions, causes of action, complaints, charges, demands, rights, damages, debts, sums of money, accounts, financial obligations, suits, expenses, attorneys' fees and liabilities of whatever kind or nature in law, equity or otherwise, whether accrued, absolute, contingent, unliquidated or otherwise and whether now known or unknown, suspected or unsuspected which the Executive, individually or as a member of a class, now has, owns or holds, or has at any time heretofore had, owned or held, against any of the Company Released Parties in any capacity, including, without limitation, any and all claims (i) arising out of or in any way connected with the Executive's service to any member of the Company Affiliated Group (or the predecessors thereof) in any capacity, or the termination of such service in any such capacity, (ii) for severance or vacation benefits, unpaid wages, salary, bonus or incentive payments, (iii) for breach of contract, wrongful discharge, impairment of economic opportunity, defamation, intentional infliction of emotional harm or other tort, and (iv) for any violation of applicable state and local labor and employment laws (including, without limitation, all laws concerning unlawful and unfair labor and employment practices), any and all claims based on the Executive Retirement Income Security Act of 1974 ("ERISA"), any and all claims arising under the civil rights laws of any federal, state or local jurisdiction, including, without limitation, Title VII of the Civil Rights Act of 1964 ("Title VII"), the Americans with Disabilities Act ("ADA"), Sections 503 and 504 of the Rehabilitation Act, the Family and Medical Leave Act, the Age Discrimination in Employment Act ("ADEA"), the Florida Law Against Discrimination and any and all claims under any whistleblower laws or whistleblower provisions of other laws excepting only:

(i) rights of the Executive under this Agreement;

(ii) rights of the Executive relating to equity awards held by the Executive as of the Termination Date;

(iii) the right of the Executive to receive COBRA continuation coverage in accordance with applicable law;

(iv) claims for benefits under any health, disability, retirement, life insurance or other similar employee benefit plan or arrangement of the Company Affiliated Group; and

(v) claims for the reimbursement of unreimbursed business expenses incurred prior to the Termination Date pursuant to applicable Company policy.

(b) No Admissions. The Executive acknowledges and agrees that the provisions of this Section 4.1 are not to be construed in any way as an admission of any liability whatsoever by any Company Released Party, any such liability being expressly denied.

(c) Application to all Forms of Relief. This Section 4.1 applies to any relief no matter how called, including, without limitation, wages, back pay, front pay, compensatory damages, liquidated damages, punitive damages for pain or suffering, costs and attorney's fees and expenses.

(d) Specific Waiver. The Executive specifically acknowledges that his or her acceptance of the terms of this Agreement, including the provisions of this Section 4.1, are, among other things, a specific waiver of his or her rights, claims and causes of action under Title VII, ADEA, ADA and any state or local law or regulation in respect of discrimination of any kind; provided, however, that nothing herein shall be deemed, nor does anything herein purport, to be a waiver of any right or claim or cause of action which by law the Executive is not permitted to waive.

(e) No Complaints or Other Claims. The Executive acknowledges and agrees that she has not, with respect to any transaction or state of facts existing prior to the date hereof, filed any complaints, charges or lawsuits against any Company Released Party with any governmental agency, court or tribunal.

(f) No Representation. The Executive acknowledges that, other than as set forth in this Agreement, (i) no promises have been made to the Executive and (ii) in signing this Agreement the Executive is not relying upon any statement or representation made by or on behalf of any Company Released Party and each or any of them concerning the merits of any claims or the nature, amount, extent or duration of any damages relating to any claims or the amount of any money, benefits, or compensation due the Executive or claimed by the Executive, or concerning this Section 4.1 or concerning any other thing or matter.

(g) Injunctive Relief. In the event of a breach or threatened breach by the Executive of this Section 4.1, the Executive agrees that the Company shall be entitled to injunctive relief in a court of appropriate jurisdiction to remedy any such breach or threatened breach, the Executive acknowledging that damages would be inadequate or insufficient.

(h) Voluntariness. The Executive agrees that she is relying solely upon her own judgment; that the Executive is over 18 years of age and is legally competent to sign this Agreement; that the Executive is signing this Agreement of her own free will; that the Executive has read and understood the Agreement before signing it; and that the Executive is signing this Agreement in exchange for consideration that she believes is satisfactory and adequate.

(i) Legal Counsel. The Executive acknowledges that she has been informed of the right to consult with legal counsel and has been encouraged to do so.

(j) Acceptance. The Executive acknowledges that she has been given a period of 21 days within which to consider this Agreement, unless applicable law requires a longer period, in which case the Executive shall be advised of such longer period and such longer period shall apply. The Executive may accept this Agreement at any time within this period of time by signing the Agreement and returning it to the Company.

(k) Revocability. This Agreement shall not become effective or enforceable until seven calendar days after the Executive signs it (the "Effective Date"). The Executive may revoke her acceptance of this Agreement at any time within that seven calendar day period by sending written notice to the Company. Such notice must be received by the Company within the seven calendar day period in order to be effective and, if so received, would void this Agreement for all purposes.

(l) Re-Execution. The Executive agrees to re-execute this Agreement as of the Termination Date solely with respect to this Section 4.1. If the Executive fails to timely re-execute this Agreement, the Company shall not be obligated to provide any of the payments and/or benefits set forth in Section 3.2(a) through (e).

4.2 Mutual Non-Disparagement. The Company and the Executive each agree that they will not make any intentionally negative or disparaging comments about the other, except as permitted under Section 4.4 of this Agreement.

4.3 Return of Property. On or before the Termination Date, the Executive shall return to the Company all of the Company's property of which she is in possession, including, without limitation, any material and documentation that constitutes Confidential Information, credit cards, computers, and keys.

4.4 Permissible Disclosures. Notwithstanding anything in this Agreement or elsewhere to the contrary, nothing shall preclude the Executive or the Company from making truthful statements, or from disclosing documents or information, (A) when required by applicable law, regulation, order, or the like, (B) in connection with any proceeding to enforce the terms of this Agreement, or (C) in confidence to any professional for the purpose of securing professional advice.

5. Executive's Commitment to the Company

5.1 Confidentiality. The Executive shall not, prior to and for two years after the Termination Date (and for an indefinite period for Confidential Information composed of trade secrets of the Company), disclose any Confidential Information to any Person for any reason or purpose whatsoever, other than in connection with the performance of the Executive's duties under this Agreement. The term "Confidential Information" shall mean all confidential information of or relating to the Company and any of its Affiliates, including, without limitation, financial information and data business plans and information regarding prospects and opportunities, but does not include any information that is or becomes public knowledge by means other than the Executive's breach or nonobservance of the Executive's obligations described in this Section 5.1. Notwithstanding the foregoing, the Executive may disclose such Confidential Information as she may be legally required to do so on the advice of counsel in connection with any legal or regulatory proceeding; provided, however, that the Executive shall provide the Company with prior written notice of any such required or potentially required disclosure and shall cooperate with the Company and use her best efforts under such circumstances to obtain appropriate confidential treatment of any such Confidential Information that may be so required to be disclosed in connection with any such legal or regulatory proceeding.

5.2 Litigation. The Executive agrees to cooperate fully with the Company, or its assignee, and counsel for the Company, or its assignee, in any and all matters involving litigation, administrative proceedings, arbitration or governmental investigations other than in matters in which the dispute is solely between the Executive and the Company. The Executive's cooperation shall include being reasonably available for, without limitation, interviews, depositions, and trial testimony. To the extent that the Executive's cooperation involves travel, the Company or its assignee will reimburse the Executive for reasonable travel expenses. To the extent that the Executive's cooperation requires her to incur out-of-pocket expenses, including without limitation, reasonable attorney's fees, the Company or its assignee will reimburse such expenses, provided they are reasonable and supported by reasonable documentation. The Executive will make available, at the expense of the Company or its assignee, copies of all documents and files requested by the Company in connection with this duty of cooperation, excluding only those documents and files which are subject to any attorney-client privilege, work product doctrine, or other legal protection from disclosure that is held solely by the Executive in his or her individual capacity, as opposed to any privilege or legal protection from disclosure held by the Company.

5.3 Compliance with Securities Laws. The Executive agrees not to directly or indirectly buy or sell the Company's stock or other securities as long as she possesses "material non-public information" as that term is defined by interpretations of the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder. Without limiting the generality of the foregoing, the Executive further agrees to abide by the Company's insider trading policy as in effect on the Effective Date until two business days after the public release of the financial results for the fiscal quarter in which the Termination Date occurs.

5.4 Other Positions. The Executive shall resign as of the Termination Date from any administrative roles in any agreements sponsored by the Company and its Affiliates and will execute all instruments and documents requested by the Company to effectuate this and the termination of employment and of other duties and positions as described in Section 2.1 of this Agreement.

5.5 Non-Compete. The Executive agrees not to directly or indirectly compete with the business of the Company and its successors and assigns for a period of one year following the Termination Date. The term "not compete" as used herein shall mean that the Executive shall not own, manage, operate, consult or be an executive in any business or legal entity that is in the commercial, hotel and/or residential real estate development business that competes with the Company or any of its Affiliates anywhere in Florida or Georgia. Notwithstanding the foregoing, the Executive may own up to 5% of any stock or security that is publicly traded on any national securities exchange or other market system. "Compete" shall be defined as engaging in commercial, hotel and/or residential real estate development projects where total annual development costs for all such projects in Florida and/or Georgia meet or exceed $50,000,000. The Company and the 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 the Company's legitimate business interests. Notwithstanding the foregoing, the Executive's position as a director of LaSalle Hotel Properties will not violate the terms of this provision.

5.6 Non-Solicitation. The Executive agrees, for a period of one year from the Termination Date, that the Executive will not, without the prior written approval of the Company, directly or indirectly: (i) solicit for hire any employees of the Company or any Affiliate, or (ii) induce any employee of the Company or any Affiliate to terminate their relationship with the Company or Affiliate. The foregoing will not apply to individuals hired as a result of the use of an independent employment agency (so long as the agency was not directed to solicit a particular individual) or as a result of the use of a general solicitation not specifically directed to the Company or its Affiliate's employees.

5.7 Injunctive Relief. The Executive acknowledges and agrees that the Company will have no adequate remedy at law, and would be irreparably harmed, if the Executive breaches or threatens to breach any of the provisions of this Section 5. The Executive agrees that the Company shall be entitled to equitable and/or injunctive relief to prevent any breach or threatened breach of this Section 5, and to specific performance of each of the terms of this Section 5 in addition to any other legal or equitable remedies that the Company may have, including those set forth in Section 3.3. The Executive further agrees that he shall not, in any equity proceeding relating to the enforcement of the terms of this Section 5, raise the defense that the Company has an adequate remedy at law.

5.8 Special Severability. The terms and provisions of this Section 5 are intended to be separate and divisible provisions and if, for any reason, any one or more of them is held to be invalid or unenforceable, neither the validity nor the enforceability of any other provision of this Agreement shall thereby be affected. Furthermore to the extent any term or provision of this Section 5 would be declared invalid due to its duration, geographic scope or other term, it is the intent of the parties that the duration, geographic scope or other term be reformed to conform to the fullest extent that would be enforceable, and that the term or provision be so enforced.

6. Successors

6.1 The Executive. This Agreement is personal to the Executive and, without the prior written consent of the Company, shall not be assignable by the Executive, other than by will or the laws of descent and distribution or as described in this Section 6.1. This Agreement shall inure to the benefit of and be enforceable by the Executive's heirs, beneficiaries and/or legal representatives.

6.2 The Company. This Agreement shall inure to the benefit of and be binding upon the Company and its successors and assigns.

6.3 Successors. The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company to assume expressly and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place, and the Executive will consent to such successor's assumption. As used in this Agreement, "Company" shall mean the Company as previously defined and any successor to its business and/or assets as aforesaid which assumes and agrees to perform this Agreement by operation of law or otherwise.

7. Additional Payments

7.1 Excise Tax Payments. Anything in this Agreement or any other plan, program, governance document, agreement, or arrangement of the Company or any of its Affiliates (each a "Company Arrangement"; collectively, "Company Arrangements") to the contrary notwithstanding, to the extent that any payment, distribution or acceleration of vesting to or for the benefit of the Executive, whether paid, distributed or vested pursuant to this Agreement or otherwise (a "Payment"), is or will be subject to the excise tax imposed by Section 4999 of the Code, or any interest or penalties are incurred by the Executive with respect to such excise tax (such excise tax, together with any such interest and penalties, are hereinafter collectively referred to as the "Excise Tax"), the Executive shall be entitled to receive an additional payment (a "Gross-Up Payment") in an amount such that after payment by the Executive of all taxes (including any interest or penalties imposed with respect to such taxes), including, without limitation, any income taxes and 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 Payments. The Company will attempt to minimize any Excise Tax, provided however, that no such minimization attempts shall include any acceleration of any payments, and provided further that if the Payments result in an Excise Tax and reducing the Payments eliminates the Excise Tax, then the Executive agrees to reduce the Payments (by up to 10%, and by first reducing or eliminating the portion of the Payments which are payable in cash and then by reducing non-cash Payments) until they do not trigger an Excise Tax. If any Excise Tax would still exist after the aforementioned reduction in the Payments, then there shall be no reduction in the Payments.

7.2 Calculation of Gross-Up Payments. Subject to the provisions of Section 7.3, all determinations required to be made under this Section 7, including the amount of a Gross-Up Payment, shall be made by KPMG LLP or another mutually agreeable nationally recognized accounting firm (the "Accounting Firm"), which shall provide detailed supporting calculations both to the Company and the Executive within fifteen (15) business days of (i) the Executive's notice to the Company of a claim by the Internal Revenue Service that, if successful, would require the payment by the Company of a Gross-Up Payment, (ii) the Company's reporting or withholding for the Excise Tax, or (iii) such earlier or later time as is requested by the Company.

All fees and expenses of the Accounting Firm shall be borne solely by the Company. As a result of the uncertainty in the application of Section 4999 of the Code at the time of a determination by the Accounting Finn hereunder, it is possible that Gross-Up Payments which will not have been made by the Company should have been made ("Underpayment"), consistent with the calculations required to be made hereunder. In the event that the Company exhausts (or does not pursue) its remedies pursuant to Section 7.3 and the Executive thereafter is required to make a payment of any Excise Tax, the Accounting Firm shall determine the amount of the Underpayment that has occurred and any such Underpayment shall be promptly paid by the Company to or for the benefit of the Executive.

7.3 Contested Payments. The Parties agree that, based upon the facts presently known to them, they believe no Excise Tax is payable by the Executive based on this Agreement or any other Company Arrangement. The Executive shall notify the Company in writing of any claim by the Internal Revenue Service that, if successful, would require the payment by the Company of a Gross-Up Payment. Such notification shall be given as soon as practicable but not later than 20 business days after the Executive knows of such claim and shall apprise the Company of the nature of such claim and the date on which such claim is requested to be paid. The Executive shall not pay such claim prior to the expiration of the 30-day period following the date on which it gives such notice to the Company (or such shorter period ending on the date that any payment of taxes with respect to such claim is due). If the Company notifies the Executive in writing prior to the expiration of such period that it desires to contest such claim, the Executive shall:

(a) give the Company any information reasonably requested by the Company relating to such claim;

(b) take such action in connection with contesting such claim as the Company shall reasonably request in writing from time to time, including, without limitation, accepting legal representation with respect to such claim by an attorney reasonably selected by the Company;

(c) cooperate with the Company in good faith in order effectively to contest such claim; and

(d) permit the Company to participate in any proceedings relating to such claim;

provided, however, that the Company shall bear and pay directly all costs and expenses (including additional interest and penalties) incurred in connection with such contest and shall indemnify and hold the Executive harmless, on an after-tax basis, for any Excise Tax or income tax, including interest and penalties with respect thereto, imposed as a result of such representation and payment of costs and expenses. Without limitation on the foregoing provisions of this Section 7.3, the Company shall control all proceedings taken in connection with such contest and, at its sole option, may pursue or forgo and all administrative appeals, proceedings, hearings and conferences with the taxing authority in respect of such claim and may, at its sole option, either direct the Executive to pay the tax claimed and sue for a refund or contest the claim in any permissible manner, and the Executive agrees to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as the Company shall determine; provided, however, that if the Company directs the Executive to pay such claim and sue for a refund, the Company shall advance the amount of such payment to the Executive, on an interest-free basis, and shall indemnify and hold the Executive harmless, on an after-tax basis, from any Excise Tax or income tax, including interest or penalties with respect thereto, imposed with respect to such advance or with respect to any imputed income with respect to such advance; and further provided that any extension of the statute of limitations relating to payment of taxes for the taxable year of the Executive with respect to which such contested amount is claimed to be due is limited solely to such contested amount. Furthermore, the Company's control of the contest shall be limited to issues with respect to which a Gross-Up Payment would be payable hereunder and the Executive shall be entitled to settle or contest, as the case may be, any other issue raised by the Internal Revenue Service or any other taxing authority. In the event that the Company elects to, or directs the Executive to, contest any claim by the Internal Revenue Service that, if successful, would require payment by the Company of the Gross-Up Payment under this Section 7, then in no event shall the Executive be entitled to the payment of such Gross-Up Payment until such claim and all administrative appeals, proceedings, hearings and conferences before any agency, tribunal, court, or taxing authority, including, but not limited to, the Internal Revenue Service, in respect of such claim have been exhausted.

7.4 Refunds. If, after the receipt by the Executive of an amount advanced by the Company pursuant to Section 7.3, the Executive becomes entitled to receive any refund with respect to such claim, the Executive shall (subject to the Company's complying with the requirements of Section 7.3) promptly pay to the Company the amount of such refund (together with any interest paid or credited thereon after taxes applicable thereto). If, after the receipt by the Executive of an amount advanced by the Company pursuant to Section 7.3, a determination is made that the Executive shall not be entitled to any refund with respect to such claim and the Company does not notify the Executive in writing of its intent to contest such denial of refund prior to the expiration of 30 days after such determination, then such advance shall be forgiven and shall not be required to be repaid and the amount of such advance shall offset, to the extent thereof, the amount of Gross-Up Payment required to be paid.

7.5 Payment of Gross-Up Payments. Notwithstanding any provision of this Agreement to the contrary, any Gross-Up Payment due to the Executive under this Agreement shall not be made until the Termination Date. The Executive shall be paid the Gross-Up Payment due to her under this Agreement, if any, in a single sum, within five days after the later of (i) the expiration of the 30-day period following the date on which Executive provided notice to the Company of a claim by the Internal Revenue Service that, if successful, would require the payment by the Company of the Gross-Up Payment, (ii) the date on which the Company has exhausted, abandoned or resolved all administrative appeals, proceedings, hearings and conferences in which the claim was or could be contested, or (iii) the Company's reporting or withholding for the Excise Tax, subject to Section 8 below. All Gross-Up Payments by the Company to the Executive under this Agreement shall be paid in any event no later than the last day of the Executive's taxable year following the taxable year in which the Executive remits the taxes to which a payment to the Executive by the Company relates.

8. Code Section 409A

8.1 Code Section 409A

(a) This Agreement and the amounts payable hereunder are intended to qualify for an exemption from, or alternatively to comply with the requirements of, Section 409A of the Code, and shall be interpreted in accordance with such intent. Notwithstanding anything in this Agreement to the contrary, if any amount or benefit that would constitute "deferred compensation" for purposes of Section 409A of the Code would otherwise be payable or distributable under this Agreement or otherwise by reason of the Executive's separation from service, then if and to the extent necessary to comply with Code Section 409A (i) if the payment or distribution of such amount or benefit is payable in a lump sum, such payment or distribution will be delayed until the first day following the six-month anniversary of the Executive's termination of service, and (ii) if the payment or distribution of such amount or benefit is payable over time, the amount that would otherwise be payable during the six-month period immediately following the Executive's termination of service will be accumulated and paid to the Executive, without interest, on the first day following the six-month anniversary of the Executive's termination of service (or, if earlier, the date of his death), whereupon the normal payment schedule will resume.

(b) With respect to the continuation of medical coverage after the Termination Date, if deemed necessary or advisable to secure an exemption from Code Section 409A, the Company shall impute income to the Executive for such medical coverage through the period that ends on the earlier of (i) the end of the Company's obligation to provide such coverage, or (ii) December 31 of the second calendar year following the year in which the Termination Date occurs. Immediately prior to such December 31 deadline, the Company shall satisfy its remaining obligation under the Agreement, if any, with respect to such medical coverage by paying to the Executive a lump sum in cash equal to the estimated present value of such remaining coverage, based on the Company's COBRA rates as then in effect, and such payment shall be imputed as income to the Executive.

(c) The payment of each amount payable under this Agreement shall be deemed a separate "payment" for purposes of Section 409A of the Code.

9. Full Settlement; Mitigation

The Company's obligation to make the payments provided for in, and otherwise to perform its obligations under, this Agreement shall not be affected by any set-off, counter-claim, recoupment, defense or other claim, right or action that the Company may have against the Executive or others other than a claim, right or action for fraud after the individual is judicially determined to have committed such action. In no event shall the Executive be obligated to seek other employment or take any other action by way of mitigation of the amounts payable to the Executive under any of the provisions of this Agreement and such amounts shall not be reduced, regardless of whether the Executive obtains other employment.

10. Indemnification

The Executive shall continue to have all rights to indemnification, advancement of legal fees and Directors and Officers liability insurance coverage under the Company's plans, by-laws, or other corporate documents to the full extent permitted by law and as set forth in such documentation.

11. Miscellaneous

11.1 Applicable Law. This Agreement shall, to the extent not superseded by federal law, be governed by and construed in accordance with the laws of the State of Florida, without regard to principles of conflict of laws.

11.2 Amendments/Waiver. This Agreement may not be amended, waived, or modified otherwise than by a written agreement that specifies the provision of this Agreement being amended, waived or modified, and that is executed by the parties to this Agreement or their respective successors and legal representatives. No waiver by either party to this Agreement of any breach of any term, provision or condition of this Agreement by the other party shall be deemed a waiver of a similar or dissimilar condition or provision at the same time, or any prior or subsequent time.

11.3 Notices. All notices and other communications hereunder shall be in writing and shall be deemed given when received by hand-delivery to the other party, by overnight courier, or by registered or certified mail, return receipt requested, postage prepaid, addressed as follows:

If to the Executive:
Janna Connolly
At the Executive's principal residence
as set forth in the Company's records.

If to the Company:
The Compensation Committee of the Board of Directors of The St. Joe Company
c/o The St. Joe Company
133 South WaterSound Parkway
WaterSound, FL 32413

or to such other addresses as either party furnishes to the other in writing in accordance with this Section 11.3. Notices and communications shall be effective when actually received by the addressee.

11.4 Withholding. The Company may withhold from any amounts payable under this Agreement such taxes as shall be required to be withheld pursuant to any applicable law or regulation.

11.5 Strict Compliance. The Executive's or Company's failure to insist upon strict compliance with any provisions of, or to assert, any right under, this Agreement shall not be deemed to be a waiver of such provision or right or of any other provision of or right under this Agreement.

11.6 Enforceability. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this

Agreement. If any portion or provision of this Agreement shall to any extent be declared illegal or unenforceable by an arbitrator or a court of competent jurisdiction, then the remainder of this Agreement, or the application of such portion or provision in circumstances other than those as to which it is so declared illegal or unenforceable, shall not be affected thereby, and each portion and provision of this Agreement shall be valid and enforceable to the fullest extent permitted by law.

11.7 Captions: Counterparts. The captions of this Agreement are for convenience of reference only, are not part of the terms of this Agreement and shall have no force or effect in the application or interpretation thereof. This Agreement may be executed in several counterparts, each of which shall be deemed an original and said counterparts shall constitute but one and the same instrument. Signatures delivered by facsimile (including, without limitation, by “pdf”) shall be deemed effective for all purposes.

11.8 Entire Agreement. This Agreement contains the entire agreement between the parties to this Agreement concerning the subject matter hereof and, except as otherwise provided herein, supersedes all prior agreements, understandings, discussions, negotiations and undertakings, whether written or oral, between the parties with respect thereto. Specifically this Agreement replaces and supersedes in its entirety any prior employment and/or severance agreement between the Company and the Executive, but it does not replace any obligation of the Company or its Affiliates that is preserved under this Agreement.

11.9 Survivorship. The obligations of the Company and the Executive under this Agreement shall survive the Termination Date.

11.10 Assignment. The rights and benefits of the Executive under this Agreement may not be anticipated, assigned, alienated or subject to the attachment, garnishment, levy, execution or other legal or equitable process except as required by law. Any attempt by the Executive to so anticipate, alienate, assign, sell, transfer, pledge, encumber or charge the same shall be void.

11.11 Arbitration. Except as otherwise provided in Sections 3.3, 4.1(g) and 5.8, the Executive and the Company both agree to submit any disputes under this Agreement to binding arbitration with a mutually agreeable arbitrator and to make their best efforts to settle any disputes within 90 days. In the event this does not occur and the Executive has cooperated in the arbitration process the Company agrees to pay, to the full extent permitted by law, all legal fees and expenses which the Executive may reasonably incur as a result of any contest (regardless of the outcome thereof) by the Company or others of the validity or enforceability of, or liability under, any provision of this Agreement or any guarantee of performance thereof, plus in each case interest at the applicable Federal rate provided for in Section 7872(f)(2) of the Code.

[Signature Page Follows]

IN WITNESS WHEREOF, the Executive has hereunto set his hand and, pursuant to the authorization of its Board of Directors, the Company has caused this Agreement to be executed in its name and on its behalf by a duly authorized officer, as of the date set forth above.

THE ST. JOE COMPANY	**EXECUTIVE**
/s/ Park Brady	/s/ Janna Connolly
Name: Park Brady	Janna Connolly
Title: Chief Executive Officer	

The Executive hereby re-executes this Agreement solely with respect to the provisions of Section 4.1 thereof, effective as of the date set forth below.

EXECUTIVE	
/s/ Janna Connolly	4/10/12
Janna Connolly	Date

Exhibit 31.1

CERTIFICATION

I, Park Brady, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the period ended March 31, 2012 of The St. Joe Company;

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

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

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

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

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

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

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

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

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

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

Date: May 3, 2012

/s/ Park Brady

Park Brady
Chief Executive Officer

CERTIFICATION

I, Thomas Hoyer, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the period ended March 31, 2012 of The St. Joe Company;

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

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

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

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

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

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

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

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

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

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

Date: May 3, 2012

/s/ Thomas Hoyer

Thomas Hoyer
Senior Vice President and Chief Financial Officer

Exhibit 32.1

CERTIFICATION

Pursuant to 18 USC §1350, the undersigned officer of The St. Joe Company (the "Company") hereby certifies that the Company's Quarterly Report on Form 10-Q for the period ended March 31, 2012 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) 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/ Park Brady

Park Brady
Chief Executive Officer

Dated: May 3, 2012

Exhibit 32.2

CERTIFICATION

Pursuant to 18 USC §1350, the undersigned officer of The St. Joe Company (the “Company”) hereby certifies that the Company’s Quarterly Report on Form 10-Q for the period ended March 31, 2012 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) 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/ Thomas Hoyer
Thomas Hoyer
Senior Vice President and Chief Financial Officer

Dated: May 3, 2012