

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

FORM 10-K

(MARK ONE)

- ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934 (NO FEE REQUIRED, EFFECTIVE OCTOBER 7, 1996). FOR THE FISCAL YEAR ENDED DECEMBER 31, 1998
- OR
- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934 (NO FEE REQUIRED) FOR THE TRANSITION PERIOD FROM _____ TO _____

COMMISSION FILE NO. 1-10466

THE ST. JOE COMPANY
(Exact name of registrant as specified in its charter)

FLORIDA
(State or other jurisdiction of incorporation or organization)
SUITE 400, 1650 PRUDENTIAL DRIVE
JACKSONVILLE, FLORIDA
(Address of principal executive offices)

59-0432511
(I.R.S. Employer Identification No.)
32207
(Zip Code)

Registrant's telephone number, including area code: (904) 396-6600

Securities Registered Pursuant to Section 12(b) of the Act:

TITLE OF EACH CLASS

NAME OF EACH EXCHANGE ON WHICH REGISTERED

Common Stock, No par value

New York Stock Exchange

Indicate by check mark whether this 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 if the disclosure of delinquent filers pursuant to item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the Registrant's knowledge, in definitive proxy of information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

The aggregate market value of the registrant's Common Stock held by non-affiliates based on the closing price on March 12, 1999, was \$911,451,654.

As of March 12, 1999, there were 88,112,311 shares of Common Stock, no par value issued and outstanding; an additional 3,585,500 shares were held in treasury.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's definitive Proxy Statement for the Annual Meeting of Stockholders to be held on May 11, 1999, (the "Proxy Statement") are incorporated by reference in Part III of this Report. Other documents incorporated by reference in this Report are listed in the Exhibit Index.

This Form 10-K, including the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" contains certain 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, that are not historical facts. Such forward-looking information may include, without limitation, statements that the Company does not expect that lawsuits, environmental costs, commitments, contingent liabilities, labor negotiations or other matters will have a material adverse effect on its consolidated financial condition, results of operations or liquidity and other similar expressions concerning matters that are not historical facts, and projections as to the Company's operating and financial results. Such statements are subject to certain risks and uncertainties which could cause actual results to differ materially from those anticipated in the forward-looking statements. Important factors that could cause such differences include but are not limited to contractual relationships, industry competition, regulatory developments, natural events such as weather conditions, floods and earthquakes, forest fires, the effects of adverse general economic conditions, changes in the real estate markets and interest rates, fuel prices and the ultimate outcome of environmental investigations or proceedings and other types of claims and litigation. See the information set forth herein in the Sections entitled "Risks Relating to Real Estate Operations" and "Year 2000 Compliance", and the information set forth in the sections entitled "Risks Related to Forestry Operations", "Risks Relating to Transportation Operations", "Environmental Matters" and "Control by Principal Shareholder" contained in the Company's Prospectus dated February 11, 1998.

As a result of these and other factors, the Company may experience material fluctuations in future operating results on a quarterly or annual basis, which could materially and adversely affect its business, financial condition, operating results, and stock price. An investment in the Company involves various risks, including those mentioned above and elsewhere in this report and those which are detailed from time-to-time in the Company's other filings with the Securities and Exchange Commission.

Readers should not place undue reliance on forward-looking statements, which reflect management's view only as of the date hereof. The Company undertakes no obligation to publicly release revisions to these forward-looking statements that reflect events or circumstances after the date hereof or reflect the occurrence of unanticipated events.

PART I

ITEM 1. BUSINESS

As used throughout this Form 10-K Annual Report, the terms "St. Joe," "Company" and "Registrant" mean The St. Joe Company and its consolidated subsidiaries unless the context indicates otherwise.

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

St. Joe is currently undergoing a number of important changes in its mix of businesses and its overall business strategy. In early 1997, the Company hired a new chairman and chief executive officer, Peter Rummell, the former President of Disney Development Company and Chairman of Walt Disney Imagineering, as well as several other senior members of management with strong backgrounds in large-scale real estate development, the complex Florida entitlement process, and financial and asset management. Under the direction of this new management team, the Company has focused more closely on the development of its large land portfolio. As part of this strategy, the Company currently operates or has plans to operate in the following real estate industry segments:

- Community residential real estate
- Residential real estate services
- Commercial real estate and services
- Resort and leisure

St. Joe also operates in the transportation and forestry segments which are considered "non-strategic" in light of its focus on real estate. The Company's sugar operations are also considered a non-strategic business and are classified as discontinued operations, due to the Company's plan to sell this operation.

St. Joe's strategy is seeking to extract the maximum value out of its non-strategic assets. As a result:

- In March 1999, the Company announced it intends to sell up to approximately 800,000 acres of its northwest Florida timberlands and an auction process is expected to begin in 1999 to sell the first 100,000 acres. The sale of additional parcels, typically 100,000 acres will be grouped, sized and timed in order to seek maximum value. All sales are subject to receipt of an acceptable bid, including price, terms and conditions.
- In December 1998, the Company closed in escrow on the sale of approximately 48,000 acres of sugarcane lands to The Nature Conservancy and the federal government for \$133.5 million in cash. In March 1999 the rights to farm the sugar lands were sold for \$19.0 million and the \$133.5 million escrow funds were released from escrow.
- In May 1996, the Company sold its linerboard mill and container plants.
- In April 1996, the Company sold the stock of St. Joe Communications, Inc. and its interests in three cellular limited partnerships.
- The Company continues to evaluate methods and means to extract the embedded value from its other non-strategic assets, including its timber and transportation holdings.

The Company was organized as a Florida corporation in 1936 by the executors of the Estate of Alfred I. duPont to implement Mr. duPont's plans to establish a paper company in northwestern Florida. The Company subsequently expanded into other lines of business primarily by acquiring companies in financial difficulty whose assets the Company perceived to be undervalued. Since 1940, the Company has continued to purchase

additional parcels of real property located throughout Florida and over time has acquired a sizable portfolio of land. Included in these holdings are thousands of acres in northwestern Florida that the Company has identified as potentially suitable for development over the near to long term. For a presentation of certain financial data on a segment by segment basis, see Item 7 -- "Management's Discussion and Analysis of Financial Condition and Results of Operations."

COMMUNITY RESIDENTIAL REAL ESTATE

The Company's community residential real estate operations include the development of large-scale mixed-use communities, primarily on Company-owned lands. The Company believes that its raw land inventory will provide a long-term supply of well-situated land and waterfront properties that may be suitable for development in the future. Development of master-planned communities is a long-term endeavor, with build-out typically occurring over a five- to fifteen-year period. The Company also is developing smaller scale residential projects that offer productive use of existing Company and acquired land.

On November 12, 1997, the Company purchased a 74% general partnership interest in a limited partnership, St. Joe/Arvida Company, L.P., through a joint venture with JMB Southeast Development, L.L.C. and JMB Southeast Development, L.P. ("St. Joe/Arvida"). The principal assets acquired were the "Arvida" name, proprietary information systems and the Arvida management team. The Company directs its residential development efforts through St. Joe/Arvida and conducts the majority of its residential development activity under the Arvida trademark. The Company initiated home building through St. Joe/ Arvida in 1998.

At the end of 1998, the Company's community development arm, Arvida, managed a total of 23 communities in various stages of planning and development, including five communities owned by Arvida/ JMB Partners, L.P.

Five of these large-scale communities require a state Development of Regional Impact (DRI), which is part of Florida's master plan approval process. If and when entitled, these five communities could support over 16,000 housing units. These five communities are:

- Seagrove, Walton County, Northwest Florida:

Seagrove is a 498-acre parcel of land located adjacent to Seaside and Grayton State Recreation Area. Plans include a southern coastal resort community with a 160-room resort hotel and a planned community with approximately 1,140 housing units. As part of the DRI process, a Preliminary Development Agreement was received in January. Construction under the Preliminary Development Agreement is scheduled to begin in July 1999, pending local approvals.

- Southwood, Tallahassee, North Florida:

Southwood is currently undergoing DRI review and a final DRI hearing is presently scheduled for April 1999.

- Victoria Park, Volusia County, Central Florida:

Located on 1,859 acres in central Florida just off Interstate 4 near DeLand, this master-planned, mixed-use community on Company controlled property has plans that could support approximately 3,800 housing units with a neo-traditional town center. Planned prices will range from the low \$100,000's to more than \$300,000. A new elementary school is scheduled to open adjacent to Victoria Park for the 2000-2001 school year.

- Riverton, St. Johns County, Northeast Florida:

Riverton is being planned as a New Town that fully embraces the St. Johns River, on which it is located. South of Jacksonville, Riverton encompasses over 4,300 wooded acres long-held by the Company. In the fourth quarter of 1998, the Company agreed to sell 120 acres in Riverton for a new St. Johns County high school expected to open for the 2000-2001 school year.

- Ball Tract, St. Johns County, Northeast Florida:

A preliminary market study is underway for this 2,150 acre tract owned by Gran Central Corporation ("GCC"), a wholly owned subsidiary of Florida East Coast Industries, Inc. ("FECI"), in which the Company has a 54% interest. The site is located in St. Johns County and includes frontage on the Intracoastal Waterway.

Of the 13 community development projects that do not require a DRI, 11 are on long-held Company property, one is on optioned land and one is under a staged take down. These 13 planned community developments could support approximately 3,500 units upon complete build-out. Five of these communities, the Retreat, James Island, Summerwood, Woodrun and Camp Creek Point have infrastructure or housing construction underway and could support, at full build-out, approximately 750 units.

- St. Johns Golf & Country Club, St. Johns County, Northeast Florida:

This community development project will include a total of 799 housing units and an 18-hole championship golf course. Construction is expected to begin in 1999 and most homes will be located adjacent to golf, conservation land, lakes or natural wooded areas. Prices are expected to range from \$130,000 to more than \$400,000.

- Camp Creek North, Walton County, Northwest Florida:

A golf resort, Camp Creek North is located approximately four miles east of Seagrove. Plans include 36 holes of golf, bordered by a residential village. A development agreement application is scheduled for submission to the County in May 1999.

- Camp Creek, Walton County, Northwest Florida:

Camp Creek is located approximately three miles east of Seagrove, with over a mile of beachfront on the Gulf of Mexico. Plans for this beach resort community include a resort hotel, beach club and approximately 265 vacation homes.

- Camp Creek Point, Walton County, Northwest Florida:

Camp Creek Point is an exclusive residential community bordering on Camp Creek Lake. Five lots have been sold at an average price of \$484,000. Five lots remain with prices starting in excess of \$400,000.

- The Retreat, Walton County, Northwest Florida:

The Retreat is a planned beach club resort community which will include 90 single-family housing units on 87 acres with beach access. Lot prices are expected to average \$400,000. Site construction is on schedule for completion in March 1999 and sales are scheduled to begin in April 1999.

- Bay New Town, Bay County, Northwest Florida:

A mixed-use development, Bay New Town is planned to be located on long held Company land. Preliminary plans for initial development activities are for approximately 800 new housing units.

- Woodrun, Bay County, Northwest Florida:

Woodrun, located in the town of Lynn Haven near Panama City, will consist of 51 single-family housing units situated around an environmental preserve. The community will offer single family homes priced from \$170,000 to \$240,000. Grand opening is scheduled for March 1999.

- Timberwood, Bay County, Northwest Florida:

Timberwood, a 400 acre residential community located in east Bay County, is expected to support approximately 325 housing units at full build-out. Construction is scheduled to begin in late 1999.

- Summerwood, Bay County, Northwest Florida:

Summerwood, located in Panama City Beach, is an existing community consisting of 222 homesites in three phases with Phases II and III encompassing 154 housing units, now under development. The Community will offer a variety of single family homes priced from \$121,000 to \$163,000. All 68 lots of Phase I have been sold. Phase II has presold 13 homes with a Grand Opening for the public set for March 1999. Development of Phase III is scheduled to begin in June 1999.

- Heron Landing, Bay County, Northwest Florida:

A single-family home community, Heron Landing is planned for approximately 330 new housing units at build-out located in the Cedar Grove area of Panama City. Home prices are expected to start at approximately \$100,000, with construction scheduled to begin in late 1999.

- Oak Ridge, Bay County, Northwest Florida:

A residential community located in the Panama City area, Oak Ridge is planned to include 53 multi-family garden homes. Construction is expected to begin in early 2000.

- Osprey Landing, Bay County, Northwest Florida:

Osprey Landing, set on 221 acres, is a single-family development with plans for approximately 240 new housing units at build-out with prices expected to range from \$115,000 to \$160,000. Construction is expected to begin in early 2000.

- James Island, Duval County, Northeast Florida:

James Island is a 194 acre community in Jacksonville located within three miles of I-95 and close to new elementary and middle schools. Prices will range from \$180,000 to over \$300,000. At full build-out the community is expected to encompass approximately 365 housing units. Model homes are currently under construction and a Grand Opening is scheduled for April 1999.

In December 1998, the Company acquired a 26 percent interest in Arvida/JMB Partners, L.P. The partnership's assets consist primarily of land that is being developed into five master-planned communities: three in Florida, one near Atlanta, and one in western North Carolina. The key master-planned community in the portfolio is Weston, located in Broward County, Florida.

Several of the planned developments described above are in the midst of the entitlement process or are in the master-planning stage. No assurances can be given that the necessary entitlements for development will be secured, that any of the Company's projects can be successfully developed, if at all, or that they can be developed in a timely manner. It is not feasible to estimate project development costs until entitlements have been obtained. As is typical of large-scale development projects, development of these tracts could require significant infrastructure development costs and may raise environmental issues that require mitigation.

RESIDENTIAL REAL ESTATE SERVICES

On July 31, 1998, the Company completed the purchase of Arvida Realty Services (Arvida Realty), formerly known as Prudential Florida Realty. Arvida Realty is the largest residential real estate brokerage, sales and services company in the state of Florida and the fifth largest in the United States (based on rankings of the trade publication Real Trends).

Arvida Realty offers a complete array of real estate services, including residential real estate sales, asset management, title and mortgage services, annual and seasonal rentals and international real estate marketing through its 80 offices located throughout south and central Florida. Between its acquisition by the Company on July 31, 1998 and December 31, 1998, Arvida Realty closed over 13,000 real estate transactions valued at \$2.2 billion. On an annualized basis, Arvida Realty generated 1998 revenues of more than \$150 million.

COMMERCIAL REAL ESTATE

The Company's commercial real estate operations include the development and management of commercial and industrial properties through an asset management agreement with GCC, and through direct subsidiaries and related joint ventures of the Company. In September, 1998 the Company acquired Goodman Segar Hogan Hoffer, L.P. ("Goodman Segar GVA"), one of the southeast's largest diversified commercial real estate services firms.

As of December 31, 1998, GCC had almost 800,000 square feet under construction, a 65% increase from December 31, 1997, located primarily in its Jacksonville, Orlando and Miami parks (the "Gran Parks"). GCC also owns approximately 16,000 acres of unentitled land that management believes may be suitable for future development, primarily situated adjacent to the Florida East Coast Railway Company ("FEC") rights-of-way in Florida markets that the Company believes will have significant growth opportunities.

In late 1997, the Company accelerated its commercial development program by entering into several partnerships. These partnerships allow the Company to enter new markets and to pursue development opportunities that were previously unavailable to the Company.

In December 1997, the Company and Orlando-based CNL Group, Inc. ("CNL") formed a joint venture to invest in and develop office and industrial properties in the central Florida area. In February 1998, the Company and Weeks Corporation ("Weeks") completed a transaction whereby the companies each purchased a one-third interest in the Codina Group, Inc. ("Codina Group"). The Company is developing commercial properties in south Florida through its investment in the Codina Group. The Company has also formed partnerships with Hines Interest, L.P. ("Hines") to develop properties in Atlanta, Georgia, and Means Knaus, L.L.C. ("Means Knaus") to develop properties in Texas.

As of December 31, 1998, the Company through all its holdings had over 1.3 million square feet of commercial property under development and .9 million square feet in pre-development in Florida, Georgia and Texas. Consistent with the Company's operating strategy, the majority of these facilities are on St. Joe or GCC property.

Major St. Joe Commercial projects include:

- HomeSide Lending, Inc. -- Jacksonville, Florida: St. Joe is developing the expansion of HomeSide's corporate campus with a new three-story, 140,000-square-foot building immediately adjacent to HomeSide's existing headquarters in South Jacksonville. Phase I is scheduled for completion in August 1999, and Phase II is scheduled to be completed in October 1999.
- CNL Center -- Orlando, Florida: The St. Joe/CNL Realty Group partnership is at the midpoint in construction of a new 14-story, 335,000-square-foot building in downtown Orlando, located off Interstate 4 and adjacent to City Hall. With approximately 70 percent of its space leased, it is scheduled for completion in late 1999.
- Legacy Point -- Orlando, Florida: St. Joe with St. Joe/CNL Realty Group purchased a 31-acre site early in the fourth quarter of 1998 with plans for a four-building, 750,000 square foot Class-A office campus. The project is located in an area of high traffic with approximately 4,000 feet of linear frontage along Interstate 4. Construction of Phase I, a six-story, 155,000-square-foot office building is scheduled for completion in early 2000.
- Westchase Corporate Center -- Houston, Texas: In partnership with Means/Knaus, St. Joe is developing a six-story Class-A 181,000-square-foot office building located on a 5.4-acre tract with frontage along Richmond Avenue, two blocks east of the Westbelt. Completion is set for July 1999.

Projects managed by The St. Joe Commercial Group for Gran Central include:

- Gran Park at SouthPark -- Orlando, Florida: Development plans for this Gran Central multi-use corporate campus include eight buildings totaling approximately 850,000 square feet. Phase one, which includes a four-story, Class-A office building and one office, showroom and warehouse building, is currently open. Both buildings are experiencing strong leasing activity, including a lease signed in the

fourth quarter with Lockheed Martin for over 38,000 square feet of space. Phase Two, also under construction, includes an additional 150,000 square-foot office building. Completion is scheduled for April 1999.

- Gran Park at Deerwood Park North -- Jacksonville, Florida: St. Joe is managing and developing Gran Central's Deerwood Park North project, with plans to develop four Class-A office buildings for a total of 513,000 square feet. Building one, currently under construction, is a five-story, 139,000-square-foot office building, with completion scheduled for July 1999.
- Bombardier Capital, Inc.; Gran Park at Jacksonville -- Jacksonville, Florida: St. Joe is developing for Gran Central a new one-million-square-foot business park for Bombardier Capital. This project, which was launched in the third quarter of 1998, is a component of Gran Central's Gran Park at Jacksonville. Bombardier is taking all of the first 125,000-square-foot building along with options for up to 500,000 additional square feet. Construction is approximately 50 percent complete on the first building with completion expected in June 1999.
- Gran Park at Jacksonville -- Jacksonville, Florida: Atlantic Mortgage (AMIC) occupied a new 134,085 square foot Gran Central office, showroom and warehouse building in the fourth quarter of 1998.
- Beacon Pointe at Weston -- Weston, Florida: Gran Central is in a venture with Weeks Corporation (NYSE: WKS) in Weston, Florida. Development plans over five years include four office buildings totaling 375,000 square feet and a hotel site. Beacon Pointe is located in the Weston Park of Commerce in west Broward County. Currently under construction is the first 100,000-square-foot Class-A office building. Completion is scheduled for summer 1999.
- Beacon Station at Gran Park -- Miami, Florida: Development is underway at Beacon Station for three Gran Central industrial buildings totaling 540,000 square feet jointly ventured with Weeks Corporation (NYSE: WKS). The first of the three buildings should be completed in the spring of 1999, and site preparation is currently underway for the second and third buildings. Beacon Station is located near Miami International Airport and entitled for 6.5 million square feet of office and industrial space.

The Company has acquired interests in commercial properties in Atlanta, Houston and in south Florida (Boca Raton) for future development.

A summary of the Company's development activity as of December 31, 1998, follows:

STATUS	OWNER	PROPERTY DESCRIPTION	NET RENTABLE SQUARE FEET	START DATE
Predevelopment.....	St. Joe	HomeSide Lending, Inc.	140,000	Jan. 1999
Under construction....	St. Joe/CNL	CNL Center	335,000	May 1998
Predevelopment.....	St. Joe/CNL	Legacy Point I	155,000	Feb. 1999
Under construction....	St. Joe/Means Knaus	Westchase Corporate Center	181,000	Aug. 1998
Predevelopment.....	St. Joe/Hines	Deerfield Commons	130,000	March 1999
Under construction....	GCC	Gran Park at Jacksonville	222,000	July 1998
Under construction....	GCC	Gran Park at Deerwood	139,000	Oct. 1998
Under construction....	GCC	Gran Park at SouthPark	282,000	Aug. 1998
Predevelopment.....	GCC	Gran Park at SouthPark	132,000	TBD
Under construction....	GCC/Weeks	Beacon Station	540,000	Sept. 1998
Predevelopment.....	GCC/Weeks	Beacon Station	360,000	TBD
Under construction....	GCC/Weeks	Beacon Pointe at Weston	100,000	June 1998
Total.....			2,224,000	

In the commercial real estate services sector, the Company manages GCC's office and industrial building portfolio which consists of 62 properties with 6.2 million rentable square feet. This represents a 10% increase since December 31, 1997. These buildings were 87% occupied at year-end 1998 compared to 82% at the end of

1997. Buildings placed in service for more than one year had occupancy of 91% in 1998 compared to 83% in 1997.

On September 24, 1998, the Company acquired Goodman Segar GVA, a commercial real estate services company based in Norfolk, Virginia. Goodman Segar GVA manages over 10 million square feet of commercial property in the southeast United States and during 1998 brokered real estate transactions valued at nearly \$1 billion annually, a 25% increase from 1997. A construction subsidiary also provides construction services for corporate clients and third-party owners. On December 21, 1998, the Company purchased the assets of Florida Real Estate Advisors, Inc. ("FREAA"), a commercial real estate services company based in Tampa, Florida. FREAA manages approximately 4 million square feet of commercial property in central and south Florida.

The acquisitions of Goodman Segar GVA and FREAA supplement the Company's management of the GCC portfolio and diversify real estate markets in which the Company operates; as described in the table below:

STATE	# OF PROPERTIES	NET RENTABLE SQUARE FEET	% OF PORTFOLIO
Florida.....	86	9,345,000	46%
Virginia.....	119	8,464,000	42%
North Carolina.....	28	1,692,000	8%
Georgia.....	6	832,000	4%
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	239	20,333,000	100%
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These acquisitions also diversify the types of properties managed by the Company; as set forth in the table below:

TYPE OF PROPERTY	# OF PROPERTIES	NET RENTABLE SQUARE FEET	% OF PORTFOLIO
Office.....	124	9,002,000	44%
Industrial.....	59	6,366,000	31%
Retail.....	50	4,792,000	24%
Other.....	6	173,000	1%
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	239	20,333,000	100%
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RESORT AND LEISURE

The Company's resort and leisure operations consist of the development of hotel and beach club facilities on St. Joe's beachfront property in west Florida in conjunction with its residential development projects (see "Community Residential Real Estate") and its ownership in ENTROS, Inc. ("ENTROS").

On February 25, 1998, the Company acquired a 44% interest in ENTROS, a location-based entertainment company headquartered in Seattle, Washington. ENTROS creates and produces interactive games in club settings and produces game-based programming for corporate events. During the fourth quarter of 1998, ENTROS opened its second location in San Francisco, California; the original location is in Seattle.

FORESTRY

The Company's forestry operations, conducted through its wholly owned subsidiary, St. Joe Timberland Company, are in the business of growing, harvesting and selling timber and wood fiber. The Company is the largest private holder of timberlands in Florida, with nearly 700,000 acres of planted pine forests, primarily in northwestern Florida, and an additional 300,000 acres of mixed timberland, wetlands, lake and canal properties. Consistent with the Company's plans to extract value from its non-strategic assets, in March 1999, the Company announced its intentions to sell approximately 800,000 acres of its timberlands and an auction process is expected to begin in 1999 to sell the first 100,000 acres. The sale of additional parcels, expected to be 100,000 acres each, will be grouped, sized and timed in order to seek maximum value. A study

commissioned by the Company has identified these timberlands as having little real estate development potential in the next 15 to 20 years. No assurances can be given that any of the property can be sold at an acceptable price within an acceptable time period.

The Company estimates that its standing pine inventory on December 31, 1998 totaled 10.8 million tons and its hardwood inventory totaled 5.9 million tons. The timberlands are harvested by local independent contractors pursuant to agreements that are generally renewed annually. The principal product of the Company's forestry operations is softwood pulpwood, but the Company also produces and sells softwood and hardwood sawtimber.

The Company's timberlands are located in northwestern Florida and southern Georgia, near key transportation links including roads, waterways and railroads, allowing the Company to deliver fiber to its customers on a cost-efficient basis. The Company's principal productive timberlands are near the facilities of The Florida Coast Paper Company, L.L.C. ("FCP") in Port St. Joe, the Company's major pulpwood customer. Numerous other major conversion facilities located near the Company's timber assets could serve to further expand the markets for the Company's timber products.

In 1997, the Company renegotiated its 15-year supply contract with FCP to allow it to supply pulpwood to the mill at a level (700,000 tons per year beginning June 1, 1998) significantly lower than historical levels. The Company sought to reduce its obligation to supply pulpwood under the agreement in order to extend growing periods for certain portions of its timber. FCP told the Company that it shut down its operations on August 15, 1998 due to market conditions resulting from the Asian economic crisis. In late November, the Company resumed wood fiber deliveries to FCP, which are being shipped at FCP's expense to another mill in Panama City, Florida.

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

As part of its strategy to maximize the cash flows from its timberlands, the Company engages in several business activities complementary to its land holdings. The Company leases approximately 900,000 acres of its timberlands to private clubs and state agencies for hunting, 300 acres in north Gadsden County for the mining of Fullers earth, and 600 acres to Martin Marietta for the mining of limerock. The Company has not conducted an exhaustive survey of its timberlands for potential mineral reserves.

TRANSPORTATION

FECI's subsidiary, Florida East Coast Railway Company ("FEC"), operates a railroad along 350 miles of main line track between Jacksonville and Miami and along 91 miles of branch track between Ft. Pierce and Lake Harbor, Florida. FEC has the only coastal right-of-way between Jacksonville and West Palm Beach, Florida and is the exclusive rail-service provider to the Port of Palm Beach, Port Everglades and the Port of Miami. To complement and facilitate its railroad operations, FEC also provides drayage and interstate trucking services through its wholly owned subsidiary International Transit, Inc. ("ITI").

At Jacksonville, FEC connects with Norfolk Southern Corporation and with CSX Transportation, Inc. ("CSXT"). FEC relies upon both of these carriers for Florida-bound rail freight traffic that originates elsewhere in the United States. In 1998, a significant portion of FEC's revenues were attributable to traffic that originated on other railroads, whereas a small percentage was attributable to traffic that originated on FEC but was bound for other destinations and 48% were attributable to traffic that both originated and

terminated on FEC's system. FEC is a terminating railroad and, consequently, does not receive traffic from one railroad to be passed over its track to another railroad. Because all of FEC's traffic either originates in or is bound for Florida, FEC's revenues fluctuate with economic conditions in southern Florida, rising as the economy of southern Florida expands and declining as it contracts.

In 1998, FEC principally transported automotive vehicles, aggregates, cement, trailers-on-flatcars, containers-on-flatcars and basic consumer goods such as foodstuffs. Movement is relatively stable throughout the year with heaviest traffic ordinarily occurring during the first and last quarters of the year.

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

In addition to its rail and other related services, FEC leases the use of its rights-of-way to various tenants, including several telecommunications companies' fiber optics systems, pursuant to long-term leases.

The Company also owns the Apalachicola Northern Railroad Company ("ANRR"), a short-line railroad operating between Port St. Joe and Chattahoochee, Florida, where it connects with an unaffiliated carrier. Its transportation facilities include 96 miles of main track, 13 miles of yard switching track and 3 miles of other track. Although it is a common carrier, most of ANRR's business in recent years consisted of carrying coal from Port St. Joe to Chattahoochee pursuant to a contract with Seminole Electric Cooperative, Incorporated ("Seminole") and carrying wood chips, pulpwood and linerboard used or produced at FCP's paper mill in Port St. Joe, Florida. As noted above, the FCP mill shutdown on August 15, 1998. The other items carried by ANRR are tall oil, chemicals, stone and clay products and recyclable items.

ANRR is a party to a coal delivery contract with Seminole that expires in 2004, but, in January 1999, Seminole halted shipments of coal and Seminole also filed a lawsuit in circuit court in Gulf County, Florida, seeking to terminate its contract with ANRR. Management believes ANRR has fully performed its obligations under the contract and is prepared to complete the contract term. Pending resolution of the litigation, ANRR's workforce has been reduced significantly, commensurate with its loss in traffic, but the railroad still intends to operate a minimal schedule sufficient to provide service to existing customers.

The Company continues to evaluate methods to extract the embedded value from its transportation holdings.

DISCONTINUED OPERATIONS

The Company owns Talisman Sugar Corporation ("Talisman"), a grower of sugarcane located in south central Florida. Talisman owns approximately 48,000 acres of agricultural land and leases approximately 6,000 acres. The Company also operates a sugar mill at which sugarcane is converted into raw sugar. Talisman sells its entire production to Everglades Sugar Refinery, Inc., a wholly owned subsidiary of Savannah Foods & Industries, Inc., pursuant to an annually renewed contract. The amount Talisman is paid for its sugar under the current contract is a function of market prices.

On December 6, 1997, the Company signed an agreement in principle with the United States of America and the State of Florida (the "Governments"), under which the Governments agreed to purchase substantially all of the sugar lands that the Company owns or leases for \$133.5 million in cash. Talisman retained the right to farm the land through the 2003 crop year. In December 1998, that sale was closed in escrow pending the resolution of a lawsuit filed in Federal District Court in Washington, D.C. seeking to invalidate the sale. On March 25, 1999 Talisman entered into an Exchange Agreement ("The Exchange Agreement") with The South Florida Water Management District; United States Sugar Corporation; Okeelanta Corporation; South Florida Industries, Inc.; Florida Crystals Corporation; Sugar Cane Growers Cooperative of Florida (collectively the "Sugar Companies"); The United States Department of Interior; and The Nature Conservancy. The Agreement allows Talisman to exit the sugar business. Talisman assigned its right to farm the land to the Sugar Companies. In return, the lawsuit was dismissed and the other parties agreed to pay Talisman \$19.0 million.

Talisman retains ownership of the sugar mill and is presently evaluating the best manner to dispose of the mill. Talisman is responsible for the cleanup of the mill site. Talisman is obligated to complete certain defined environmental remediation (the "Remediation"). Approximately \$5.0 million of the purchase price will be held in escrow pending the completion of the Remediation. Talisman must use its funds to pay the costs of the Remediation. Based upon the current environmental studies, Talisman does not believe the costs of the Remediation will exceed the amount held in escrow. Talisman will receive the fund when all the Remediation is complete. In the event other environmental matters are discovered, the Sugar Companies will be responsible for the first \$5 million of the cleanup. Talisman will be responsible for the next \$4.5 million, thereafter the parties shall share the costs equally.

In addition, approximately \$1.7 million is being held in escrow, representing the value of the land subject to the Remediation. As Talisman completes the cleanup of a particular parcel, an amount equal to the land value on that parcel will be released from escrow.

On May 30, 1996, the Company sold its linerboard mill and container plants. The Company remains contingently liable for up to \$10 million relating to On-Site Environmental Liabilities, as defined in the sales agreement. The Company further agreed to reimburse up to \$1 million for certain remediation activities at the linerboard mill, if such activities were required under environmental laws.

On April 11, 1996, St. Joe Industries, Inc., a wholly owned subsidiary of the Company, sold the stock of St. Joe Communications, Inc. (SJCI) to TPG Communications, Inc. SJCI also sold its interests in three remaining cellular limited partnerships. The Company had previously sold one cellular limited partnership in 1995. These sales represented the Company's entire Communications segment.

Approximately \$359.3 million of proceeds from these sales was distributed to shareholders in 1997. See "Item 6 -- Selected Consolidated Financial Data, note 3."

REGULATION

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

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

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

The DRI review process includes an evaluation of the project's impact on the environment, infrastructure and government services, and requires the involvement of numerous federal, state and local environmental, zoning and community development agencies and authorities. Local government approval of any DRI is subject to appeal to the Governor and Cabinet by the Florida Department of Community Affairs, and adverse decisions by the Governor or Cabinet are subject to judicial appeal. The DRI approval process is usually lengthy and costly, and there are no assurances as conditions, standards or requirements that may be imposed on a developer with respect to a particular project. The DRI approval process is expected to have a material impact on the Company's real estate development activities in the future.

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

The Company's ownership and development of real estate are subject to extensive and changing federal, state and local environmental laws, the provisions and enforcement of which may become more stringent in the future. Pursuant to those laws, the owner or operator of real estate may be required to perform remediation regardless of whether it caused the contamination. The sale or development of properties may also be restricted due to environmental concerns, the protection of endangered species, or the protection of wetlands. In addition, violations of various statutory and regulatory programs can result in civil penalties, remediation expenses, natural resource damages, potential injunctions, cease and desist orders and criminal penalties. The Company is not presently aware of any material contaminations at or any material adverse environmental development issues relating to its real estate operations. However, there can be no assurance that environmental issues will not arise in the future relating to the real estate operations.

Forestry. Forestry operations generate air emissions through controlled burning. The forestry operations are subject to regulation under the Endangered Species Act ("ESA"), the federal Clean Water Act, the federal Clean Air Act, the Federal Insecticide, Fungicide and Rodenticide Act and the Toxic Substances Control Act as well as similar state laws and regulations. Violations of various statutory and regulatory programs can result in civil penalties, remediation expenses, natural resource damages, potential injunctions, cease and desist orders and criminal penalties. Some environmental statutes impose strict liability, rendering a person liable for environmental damage without regard to negligence or fault on the part of such person.

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

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

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

Transportation. Both FEC and ANRR are subject to regulation by the Surface Transportation Board of the U.S. Department of Transportation and, in some areas, the State of Florida. These governmental agencies

must approve, prior to implementation, changes in areas served and certain other changes in operations of FEC and ANRR.

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

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

RISK RELATING TO REAL ESTATE OPERATIONS

Market Risks. There can be no assurance that the US economy, in general, or the economy of the Southeast in particular, will continue to experience positive growth rates or that the United States, in general, or the Southeast in particular, will not be affected by a recession in the future. Certain significant expenditures associated with the development, management and servicing of real estate (such as real estate taxes, maintenance costs, and debt payments) would generally not be reduced if an economic downturn caused a reduction in revenues from the Company's properties.

Development Risks. The Company's real estate development activities require significant capital expenditures. The Company will be required to obtain funds for its capital expenditures and operating activities through cash flow from operations, property sales or financings. There can be no assurances that funds available from cash flow, property sales and financings will be sufficient to fund the Company's required or desired capital expenditures for development. If the Company were unable to obtain sufficient funds, it might have to defer or otherwise limit certain development activities. Further, any new development or any rehabilitation of older projects can require compliance with new building codes and other regulations. The Company cannot estimate the cost of complying with such codes and regulations, and such costs can make a new project or some otherwise desirable uses of an existing project uneconomic.

Joint Venture Risks. The Company has direct or indirect equity interests in several joint ventures and may initiate future joint venture projects as part of its overall development strategy. A joint venture may involve special risks associated with the possibility that (i) the venture partner at any time may have economic or business interests or goals that are inconsistent with those of the Company, (ii) the venture partner may take actions contrary to the instructions or requests of the Company or contrary to the Company's policies or objectives with respect to its real estate investments or (iii) the venture partner could experience financial difficulties. Actions by the Company's venture partners may have the result of subjecting property owned by the joint venture to liabilities in excess of those contemplated by the terms of the joint venture agreement or have other adverse consequences. In its role as a general partner of certain joint ventures, the Company may

be jointly or severally liable for the debts and liabilities of the joint ventures. In addition, the Company's joint venture partners may dedicate time and resources to commitments and responsibilities outside the joint venture.

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

COMPETITION

Real Estate. The real estate industry is generally characterized by significant competition. The Company plans to continue to expand through a combination of residential and commercial developments throughout the southeast but concentrated in Florida where the acquisition and/or development of property would, in the opinion of management, result in a favorable risk-adjusted return on investment (e.g., when the development is on Company-owned land). There are a number of residential and commercial developers and real estate services companies that compete with the Company in seeking properties for acquisition, resources for development and prospective tenants. Competition from other real estate developments may adversely affect the Company's ability to sell homes, and attract and retain tenants. The Company may compete with other entities that have greater financial and other resources than the Company. There can be no assurance that the existence of such competition will not have a material adverse effect on the Company's business, operations and cash flow.

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

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

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

PATENTS, TRADEMARK AND LICENSES

St. Joe acquired the "Arvida" trademark in 1997 but did not obtain any new patents or trademarks in 1998. The Company has four pending applications for trademarks.

SEASONALITY

The Company's operations are generally not seasonal, however the operations of Arvida Realty are seasonal with the volume of transactions increasing in the spring and summer due to housing relocations. This seasonality is somewhat offset by the vacation home (second home) market which is active in the winter months.

The sugarcane production and processing operations are seasonal with one sugarcane crop being harvested each year.

CUSTOMERS

The Company is not dependent on any significant customer in its real estate operations.

ANRR's largest customers have been FCP and Seminole. ANRR's business has been adversely affected by the significant reductions in businesses and reduced shipments of commodities transported by it for FCP and Seminole.

The FCP linerboard mill, which was sold in 1996, remains the largest major customer of the forestry segment pursuant to the wood fiber supply agreement. As discussed previously, the Company renegotiated its contract with FCP in 1997 to provide for lower supply obligations in the future. While FCP continues to accept shipments of fiber pursuant to the agreement, there can be no assurances FCP will continue to perform under the agreement.

In January 1999, Seminole halted shipments of coal and Seminole also filed a lawsuit in circuit court in Gulf County, Florida, seeking to terminate its contract with ANRR.

In the sugar segment, Talisman has a contract with Everglades Sugar Refinery, Inc. to purchase the entire raw sugar production. This contract runs through the 1998/1999 crop year and is automatically renewed for each crop thereafter. Either party can decline to renew by giving notice to the other party no later than October 1 of the fourth year prior to the termination date.

EMPLOYEES

St. Joe (excluding FECCI) had approximately 2,100 employees at December 31, 1998 reflecting a substantial increase in employees from 1997 due to the acquisitions of Arvida Realty, Goodman Segar GVA and FREA. These employees work in the following segments:

- - Residential real estate.....	40
- - Residential real estate services.....	800
- - Commercial real estate.....	360
- - Resorts and leisure.....	10
- - Forestry.....	30
- - Transportation (ANRR only).....	80
- - Other -- Sugar.....	700
- - Other -- including corporate.....	80

170 Talisman employees are covered by collective bargaining agreements and are represented by the International Association of Machinists and Aerospace Workers. Talisman believes its relations with its employees to be good.

At December 31, 1998, FECCI had approximately 1,036 employees, which included 1,028 transportation employees. The majority of FEC and ANRR employees are covered by collective bargaining agreements that set wage levels and establish work rules and working conditions. Most of FEC's non-salaried employees are

represented by the United Transportation Union or the International Brotherhood of Electrical Workers. The Company and FEC consider their working relationship with the various unions that represent railroad employees to be good.

ITEM 2. PROPERTIES

The material physical properties of the Company at December 31, 1998 are addressed below. All properties shown are owned in fee simple, except where otherwise indicated.

CORPORATE FACILITIES

The Company occupies approximately two floors of a four-story building owned by its subsidiary, GCC in Jacksonville, Florida.

COMMUNITY RESIDENTIAL REAL ESTATE

The Company owns a significant number of acres in northwestern Florida and St. John's County on the northeastern coast of Florida near Jacksonville, including substantial gulf, lake and riverfront acreage, that it believes to be potentially suited to community residential and resort development. The Company continually evaluates its holdings and local market conditions to determine the market's readiness for additional development.

Arvida's administrative offices are located in Boca Raton, Florida and are leased from a third party.

RESIDENTIAL REAL ESTATE SERVICES

The administrative offices of Arvida Realty are located in Clearwater, Florida. These offices as well as brokerage offices based in 80 locations throughout central and south Florida are leased from third parties.

COMMERCIAL REAL ESTATE

At December 31, 1998 St. Joe Commercial owned two buildings with 21,000 square feet, of which 85% was leased. On the same date, GCC owned 62 buildings with 6,152,000 square feet of which 87% was leased.

GCC owns and manages 18,839 acres of land of which 16,414 acres have not yet been developed. These properties are held for lease, development and/or sale and are located in fourteen counties across the state of Florida as follows:

COUNTY -----	ACREAGE -----
Volusia.....	3,584
Flagler.....	3,464
St. Johns.....	3,386
Brevard.....	2,546
Dade.....	1,715
Duval.....	1,546
Manatee.....	897
Martin.....	656
St. Lucie.....	610
Palm Beach.....	197
Putnam.....	87
Orange.....	85
Broward.....	61
Indian River.....	5

	18,839
	=====

Included above are approximately 1,600 acres that have been or are being developed into commercial properties. Further, approximately 1,200 acres listed above are owned by FEC but are not required for the operations of the railroad.

The administrative offices of Goodman Segar GVA and FREA are located in Atlanta, Georgia and Tampa, Florida, respectively. These offices as well as all brokerage offices are leased from third parties.

FORESTRY

The Company owns over 700,000 acres of planted pine forests, primarily in northwestern Florida, and an additional 300,000 acres of mixed timberland, wetlands, lake and canal properties. St. Joe Timberland Company's administrative offices are based in Port St. Joe, Florida and it owns forestry management facilities, chip plants and pulpwood procurement offices in the following locations:

FORESTRY MANAGEMENT FACILITIES

CHIP PLANTS

Albany, Georgia.....	Lowry, Florida
Hosford, Florida.....	
Newport, Florida.....	Pulpwood Procurement Office
Port St. Joe, Florida.....	Port St. Joe, Florida
West Bay, Florida.....	
Wewahitchka, Florida.....	

TRANSPORTATION

FEC owns three four-story buildings in downtown St. Augustine, Florida that it uses for its corporate headquarters. Its transportation facilities include 350 miles of main line track between Jacksonville and Miami, Florida, 172 miles of branch line and yard tracks, and 102 miles of secondary mainline tracks. The mainline track is constructed of #132 rail and other track materials on concrete crossties. FEC owns 82 diesel electric locomotives, approximately 2,633 freight cars, 1,141 trailer units for highway service, and as well as work equipment and automotive vehicles.

ANRR owns a three-story building in Port St. Joe that is partially used for its administrative offices. Its transportation facilities include 96 miles of main track, 13 miles of yard switching track and 3 miles of other track. ANRR owns 14 diesel locomotives, 273 freight cars, and as well as work equipment and automotive vehicles.

ITEM 3. LEGAL PROCEEDINGS

The Company is named as a Potentially Responsible Party ("PRP") for the remediation of a designated Superfund site near Tampa, Florida. The United States Environmental Protection Agency ("USEPA") has alleged that the Company caused certain materials to be disposed at the site over a period of years in the late 1970s or 1980s. The Company has provided USEPA with certain evidence indicating the Company did not dispose of any materials at the site. The Company has declined an invitation to join a PRP group as a de minimis party. The Company believes that it does not have any liability and continues to vigorously oppose any attempt to impose any liability upon the Company for the remediation of the site.

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

FEC has also been named as a PRP at several USEPA Superfund Sites.

Compliance with federal, state and local laws and regulations is a principal goal of St. Joe. The Company, through its subsidiaries, has entered into a number of consent orders with state regulatory agencies to

remediate certain identified sites. The Company continues to cooperate with federal, state and local agencies to ensure its facilities are operated in compliance with applicable environmental laws and regulations. The Company is not aware of any monetary sanctions to be imposed, which, in the aggregate, are likely to exceed \$100,000, nor does it believe that corrections, if any, will necessitate significant capital outlays or cause material changes in the business.

From time to time, the Company is involved in litigation incidental to its business. In the Company's opinion, no litigation to which the Company is currently a party, if decided adversely to the Company, is likely to have a material adverse effect on the Company's results of operation or financial condition.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON STOCK AND RELATED STOCKHOLDER MATTERS

The Company had 1,263 common stockholders of record as of March 12, 1999. The Company's Common Stock is quoted on the New York Stock Exchange ("NYSE") Composite Transactions Tape under the symbol "JOE."

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

COMMON STOCK PRICE(1) -----	HIGH ----	LOW ---
1998		
First Quarter.....	\$36 5/8	\$30 1/8
Second Quarter.....	34 1/8	26 15/16
Third Quarter.....	28 1/16	18 7/8
Fourth Quarter.....	26 3/4	20
1997		
First Quarter.....	31	21 1/16
Second Quarter.....	28 1/4	23 5/16
Third Quarter.....	33 5/8	27
Fourth Quarter.....	38 5/16	29 5/16
1996		
First Quarter.....	20 3/4	17 15/16
Second Quarter.....	21 15/16	19 5/16
Third Quarter.....	21 15/16	19 15/16
Fourth Quarter.....	23 3/16	21 3/16

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

On March 12, 1999, the sale price of the Company's common stock on the NYSE was \$25 3/8.

DIVIDENDS

The Company paid aggregate annual cash dividends of approximately \$.08 per share to holders of the Common Stock in 1998, and \$.07 in 1997 and 1996. In addition, the Company distributed net proceeds of \$3.33 per share to stockholders of record on March 21, 1997 and \$.34 per share to stockholders of record on December 19, 1997, in each case arising from the sale of the Company's linerboard and container facilities and its communications business. The Company determined in February 1999 that it would be appropriate to change its practice and pay dividends, if any, annually rather than quarterly. Although the Company has historically paid quarterly cash dividends of approximately \$.02 per share, there can be no assurance that such practice will continue in the future.

ITEM 6. SELECTED CONSOLIDATED FINANCIAL DATA

The selected consolidated financial data set forth below are qualified in their entirety by and should be read in conjunction with the consolidated financial statements and the notes related thereto included elsewhere herein. The statement of income data with respect to the years ended December 31, 1998, 1997, and 1996 and the balance sheet data as of December 31, 1998 and 1997 have been derived from the financial statements of the Company included herein, which have been audited by KPMG LLP. The statement of income data with respect to the years ended December 31, 1995 and 1994 and the balance sheet data as of December 31, 1996, 1995 and 1994 have been derived from the financial statements of the Company previously filed with the SEC, and have also been audited by KPMG LLP. Historical results are not necessarily indicative of the results to be expected in the future.

	YEAR ENDED DECEMBER 31,				
	1998	1997	1996	1995	1994
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)					
STATEMENT OF INCOME DATA:					
Total revenues (1).....	\$392,181	\$296,977	\$376,693	\$277,377	\$276,005
Operating expenses.....	286,973	215,941	210,385	213,847	193,897
Corporate expense.....	6,569	6,514	(4,363)	3,052	2,465
Depreciation and amortization.....	38,893	28,732	27,831	26,870	26,007
Impairment losses.....	10,238	--	--	--	--
Operating profit.....	49,508	45,790	142,840	33,608	53,636
Other income.....	31,921	41,982	41,773	20,681	27,156
Income from continuing operations before income taxes and minority interest.....	81,429	87,772	184,613	54,289	80,792
Income tax expense.....	36,180	37,971	79,311	20,209	30,273
Income from continuing operations before minority interest.....	45,249	49,801	105,302	34,080	50,519
Minority interest.....	19,117	18,401	14,002	12,194	15,827
Income from continuing operations.....	26,132	31,400	91,300	21,885	34,692
Income (loss) from discontinued operations (2).....	2,706	4,053	(3,919)	51,933	7,417
Gain on sale of discontinued operations (2).....	--	--	88,641	--	--
Net income.....	\$ 28,838	\$ 35,453	\$176,022	\$ 73,819	\$ 42,109
PER SHARE DATA:					
Basic					
Income from continuing operations.....	\$ 0.29	\$ 0.34	\$ 0.99	\$ 0.24	\$ 0.38
Earnings (loss) from discontinued operations (2).....	0.03	0.05	(0.04)	0.57	0.08
Gain on the sale of discontinued operations (2).....	--	--	0.97	--	--
Net income.....	\$ 0.32	\$ 0.39	\$ 1.92	\$ 0.81	\$ 0.46
Diluted					
Income from continuing operations.....	\$ 0.28	\$ 0.34	\$ 0.99	\$ 0.24	\$ 0.38
Earnings (loss) from discontinued operations (2).....	0.03	0.04	(0.04)	0.57	0.08
Gain on the sale of discontinued operations (2).....	--	--	0.97	--	--
Net income.....	\$ 0.31	\$ 0.38	\$ 1.92	\$ 0.81	\$ 0.46
Dividends paid.....	0.08	0.07	0.07	0.07	0.07
Special distribution (3).....	--	3.67	--	--	--

YEAR ENDED DECEMBER 31,

	1998	1997	1996	1995	1994
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)					
BALANCE SHEET DATA:					
Cash and investments (4).....	305,395	516,422	819,761	303,500	276,131
Investment in real estate.....	548,101	465,436	425,718	340,316	316,206
Property, plant & equipment, net.....	358,916	350,072	363,483	418,049	392,594
Total assets.....	1,604,269	1,536,768	1,794,811	1,442,952	1,411,923
Total stockholders' equity.....	883,297	906,804	1,196,941	1,016,067	936,982
EBITDA (Gross) (5).....	136,428	120,578	110,259	164,776	107,572
EBITDA (Net) (5).....	91,960	82,040	78,382	134,508	72,905

- (1) Total revenues includes real estate revenues from brokerage commissions on sales of real estate, property sales, rental revenue and management service fees, timber sales and transportation revenues. Net sales for 1996 included two related one-time condemnation sales of land to the State of Florida in exchange for \$97.8 million in cash plus certain limited development rights. Net operating results of the sugar segment, communications segment, linerboard mill and container plants are shown separately as income (loss) from discontinued operations for all years presented.
- (2) Net operating results of the sugar segment, communications segment, linerboard mill and container plants are shown separately as income (loss) from discontinued operations for all years presented. (See Note 5 to the Consolidated Financial Statements.)
- (3) Approximately \$359.3 million of proceeds from the sales of the communications segment, linerboard mill and container plants were held in special accounts during 1996. A special distribution of a portion of the net proceeds of the sales of \$3.33 per share was paid on March 25, 1997, for stockholders of record on March 21, 1997. The Company made a special distribution of the remaining net proceeds of \$.34 per share on December 30, 1997 to stockholders of record on December 19, 1997.
- (4) Includes cash, cash equivalents, marketable securities and short-term investments.
- (5) The Company uses a supplemental performance measure along with net income to report its operating results. This measure is Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA). EBITDA is not a measure of operating results or cash flows from operating activities as defined by generally accepted accounting principles. Additionally, EBITDA is not necessarily indicative of cash available to fund cash needs and should not be considered as an alternative to cash flows as a measure of liquidity. However, the Company believes that EBITDA provides relevant information about its operations and along with net income, is useful in understanding its operating results. Depreciation, amortization, interest expense and income taxes are excluded from EBITDA (Gross) as well as gains on sales of discontinued operations and gains on the sale of non-strategic land and other assets. Earnings from discontinued operations have been included in EBITDA (Gross). Impairment losses have been excluded from EBITDA. EBITDA (Net) excludes 46% of FECI's and 26% of St. Joe/Arvida's, pre-tax income, depreciation, amortization and interest representing the equity therein not owned by St. Joe.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Management's discussion and analysis should be read in conjunction with the Consolidated Financial Statements, Item 1. "Business," and Item 2. "Properties," included elsewhere herein. The following discussion contains forward-looking statements. The Company's actual results may differ significantly from those projected in the forward-looking statements.

OVERVIEW

The St. Joe Company is a diversified company engaged in the real estate, forestry, transportation, and leisure and resort industries. During the fourth quarter of 1998, the Company began treating its sugar operations as a discontinued operation for accounting purposes. Until the second quarter of 1996, the Company was also engaged in communications and the manufacture and distribution of paper products.

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

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

RECENT EVENTS

Consistent with the Company's plans to extract value from its non-strategic assets, in March 1999, the Company announced its intentions to sell approximately 800,000 acres of its timberlands and an auction process is expected to begin in 1999 to sell the first 100,000 acres. The sale of additional parcels, expected to be 100,000 acres each, will be grouped, sized and timed in order to seek maximum value. A study commissioned by the Company has identified these timberlands as having little real estate development potential in the next 15 to 20 years. No assurance can be given that any of the property can be sold at an acceptable price within an acceptable time period.

On December 6, 1997, the Company signed an agreement in principle with the United States of America and the State of Florida (the "Governments"), under which the Governments agreed to purchase substantially all of the sugar lands that the Company owns or leases for \$133.5 million in cash. Talisman retained the right to farm the land through the 2003 crop year. In December 1998, that sale was closed in escrow pending the resolution of a lawsuit filed in Federal District Court in Washington, D.C. seeking to invalidate the sale. On March 25, 1999 Talisman entered into an Exchange Agreement ("The Exchange Agreement") with The South Florida Water Management District; United States Sugar Corporation; Okeelanta Corporation; South Florida Industries, Inc.; Florida Crystals Corporation; Sugar Cane Growers Cooperative of Florida (collectively the "Sugar Companies"); The United States Department of Interior; and The Nature Conservancy. The Agreement allows Talisman to exit the sugar business. Talisman assigned its right to farm the land to the Sugar Companies. In return, the lawsuit was dismissed and the other parties agreed to pay Talisman \$19.0 million.

Talisman retains ownership of the sugar mill and is presently evaluating the best manner to dispose of the mill. Talisman is responsible for the cleanup of the mill site. Talisman is obligated to complete certain defined environmental remediation (the "Remediation"). Approximately \$5.0 million of the purchase price will be held in escrow pending the completion of the Remediation. Talisman must use its funds to pay the costs of the Remediation. Based upon the current environmental studies, Talisman does not believe the costs of the Remediation will exceed the amount held in escrow. Talisman will receive the fund when all the Remediation is complete. In the event other environmental matters are discovered, the Sugar Companies will be responsible for the first \$5 million of the cleanup. Talisman will be responsible for the next \$4.5 million, thereafter the parties shall share the costs equally.

In addition, approximately \$1.7 million is being held in escrow, representing the value of the land subject to the Remediation. As Talisman completes the cleanup of a particular parcel, an amount equal to the land value on that parcel will be released from escrow.

The estimated gain on the combined sale of the land and harvesting rights is expected to be between \$40.0 million to \$45.0 million, after tax (unaudited), subject to finalization of reserves and other adjustments.

RESULTS OF OPERATIONS

Results for 1998 Compared to 1997

The Company reports revenues from real estate transactions, timber sales, and transportation operations. Real estate revenues are generated from brokerage commissions from sales of real estate, property sales, rental revenues and service fees from management of commercial properties. The Company also reports its equity in earnings of unconsolidated affiliates as revenues. Revenues increased \$95.2 million, or 32.1% from \$297.0 million in 1997 to \$392.2 million in 1998. All segments reported increased revenues when comparing 1998 to 1997. Residential real estate services revenue generated since the acquisition of Arvida Realty Services as of July 31, 1998 accounted for \$79.3 million of this increase. Commercial real estate revenues increased \$3.1 million, or 4.6% as a result of increased rents, placing new buildings in service and higher lease rates on buildings already in service. Community residential real estate revenues from property sales in 1998 increased \$.8 million, or 17.0%. Transportation revenues in 1998 were up \$9.7 million, or 5.0% as a result of increased shipments. Forestry revenues in 1998 increased \$2.1 million, or 6.6%, primarily from bulk land and timber sales. Resort and leisure was up \$.2 million.

Operating expenses in 1998 for all segments totaled \$287.0 million, an increase of \$71.1 million, or 32.9%, from \$215.9 million in 1997. Operating expenses in the residential real estate services business of Arvida Realty Services since July 31, 1998 accounted for \$73.4 million of the increase. Residential real estate operating expenses in 1998 increased \$6.8 million, or over 100%. Commercial real estate operating expenses in 1998 decreased \$1.6 million, or 3.9% due to the cost of sales on property in 1997. Transportation operating expenses increased \$1.2 million, less than 1%. Forestry operating expenses in 1998 decreased \$9.2 million, or 32.9%. Leisure and resort operating expenses in 1998 increased \$.5 million.

Corporate expense, which represents general and administrative expenses, remained relatively stable at \$6.5 million in 1998. Included in 1998 corporate expense is prepaid pension income of \$12.8 million compared to \$10.7 million in 1997. This \$2.1 million positive effect on corporate expense was offset by comparative increases in corporate overhead. Included in the 1997 corporate expense was \$1.3 million of severance costs associated with an early retirement program implemented that year. Additionally, costs incurred by the Company, excluding costs expensed directly by FECl, related to corporate transaction proposals involving FECl and the Company totaling approximately \$2.0 million were expensed in 1997.

Depreciation and amortization increased \$10.2 million, or 35.5%, of which \$3.3 million pertained to amortization of goodwill resulting from acquisitions and the remainder resulted from increased depreciation primarily from buildings placed into service in 1998.

The Company recorded impairment losses totaling \$10.2 million on certain assets when it was determined that recoverability of their net carrying amount was impaired. See Transportation Segment and Resort and Leisure Segment.

Other income decreased \$10.1 million from \$42.0 million in 1997 as a result of uses of cash for other investment purposes, principally acquisitions of Arvida Realty Services and Goodman Segar GVA, and the purchase of common shares.

In August 1998, the St. Joe Board of Directors authorized \$150 million for the purchase of outstanding common stock through open-market purchases. At the end of 1998, the Company had expended \$55.1 million of that authorization, purchasing 2.6 million shares at an average share price of \$21.40.

Income tax expense on continuing operations for 1998 totaled \$36.2 million, for an effective rate of 44.5% compared to income tax expense in 1997 totaling \$38.0 million, representing an effective rate of 43.3%. These

rates exceed statutory rates primarily because of the 50% excise tax on prepaid pension cost totaling \$ 6.4 million in 1998 and \$5.4 million in 1997. The excise tax on prepaid pension costs totaled \$13.2 million in 1996. It is anticipated that as long as the Company continues to record prepaid pension cost, an excise tax of 50% will be accrued.

Net income for 1998 was \$28.8 million, or \$.31 per diluted share, compared to \$35.5 million, or \$.38 per diluted share in 1997. Net income in 1996 totaled \$176.0 million, or \$1.92 per diluted share. Results for 1996 included income from discontinued operations of the mill and container companies of \$84.1 million, net of tax, net income from the discontinued sugar operation of \$.6 million, and condemnation proceeds, of \$60.0 million, net of tax.

Results for 1997 Compared to 1996

Revenues decreased \$79.7 million in 1997, or 21.1% from \$376.7 million in 1996. Net sales in 1996 were unusually high due to two related condemnation sales of land to the State of Florida in exchange for \$97.8 million in cash plus certain limited development rights. Sales of other residential real estate increased \$3.1 million, from \$1.6 million in 1996. Commercial real estate revenues increased \$30.5 million, or 86.9%, from \$35.1 million in 1996. Of this increase, \$26.0 million was attributable to increased property sales and \$4.5 million was attributable to increased rental revenues. Forestry sales decreased \$25.0 million from \$56.7 million in 1996 to \$31.7 million in 1997 due primarily to the FCP linerboard mill shutdown and lower sales under the supply agreement with FCP. Transportation revenues increased \$9.4 million, or 5.1% from \$185.5 million, due to increased shipments.

Operating expenses for all segments increased \$5.5 million in 1997, or 2.6% from \$210.4 million in 1996. Community residential real estate costs increased \$1.4 million. Commercial real estate expenses increased \$26.2 million. Cost of real estate sales comprised \$22.6 million of this increase. Increased operating costs on rental revenues comprised the remaining \$3.6 million increase. Forestry operating expenses decreased \$24.9 million, or 47% as a result of reduced timber sales and lower cost of sales. Transportation costs increased \$2.8 million, or 2.0%.

Corporate expense in 1997 was \$6.5 million, an increase of \$10.9 million, compared to 1996. Changes in senior management and increases in staffing to refocus the direction of the Company were the primary causes of such an increase, as well as the severance costs and corporate transaction expenses previously mentioned. Partially offsetting these corporate costs in 1997 is prepaid pension income of approximately \$10.7 million in 1997 versus prepaid pension income in 1996 of \$5.5 million.

Depreciation and amortization increased \$.9 million, or 3.2%, from 1996 to 1997.

Other income increased \$.2 million in 1997, less than 1% from \$41.8 million in 1996 due to gains on sales and dispositions of assets offset by a decrease in interest income as a result of lower invested balances during 1997. Invested balances decreased in 1997 because of distributions to stockholders of \$3.67 per share during the year.

Income tax expense in 1997 totaled \$38.0 million in 1997, representing an effective rate of 43.3% compared to \$79.3 million for an effective statutory rate of 43.0% in 1996.

Net income for 1997 was \$35.5 million, or \$.38 per diluted share compared to net income in 1996 of \$176.0 million, or \$1.92 per diluted share. Results for 1996 included income from discontinued operations of the mill and container companies of \$84.1 million, net of tax, net income from the discontinued sugar operation of \$.6 million, and condemnation proceeds, of \$60.0 million, net of tax.

DISCONTINUED OPERATIONS

As a result of the sale of Talisman in March 1999, sugar operations are reported as a discontinued operation for all periods presented. Revenues for sugar decreased \$8.3 million, or 16.8% from \$49.3 million in 1997 primarily due to timing of shipments. Operating expenses decreased \$5.6 million, or 13.7% from \$40.8 million in 1997. Operating expenses as a percentage of revenues increased from 82.8% to 85.9% as a result of higher

The Company's residential real estate operations currently consist of community residential development through St. Joe/Arvida and equity in its Arvida/JMB investment. Total revenues increased \$.8 million, or 17.0%, from \$4.7 million in 1997. Revenues from real estate sales for 1998 totaled \$5.0 million, an increase of \$.6 million, or 13.6% as compared to \$4.4 million in 1997. Cost of real estate sales was \$1.3 million for 1998 and 1997, respectively. During 1998, the Company sold 40 lots, located in the Summerwood, Camp Creek, Deerwood and Woods Phase III developments, all of which are communities in west Florida.

Revenues of \$.5 million were also generated from management fees and rental income in 1998 as compared to \$.2 million in 1997.

Other operating expenses were \$9.0 million, an increase of \$6.8 million from 1997, greater than 100%, due to non-capitalized start-up costs and internal overhead related to the development activity in west Florida previously discussed.

Results for 1997 compared to 1996

Total revenues decreased \$94.7 million from \$99.4 million in 1997. Real estate sales decreased \$94.8 million, from \$99.4 million in 1996. Cost of real estate sales increased \$.9 million, from \$.4 million in 1996 to \$1.3 million in 1997. The decrease in sales was largely due to two related condemnation sales of land to the State of Florida in 1996 for \$97.8 million in cash plus certain limited development rights. Costs associated with these sales were \$.1 million. Other revenues, generated mostly from rental revenues were \$.2 million in 1997 compared to \$.1 million in 1996.

Commercial Real Estate

	YEARS ENDED DECEMBER 31,		
	1998	1997	1996
	-----	-----	-----
	1998	1997	1996
	-----	-----	-----
	(\$ IN MILLIONS)		
Revenues.....	\$68.7	65.7	\$35.1
Operating expenses.....	39.7	41.3	15.1
Depreciation and amortization.....	13.1	8.2	7.7
Other income (expense).....	.3	(.4)	--
Pre-tax income from continuing operations.....	16.2	15.8	12.3
EBITDA, Gross.....	29.5	21.4	17.5

Results for 1998 compared to 1997

Rental revenues comprised \$45.0 million of total commercial revenues in 1998, an increase of \$6.4 million, or 16.6% compared to 1997. The increase in rental revenues for 1998 was caused by a \$2.6 million increase in rental rates, a \$3.0 million increase in related occupancy and \$2.0 million generated from new buildings placed into service since 1997. Partially offsetting these increases were reductions in revenues due to net reductions in rent recoverable from tenants. Operating expenses on rental revenues, excluding depreciation, were \$17.8 million as compared to \$15.1 million in 1997, an increase of \$2.7 million, or 17.9% mostly attributable to increased expenses including management expenses and increased property taxes on existing buildings. New buildings placed into service since last year contributed an additional \$.8 million in operating expenses.

Revenues from sales of land and buildings totaled \$8.0 million, a decrease of \$18.9 million, as compared to \$26.9 million in 1997. Total cost of sales in 1998 was \$2.6 million as compared to \$22.6 million in 1997.

Commercial real estate services revenues generated by Goodman Segar GVA since its acquisition in September, 1998 totaled \$14.5 million. Costs associated with these fees totaled \$9.5 million.

Equity in earnings of unconsolidated subsidiaries, consisting of the Company's investments in Codina, Deerfield and CNL, totaled \$1.2 million in 1998 as compared to \$.1 million in 1997.

General and administrative expenses for the commercial/industrial segment, which are included in operating expenses, totaled \$9.8 million, an increase of \$6.1 million, greater than 100%, from \$3.7 million in 1997. Expenses associated with Goodman Segar GVA accounted for \$4.0 million of this increase. The remaining \$2.0 million represents increased asset management costs.

Depreciation and amortization increased \$4.9 million, or 60.0% to \$13.1 million from \$8.2 million in 1997 due to new buildings placed in service.

During 1998, five office, and office/showroom/warehouse buildings were placed in service, adding 610,000 leasable square feet. Three of these buildings were located in Jacksonville, Florida and two were located in Orlando, Florida. As of December 31, 1998 there are 66 operating buildings with total rentable square footage of 6,223,000 square feet. Occupancy levels overall are at an average of 87% compared to 82% at December 31, 1997. Under construction at December 31, 1998 is 1.3 million square feet of office and industrial space located in Florida and Texas. Additionally, approximately .4 million square feet is in the predevelopment stage and are expected to commence construction in the first quarter of 1999.

Results for 1997 Compared to 1996

Rental revenues comprised \$38.6 million of total segment revenues, an increase of \$4.5 million, or 13.2%, from \$34.1 million in 1996. Operating expenses attributable to rental revenues were \$18.8 million, an increase of 24.5% compared to \$15.1 million in 1996. The increase in expenses in 1997 was primarily due to additional property taxes on new buildings placed in service in 1997 and additional operating and management costs. Depreciation and amortization was \$8.2 million, or \$.5 million higher than in 1997 due to new buildings placed into service.

During 1997 eight buildings were placed in service adding approximately 973,000 leasable square feet. In 1997, land and building sales totaled \$26.9 million and included three buildings, totaling \$20.1 million, one of which was developed and constructed specifically for the purpose of resale. The total cost of land and building sales was \$22.6 million in 1997. At December 31, 1997, GCC had 59 buildings in service with approximately 5.6 million square feet of rentable space. At December 31, 1996 GCC had 55 commercial/industrial buildings in service with approximately 4.7 million square feet of rentable space.

Forestry

	YEARS ENDED DECEMBER 31,		
	1998	1997	1996
	----- ----- ----- (\$ IN MILLIONS)		
Revenues.....	\$33.8	\$31.7	\$56.7
Operating expenses.....	18.8	28.0	52.9
Depreciation and amortization.....	2.4	1.4	1.5
Other income (expense).....	2.2	4.4	2.1
Pre-tax income from continuing operations.....	14.8	6.7	4.4
EBITDA, Gross.....	17.1	6.3	5.6

Results for 1998 compared to 1997

Total timber revenues increased \$2.1 million, or 6.6 %, from \$31.7 million in 1997 to \$33.8 million in 1998. Bulk land and timber sales were \$2.8 million in 1998. Total sales to FCP were \$19.1 million in 1998 compared to \$20.6 million in 1997. Since August 1998 the FCP mill has been shutdown, and there is no indication when it will reopen. Under the terms and conditions of the amended fiber supply agreement with FCP, the Company began redirecting the volumes of pulpwood from the FCP mill in Port St. Joe to another mill, resuming sales of pulpwood in November 1998. Sales to other customers totaled \$12.0 million (474,085 tons) in 1998 compared to \$11.1 million (409,912 tons) in 1997. Sales to other customers were higher this year as the Company experienced more lump sum bid timber sales due to increased demand in the first quarter of 1998.

Cost of timber sales, excluding depletion, decreased \$8.5 million, or 32.9% from \$25.8 million in 1997 to \$17.3 million in 1998. Cost of sales as a percentage of sales was 51.2% in 1998 compared to 81.4 % in 1997 due primarily to bulk land sales with a low basis and less timber being purchased from outside sources. The Company procured approximately 13,700 tons of wood in 1998 to fulfill the requirements of its timber supply agreement with FCP compared to 180,477 tons in 1997. The cost of sales of procured wood was approximately \$30/ton in 1998 and in 1997. Cost of sales of timber grown on Company land and sold to FCP decreased by \$5/ton to approximately \$21/ton as a result of a different product mix of sales to FCP, shifting from chips to pulpwood. The cost of sales for timber sold to other customers also decreased this year due to sales of bid timber, which do not require cutting and hauling. Cost of sales on sales to other customers was \$10/ton, which was approximately \$8/ton less than last year.

Other general operating expenses were \$2.3 million, relatively consistent with 1997. General operating expenses in 1997 included \$.5 million of nonrecurring expenses related to severance payments made to terminated employees. Included in 1998 is a nonrecurring payment of \$.4 million for settlement of property tax litigation.

Other income for 1998 and 1997 was derived primarily from various land leases, such as hunting leases, not related to the sale of timber. Other income in 1997 also included \$1.8 million from gains on sales of machinery and equipment.

Results for 1997 compared to 1996

Total timber revenues decreased \$25.0 million, or 44.1%, from \$56.7 million in 1996 to \$31.7 million in 1997. This decrease is attributable to a FCP linerboard mill shutdown which lasted from April 1997 through September 1997 and to decreased sales as a result of the renegotiated terms of the wood fiber supply agreement with FCP. Cost of sales decreased 48.2% from \$52.4 million in 1996 to \$27.1 million in 1997 due to declining sales. Cost of sales as a percentage of sales also improved because the Company sold more timber grown by it with higher margins and less procured wood. General operating costs increased \$.4 million from \$1.9 million in 1996 to \$2.3 million in 1997 primarily due to severance payments of approximately \$1.2 million paid to 62 terminated employees, offset by reductions in ongoing staffing levels.

On August 25, 1997, the Company renegotiated certain terms of its wood fiber supply agreement with FCP. Under the new agreement, the Company will supply 700,000 tons per year from May 30, 1998 through December, 2011 with two five-year renewal periods at the option of FCP. Under the previous agreement, up to 1.6 million tons per year were to be provided to FCP.

Transportation

	YEARS ENDED DECEMBER 31,		
	1998	1997	1996

	(\$ IN MILLIONS)		
Revenues.....	\$204.7	\$195.0	\$185.5
Operating expenses.....	144.2	143.0	140.2
Depreciation and amortization.....	18.8	18.6	18.5
Impairment loss.....	8.0	--	--
Other income (expense).....	.8	2.8	2.0
Pre-tax income from continuing operations.....	34.5	36.2	28.8
EBITDA, Gross.....	61.0	55.9	47.6

The Company's transportation operations consist of Florida East Coast Railway Company ("FEC"), Apalachicola Northern Railroad Company ("ANRR") and International Transit, Inc. ("ITI").

Results for 1998 compared to 1997

Operating revenues in the transportation segment were \$204.7 million in 1998, an increase of \$9.7 million, or 5.0 % compared to 1997. Total FEC transportation operating revenues were \$194.8 million, an

increase of \$9.8 million from \$185.0 million in 1997. Approximately \$3.8 million of this increase was attributable to fiber optic income, which includes a \$3.0 million gain recognized in the second quarter of 1998 related to a non-monetary exchange negotiated with Williams Network in which FEC received the right to control 36 fiber optic communications fibers along FEC's right-of-way, in exchange for the surrender of certain future operating lease payments. The rail segment of FEC contributed a \$3.0 million increase in revenues compared to 1997 and the trucking segment contributed a \$2.9 million increase. The increase in rail revenues was primarily attributed to an 11.1% increase in shipments of aggregate products and a 24.5% increase in automobile carload traffic caused by a robust Florida economy. This was offset by a 4.8% decrease in shipments of intermodal traffic and other types of carload traffic.

ANRR's transportation revenues remained relatively constant at \$9.9 million during 1998. As previously discussed, the FCP mill shut down again in August 1998. In addition, ANRR's largest customer, Seminole Electric Cooperative, Inc, halted shipments of coal in January 1999, and filed a lawsuit in circuit court in Gulf County, Florida, seeking to terminate its contract with ANRR to provide transportation of coal from Port. St. Joe to Chattahoochee, Florida. Although the contract between ANRR and Seminole extends until November 2004, Seminole has asked the court to terminate the agreement with ANRR. ANRR has fully performed its obligations under the contract and is prepared to complete the contract term. ANRR's workforce has been reduced significantly, commensurate with its loss of traffic, but the railroad intends to operate a minimal schedule sufficient to provide service to existing customers.

Overall operating expenses increased to \$144.2 million, a \$1.2 million increase, less than 1%, from \$143.0 million in 1997. Transportation expenses related to FEC increased \$1.5 million, ANRR transportation expenses decreased \$1.1 million and general and administrative expenses decreased \$2.2 million. The increase in FEC's transportation expenses primarily relates to increases in repair and maintenance cost, train operations cost and ancillary transportation services offset by decreases in fuel expense of approximately \$2.1 million.

As a result of the uncertainty surrounding future operations of ANRR, management has determined that the existing carrying value of ANRR's net assets should be reduced by approximately \$8.0 million to management's estimate of fair value, and accordingly, an impairment loss totaling that amount has been recorded in the fourth quarter of 1998.

Results for 1997 compared to 1996

Revenues in the transportation segment were \$195.0 million in 1997, an increase of 5.1% over 1996 operating revenue of \$185.6 million. Total FEC transportation operating revenues increased \$12.0 million, or 6.9%, from \$173.0 million in 1996 to \$185.0 million in 1997. This increase was attributable to significant increases in shipments of rock, intermodal and carload traffic handled in 1997 versus 1996. Traffic increased by approximately 35,600 shipments, or 7.8%, in 1997, reflecting the strong Florida economy. ANRR's operating revenues were \$10.0 million in 1997, \$2.5 million lower than in 1996 due to the five-month shutdown of the FCP linerboard mill, its largest customer. Operating expenses for this segment were \$143.0 million, \$2.8 million, or 2% higher than in 1996 as a result of a \$2.5 million decrease in casualty insurance costs and overall reductions in operating expenses. Casualty and insurance costs in 1996 included an accrual for an adverse legal judgment against the Company of approximately \$2.2 million, which was subsequently reversed on appeal in 1997. General operating expenses in 1997 included special charges of \$3.5 million for expenses concerning the various proposals from the Company regarding FECI.

Resort and Leisure

	YEARS ENDED DECEMBER 31,		
	1998	1997	1996
Total revenues.....	\$.2	\$ --	--
Operating expenses.....	.7	.1	--
Depreciation and amortization.....	--	--	--
Impairment loss.....	2.2	--	--
Other income(expense).....	--	--	--
Pre-tax income from operations.....	(2.7)	(.1)	--
EBITDA, Gross.....	(.3)	--	--

The resorts and leisure segment continues to work on land planning and concept designs for hotel and beach club facilities on the Company's beachfront property in west Florida. In January 1999, the Company sold its golf management operation for a loss of \$2.2 million, which was recorded as an impairment loss in 1998.

FINANCIAL POSITION AND CAPITAL RESOURCES

Total cash and cash equivalents decreased 75.3% from \$158.5 million at December 31, 1997 to \$39.1 million at December 31, 1998 primarily as a result of investments in business acquisitions and joint ventures totaling \$148.9 million and repurchase of common stock, net of reissuances, totaling \$54.5 million. The Company also made capital expenditures for real estate and property, plant and equipment totaling \$135.1 million. These expenditures were primarily funded from operations and existing investments. Total unrestricted cash, cash equivalents, short-term investments and marketable securities were \$305.4 million at December 31, 1998.

Stockholders' equity at December 31, 1998 was \$9.90 per share, an increase of \$.01 per share from December 31, 1997. The increase in stockholders' equity attributable to net income of \$28.8 million and other accumulated comprehensive income of \$8.6 million, was offset by the repurchase of common stock and payment of dividends.

The Company has historically not incurred debt in the development of its various real estate projects or for other expenditures, funding instead from internally generated cash flows. However, as the Company moves forward, debt may be incurred in those situations where the use of financing leverage is deemed appropriate. On March 10, 1999, the Company established a revolving line of credit with Bankers Trust for \$65 million to be used for working capital purposes. The revolving line of credit bears interest at LIBOR plus 50 basis points and matures on January 14, 2000. As of March 15, 1999 there was approximately \$50 million available under this revolving line of credit.

YEAR 2000 COMPLIANCE

The Company has created a Year 2000 Project Team to address potential problems within the Company's operations which could result from the century change in the Year 2000. The project team is led by the Senior Vice President of Finance and consists of representatives of the Company's Information Systems Departments or financial departments for each subsidiary, and has access to key associates in all areas of the Company's operations. The project team has used and continues to use outside consultants on an as-needed basis.

As part of the project the Company has been examining all software information technology ("IT") and non-IT systems which may have embedded technology. The project team's methodology for addressing both the IT and non-IT areas consists of five phases:

- (1) an Assessment Phase to inventory computer based systems and applications (including embedded systems) and to determine what revisions or replacements would be necessary for Year 2000 Readiness;

(2) a Remediation Phase to repair or replace components to enable them to successfully transition to the Year 2000;

(3) a Test Phase to test components after remediation to verify that the Remediation Phase was successful;

(4) an Implementation Phase to transition the Year 2000 Ready systems back into production environment;

(5) and a Check-off Phase to formally signoff that a component, system, process or procedure is Year 2000 Ready.

Excluding the Company's FECI subsidiary, which is discussed separately below, management believes that the five phases are currently approximately 95%, 65%, 45%, 40% and 30% complete, and that all critical systems will be Year 2000 Ready by the end of 1999.

The Company expects to spend up to \$1.0 million to address and modify Year 2000 problems, excluding FECI. Approximately \$.21 million has been spent by the Company through December 31, 1998.

As a part of the Year 2000 review, the Company is examining its relationships with certain key outside vendors and others with whom it has significant business relationships to determine to the extent practical the degree of such parties' Year 2000 compliance. The Company has received or is seeking assurance from several third party vendors that they are or will be Year 2000 Ready. Management believes that the failure of any other third party vendors to be Year 2000 Ready will not have a material adverse effect on the Company.

Should the Company or a third party with whom the Company deals have a systems failure due to the century change, the Company believes that the most significant impact would likely be the inability to timely process its payments for services and receipts of revenues. The Company does not expect any such impact to be material.

The Company is in the process of developing contingency plans for Year 2000 matters. These plans include identification of and communications with, mission critical vendors, suppliers, service providers and customers. These plans also include preparations for the Year 2000 event as well as for the potential problems that could occur with major suppliers or customers of the Company that could impact Company operations.

The Company has been advised by FECI that its Year 2000 Project efforts are proceeding on schedule and it anticipates that all "mission critical" systems should be Year 2000 capable by the third quarter of 1999.

FECI expects to spend approximately \$7.2 million for its Year 2000 effort of which approximately one half has been committed or already expended through December 31, 1998. FECI has informed St. Joe that the Year 2000 problem is not expected to materially affect its day-to-day operations, nor will it adversely affect its financial position or results of operations. FECI has informed St. Joe that it believes its Year 2000 planning effort is adequate to address all major risks. FECI has implemented reasonable measures, engaged experienced Year 2000 consultants and personnel, and established a high level of awareness concerning Year 2000 issues. FECI believes that it has provided an environment, which will enable it to adequately review and update its systems to become Year 2000 ready by the end of 1999.

ITEM 7A. MARKET RISK

The Company is exposed to the impact of interest rate changes and changes in the market value of its investments.

POLICIES AND PROCEDURES

In the normal course of business, the Company follows established policies and procedures to manage its exposure to changes in interest rates and fluctuations in the value of its marketable securities.

The Company's objective in managing its exposure to interest rate changes is to limit the impact of interest rate changes on earnings and cash flow. To achieve this objective, the Company invests primarily in low risk short-term fixed income securities.

The Company's objective in managing its exposure to market value changes is to limit the impact of market value changes on its marketable securities. To achieve this objective, the Company has entered into a series of put and call options on its equity securities. The cost of the purchased put is offset by the premium earned on the sold calls. This hedging strategy creates an equity collar that locks in the market value of the equity securities within a specified range.

It is the Company's policy to enter into hedging transactions only to the extent considered necessary to meet its objectives stated above. The Company does not enter into any such transactions for speculative purposes.

QUANTITATIVE DISCLOSURES

The table below presents principal amounts and related weighted average interest rates by year of maturity for the Company's investment portfolio. The weighted average interest rates for the various fixed rate investments are based on the actual rates as of December 31, 1998.

	EXPECTED CONTRACTUAL MATURITIES					THEREAFTER	TOTAL	FAIR VALUE
	1999	2000	2001	2002	2003			
	(IN THOUSANDS)							
Short-term Investments								
Trading:								
Tax Exempt Municipal Bonds.....	\$19,253	\$2,724	\$12,850	\$ --	\$ --	\$ --	\$34,827	\$34,765
Wtd. Avg. Interest Rate.....	4.18%	5.69%	6.22%				5.05%	
Available-For-Sale:								
Commercial Paper.....	17,613						17,613	17,613
Wtd. Avg. Interest Rate.....	4.85%						4.85%	
Tax Exempt Municipal Bonds.....	12,811						12,811	12,817
Wtd. Avg. Interest Rate.....	3.65%						3.65%	
Other Investments								
Available-For-Sale:								
U.S. Government Securities.....			1,000	2,000		600	3,600	3,707
Wtd. Avg. Interest Rate.....			6.63%	7.04%		7.25%	6.96%	
Tax Exempt Municipal Bonds.....		4,557	10,582	13,721	3,569	16,776	49,205	50,791
Wtd. Avg. Interest Rate.....		5.00%	5.47%	5.78%	5.81%	7.25%	5.62%	
Equity Securities and Options.....							1,681	143,976
Other Debt Securities.....			2,062				2,062	2,528
Wtd. Avg. Interest Rate.....			5.00%				5.00%	

As the table incorporates only those exposures that exist as of December 31, 1998, it does not consider exposures or positions that could arise after that date. As a result, the Company's ultimate realized gain or loss will depend on future changes in interest rate and market values.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The Financial Statements on page F-2 to F-24, inclusive and the Independent Auditors' Report on page F-1 are filed as part of this Report and incorporated herein by reference thereto.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Reference is made to the information to be set forth in the section entitled "Election of Directors" in the definitive proxy statement involving the election of directors in connection with the Annual Meeting of Stockholders of St. Joe to be held on May 11, 1999 (the "Proxy Statement"), which section is incorporated herein by reference. The Proxy Statement will be filed with the Securities and Exchange Commission not later than 120 days after December 31, 1998, pursuant to Regulation 14A of the Securities Exchange Act of 1934, as amended.

ITEM 11. EXECUTIVE COMPENSATION

Reference is made to the information to be set forth in the sections entitled "Executive Compensation" in the Proxy Statement, which sections are incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Reference is made to the information to be set forth in the sections entitled "Common Stock Ownership of Certain Beneficial Owners" and "Common Stock Ownership of Management" in the Proxy Statement, which sections are incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Reference is made to the information set forth in the section entitled "Certain Transactions" in the Proxy Statement, which section is incorporated herein by reference.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENTS, SCHEDULES AND REPORTS ON FORM 8-K

(A) 1. Financial Statements

The financial statements listed in the accompanying Index to Financial Statements and Financial Statement Schedules and Independent Auditors' Report are filed as part of this Report.

2. Financial Statement Schedules

The financial statement schedules and Independent Auditors' Report listed in the accompanying Index to Financial Statements and Financial Statement Schedules are filed as part of this report.

3. Exhibits

The exhibits listed on the accompanying Index to Exhibits are filed as part of this Report.

(B) Reports on Form 8-K

None

INDEX TO FINANCIAL STATEMENTS AND FINANCIAL STATEMENT SCHEDULES

Item 14(A) 1. And 2.

Independent Auditors' Report.....	F-1
Consolidated Balance Sheets.....	F-2
Consolidated Statements of Income.....	F-3
Consolidated Statements of Changes in Stockholders' Equity.....	F-4
Consolidated Statements of Cash Flows.....	F-5
Notes to Consolidated Financial Statements.....	F-6
Independent Auditors' Report - Financial Statement Schedules.....	S-1
Schedule II -- Valuation and Qualifying Accounts.....	S-2
Schedule III -- Real Estate and Accumulated Depreciation....	S-3

All other schedules have been omitted since the required information is not present or not present in amounts sufficient to require submission on the schedule or because the information required is included in the Consolidated Financial Statements, and the Notes to the Consolidated Financial Statements.

INDEX TO EXHIBITS

EXHIBIT
NUMBER

- 2.01 -- Limited Partnership Agreement of St. Joe/Arvida Company, L.P. (incorporated herein by reference to Exhibits filed with the Company's Prospectus filed February 11, 1998 under Rule 424 (b))
- 2.02 -- Agreement of Limited Partnership of St. Joe/CNL Development, Ltd. (incorporated herein by reference to Exhibits filed with the Company's Prospectus filed February 11, 1998 under Rule 424 (b))
- 2.03 -- Stock Purchase Agreement dated as of September 1, 1995 between St. Joe Industries Inc. and TPG Communications, Inc. (incorporated herein by reference to Exhibits filed with The Registrant's Quarterly Report on Form 10-Q for the third quarter ended September 30, 1995)
- 2.04 -- Asset Purchase Agreement dated as of November 1, 1995 by and among St. Joe Forest Products Company, St. Joe Container Company and St. Joe Paper Company, on the one Hand and Four M Corporation and St. Joe Paper company in the other hand (the "Asset Purchase Agreement") (incorporated herein by reference and Exhibits filed with the Registrant's Quarterly Report on Form 10-Q for the third quarter ended September 30, 1995)
- 2.05 -- Amendments dated December 14, 1995; December 20, 1995; January 10, 1996 and January 12, 1996 to the Asset Purchase Agreement (incorporated herein by reference to the Registrant's Proxy Statement for the Special Meeting of Stockholders on April 24, 1996)
- 2.06 -- Agreement for Purchase and Sale of Assets and Stock between St. Joe Real Estate Services, Inc. et.al. and CMT Holding, Ltd. (incorporated herein by reference to Exhibits filed in the Registrant's Quarterly Report on Form 10-Q for the second quarter ended June 30, 1998)
- 2.07 -- Purchase Agreement by and among Dominion Capital, Inc., Goodman-Segar-Hogan-Hoffler, Inc et.al. and St. Joe Commercial Property Services, Inc dated September 24, 1998 (incorporated herein by reference to Exhibits filed in the Registrant's Quarterly Report on Form 10-Q for the third quarter ended September 30, 1998)
- 2.08 -- Purchase and Sale Agreement by and between Talisman Sugar Corporation and The Nature Conservancy*
- 2.09 -- Credit Agreement among St. Joe Capital I, Inc. and Bankers Trust Company dated March 9, 1999*
- 3.01 -- Articles of Incorporation, as amended (incorporated herein by reference to Exhibits filed with the Company's Prospectus filed February 11, 1998 under Rule 424 (b))
- 3.02 -- Articles of Amendment dated January 8, 1998 (incorporated herein by reference to Exhibits filed with the Company's Prospectus filed February 11, 1998 under Rule 424 (b))
- 3.03 -- Amended and Restated Bylaws dated February 23, 1999*
- 3.04 -- Restated and Amended Articles of Incorporation of the St. Joe Company dated May 12, 1998 (incorporated herein by reference to Exhibits filed in the Registrant's Quarterly Report on Form 10-Q for the first quarter ended March 31, 1998)
- 4.01 -- Registration Rights Agreement between the Registrant and the Alfred I. DuPont Testamentary Trust, dated December 16, 1997 (incorporated herein by reference to Exhibits filed with the Company's Prospectus filed February 11, 1998 under Rule 424 (b))
- 10.01 -- Employment Agreement of Peter Rummell, dated January 7, 1997 (incorporated herein by reference to Exhibits filed with the Company's Prospectus filed February 11, 1998 under Rule 424 (b))
- 10.02 -- Employment Agreement of Robert M. Rhodes, dated November 5, 1997 (incorporated herein by reference to Exhibits filed with the Company's Prospectus filed February 11, 1998 under Rule 424 (b))

EXHIBIT
NUMBER

- - - - -

- 10.03 -- Employment Agreement of J. Malcolm Jones, dated February 26, 1997 (incorporated herein by reference to Exhibits filed with the Company's Prospectus filed February 11, 1998 under Rule 424 (b))
- 10.04 -- Employment Agreement of Michael F. Bayer, dated February 1, 1997 (incorporated herein by reference to Exhibits filed with the Company's Prospectus filed February 11, 1998 under Rule 424 (b))
- 10.05 -- Form of Severance Agreement (incorporated herein by reference to Exhibits filed with the Company's Prospectus filed February 11, 1998 under Rule 424 (b))
- 10.06 -- Employment Agreement of Kevin M. Twomey, dated January 27, 1999*
- 21.01 -- Subsidiaries of The St. Joe Company*
- 23.01 -- Consent of Independent Accountants*
- 27.01 -- Financial Data Schedule (for SEC use only)*
- 99.01 -- Supplemental Calculation of Selected Consolidated Financial Data*

- - - - -

* Filed herewith

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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

By: KEVIN M. TWOMEY

 Kevin M. Twomey
 President, Chief Financial Officer
 (Principal Financial Officer)

Date: March 25, 1999

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated on March 25, 1999.

SIGNATURE -----	TITLE -----	DATE ----
/S/ PETER S. RUMMELL ----- Peter S. Rummell	Chairman of the Board, Chief Executive Officer	March 25, 1999
/S/ KEVIN M. TWOMEY ----- Kevin M. Twomey	President, Chief Financial Officer (Principal Financial Officer)	March 25, 1999
/S/ JANNA L. CONNOLLY ----- Janna L. Connolly	Controller	March 25, 1999
/S/ MICHAEL L. AINSLIE ----- Michael L Ainslie	Director	March 25, 1999
/S/ JACOB C. BELIN ----- Jacob C. Belin	Director	March 25, 1999
/S/ RUSSELL B. NEWTON, JR. ----- Russell B. Newton, Jr.	Director	March 25, 1999
/S/ JOHN J. QUINDLEN ----- John J. Quindlen	Director	March 25, 1999
/S/ WALTER L. REVELL ----- Walter L. Revell	Director	March 25, 1999
/S/ FRANK S. SHAW, JR. ----- Frank S. Shaw, Jr.	Director	March 25, 1999
/S/ WINFRED L. THORNTON ----- Winfred L. Thornton	Director	March 25, 1999
/S/ JOHN D. UIBLE ----- John D. Uible	Director	March 25, 1999

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
The St. Joe Company:

We have audited the accompanying consolidated balance sheets of The St. Joe Company and subsidiaries as of December 31, 1998 and 1997, and the related consolidated statements of income, changes in stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 1998. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The St. Joe Company and subsidiaries as of December 31, 1998 and 1997, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 1998, in conformity with generally accepted accounting principles.

KPMG LLP

Jacksonville, Florida
February 23, 1999

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THE ST. JOE COMPANY
CONSOLIDATED BALANCE SHEETS

	DECEMBER 31,	
	1998	1997
	(DOLLARS IN THOUSANDS)	
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents.....	\$ 39,108	\$ 158,478
Short-term investments.....	65,285	51,034
Accounts receivable.....	38,691	40,108
Inventory.....	11,006	12,382
Other assets.....	13,234	8,563
	-----	-----
Total current assets.....	167,324	270,565
INVESTMENTS AND OTHER ASSETS:		
Marketable securities.....	201,002	306,910
Prepaid pension asset.....	53,683	40,861
Other assets.....	9,301	7,995
Investment in unconsolidated affiliates.....	70,235	7,200
Goodwill.....	123,389	12,954
Net assets of discontinued operations.....	72,318	74,775
	-----	-----
Total investments and other assets.....	529,928	450,695
Investment in real estate.....	548,101	465,436
Property, plant & equipment, net.....	358,916	350,072
	-----	-----
Total assets.....	\$1,604,269	\$1,536,768
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable.....	\$ 26,497	\$ 13,676
Accrued liabilities.....	43,173	29,730
Income tax (receivable) payable.....	(1,212)	2,150
Current portion of long-term debt.....	24,953	--
	-----	-----
Total current liabilities.....	93,411	45,556
Reserves and other liabilities.....	11,946	13,643
Deferred income taxes.....	289,359	272,299
Long-term debt.....	9,947	--
Minority interest in consolidated subsidiaries.....	316,309	298,466
Commitments and contingencies (Notes 10, 15)		
	-----	-----
Total liabilities.....	720,972	629,964
	-----	-----
STOCKHOLDERS' EQUITY:		
Common stock, no par value; 180,000,000 shares authorized; 91,697,811 issued at December 31, 1998 and 1997.....	13,054	13,054
Retained earnings.....	839,227	817,663
Accumulated other comprehensive income.....	88,200	79,559
Restricted stock deferred compensation.....	(2,604)	(3,472)
Treasury stock at cost, 2,543,590 shares held at December 31, 1998.....	(54,580)	--
	-----	-----
Total stockholders' equity.....	883,297	906,804
	-----	-----
Total liabilities and stockholders' equity.....	\$1,604,269	\$1,536,768
	=====	=====

See notes to consolidated financial statements.

THE ST. JOE COMPANY
CONSOLIDATED STATEMENTS OF INCOME

	YEARS ENDED DECEMBER 31,		
	1998	1997	1996
	(DOLLARS IN THOUSANDS EXCEPT PER SHARE AMOUNTS)		
Total revenues.....	\$392,181	\$296,977	\$376,693
Expenses			
Operating expenses.....	286,973	215,941	210,384
Corporate expense, net.....	6,569	6,514	(4,363)
Depreciation and amortization.....	38,893	28,732	27,831
Impairment losses.....	10,238	--	--
Total expenses.....	342,673	251,187	233,853
Operating profit.....	49,508	45,790	142,840
Other income (expense)			
Investment income.....	20,118	30,695	33,317
Gains on sales and other dispositions of assets.....	2,441	4,438	3,423
Other, net.....	9,362	6,849	5,033
Total other income.....	31,921	41,982	41,773
Income from continuing operations before income taxes and minority interest.....	81,429	87,772	184,613
Income tax expense			
Current.....	23,569	24,731	30,288
Deferred.....	12,611	13,240	49,023
Total income tax expense.....	36,180	37,971	79,311
Income from continuing operations before minority interest.....	45,249	49,801	105,302
Minority interest.....	19,117	18,401	14,002
Income from continuing operations.....	26,132	31,400	91,300
Income from discontinued operations			
Earnings (loss) from discontinued operations (net of income taxes of \$1,699, \$2,550, and \$1,021 respectively).....	2,706	4,053	(3,919)
Gain on sale of discontinued operations, net of income taxes of \$48,705.....	--	--	88,641
Net income.....	\$ 28,838	\$ 35,453	\$176,022
EARNINGS PER SHARE			
Basic			
Income from continuing operations.....	\$ 0.29	\$ 0.34	\$ 0.99
Earnings (loss) from discontinued operations.....	0.03	0.05	(0.04)
Gain on sale of discontinued operations.....	--	--	0.97
Net income.....	\$ 0.32	\$ 0.39	\$ 1.92
Diluted			
Income from continuing operations.....	\$ 0.28	\$ 0.34	\$ 0.99
Earnings (loss) from discontinued operations.....	0.03	0.04	(0.04)
Gain on sale of discontinued operations.....	--	--	0.97
Net income.....	\$ 0.31	\$ 0.38	\$ 1.92

See notes to consolidated financial statements.

THE ST. JOE COMPANY

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(DOLLARS IN THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

	COMMON STOCK		RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE INCOME	RESTRICTED STOCK DEFERRED COMPENSATION	TREASURY SHARES	TOTAL
	SHARES	AMOUNT					
Balance at December 31, 1995...	91,495,950	\$ 8,714	\$ 955,239	\$52,114	\$ --	\$ --	\$1,016,067
Comprehensive income:							
Net income.....	--	--	176,022	--	--	--	176,022
Increase in net unrealized gain on available-for-sale securities, net of tax of \$9,428.....	--	--	--	10,952	--	--	10,952
Total comprehensive income.....							186,974
Dividends (\$.07 per share)....	--	--	(6,100)	--	--	--	(6,100)
Balance at December 31, 1996...	91,495,950	8,714	1,125,161	63,066	--	--	1,196,941
Comprehensive income:							
Net income.....	--	--	35,453	--	--	--	35,453
Increase in net unrealized gain on available-for-sale securities, net of tax of \$10,590.....	--	--	--	16,493	--	--	16,493
Total comprehensive income.....							51,946
Dividends (\$.07 per share)....	--	--	(6,113)	--	--	--	(6,113)
Special distributions (\$3.67 per share).....	--	--	(336,838)	--	--	--	(336,838)
Increase in restricted stock deferred compensation.....	201,861	4,340	--	--	(4,340)	--	--
Amortization of restricted stock deferred compensation.....	--	--	--	--	868	--	868
Balance at December 31, 1997...	91,697,811	13,054	817,663	79,559	(3,472)	--	906,804
Comprehensive income:							
Net income.....	--	--	28,838	--	--	--	28,838
Increase in net unrealized gain on available-for-sale securities, net of tax \$4,781.....	--	--	--	8,641	--	--	8,641
Total comprehensive income.....							37,479
Dividends (\$.08 per share)....	--	--	(7,274)	--	--	--	(7,274)
Amortization of restricted stock deferred compensation.....	--	--	--	--	868	--	868
Purchase of treasury shares, net.....	(2,543,590)					(54,580)	(54,580)
Balance at December 31, 1998...	89,154,221	\$13,054	\$ 839,227	\$88,200	\$(2,604)	\$(54,580)	\$ 883,297

See notes to consolidated financial statements

THE ST. JOE COMPANY
 CONSOLIDATED STATEMENTS OF CASH FLOWS

	YEARS ENDED DECEMBER 31,		
	1998	1997	1996
(DOLLARS IN THOUSANDS)			
Cash flows from operating activities:			
Net income.....	\$ 28,838	\$ 35,453	\$ 176,022
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization.....	38,893	28,732	27,831
Minority interest in income.....	19,117	18,401	14,002
Gain on sale of property and investments.....	(8,363)	(4,817)	(3,423)
Equity in unconsolidated affiliates.....	(1,925)	--	--
Gain on sale of discontinued operations.....	--	--	(88,641)
Deferred income tax expense.....	12,611	13,240	49,023
Impairment losses.....	10,238	--	--
Purchases and sales of trading investments, net.....	(34,755)	--	--
Changes in operating assets and liabilities:			
Accounts receivable.....	6,676	2,178	(11,287)
Inventory.....	1,376	(483)	(704)
Other assets.....	(17,221)	(8,158)	(10,964)
Accounts payable, accrued liabilities, casualty reserves and other.....	3,490	8,424	6,774
Income taxes payable.....	(3,513)	(16,060)	11,979
Discontinued operations-noncash charges and working capital changes.....	2,457	(3,238)	(52,827)
Net cash provided by operating activities.....	57,919	73,673	117,785
Cash flows from investing activities:			
Purchases of property, plant and equipment.....	(135,079)	(64,137)	(65,198)
Investing activities of discontinued operations.....	--	(305)	(3,840)
Purchases of investments:			
Available for sale.....	(972,047)	(87,796)	(21,928)
Held to maturity.....	--	(100,350)	(180,797)
Investments in joint ventures and purchase business acquisitions, net of cash received.....	(148,859)	(20,154)	--
Proceeds from dispositions of assets.....	6,897	14,384	9,743
Proceeds from sale of discontinued operations.....	--	--	445,055
Maturities and redemptions of investments:			
Available for sale.....	1,134,449	108,810	18,291
Held to maturity.....	--	119,644	121,111
Proceeds from sale of note receivable.....	--	10,400	--
Net cash provided by/(used in) investing activities.....	(114,639)	(19,505)	322,437
Cash flows from financing activities:			
Proceeds from long-term debt, net.....	872	--	--
Dividends and special distributions paid to stockholders.....	(7,274)	(342,950)	(6,100)
Dividends paid to minority interest.....	(1,668)	(1,664)	(1,666)
Treasury stock purchased.....	(54,580)	--	--
Financing activities of discontinued operations.....	--	--	(245)
Net cash used in financing activities.....	(62,650)	(344,614)	(8,011)
Net increase (decrease) in cash and cash equivalents.....	(119,370)	(290,445)	432,211
Cash and cash equivalents at beginning of year.....	158,478	448,923	16,712
Cash and cash equivalents at end of year.....	\$ 39,108	\$ 158,478	\$ 448,923
	=====	=====	=====

See notes to consolidated financial statements.

THE ST. JOE COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 DECEMBER 31, 1998, 1997 AND 1996
 (DOLLARS IN THOUSANDS EXCEPT PER SHARE AMOUNTS)

1. NATURE OF OPERATIONS

The St. Joe Company, formerly known as St. Joe Corporation (the "Company") is a diversified corporation engaged in residential and commercial real estate, forestry, resort and leisure development, and transportation operations. Until recently the Company also had ongoing sugar operations. While the Company's real estate operations are in various states throughout the Southeast, the majority of the real estate operations, as well as the transportation operation, are principally within the state of Florida. Forestry has operations in both Florida and Georgia. Consequently, the Company's performance, and particularly that of its real estate operations, is significantly affected by the general health of the Florida economy.

Real Estate

The Company currently conducts its real estate operations in three principal segments: commercial development and management, community residential development, and residential real estate services. The Company owns, leases, and manages office, industrial and retail properties in the southeastern United States through its wholly-owned subsidiary, St. Joe Commercial Property Services, Inc. ("SJCPS"), through Gran Central Corporation ("GCC"), a wholly-owned subsidiary of Florida East Coast Industries, Inc. ("FECI"), a 54% owned subsidiary of the Company, and through several partnership ventures. SJCPS manages approximately 14 million square feet of commercial property in the Southeast. GCC owns approximately 6 million square feet of commercial/industrial facilities located in Jacksonville, Miami, and Orlando which is managed by the Company pursuant to a management agreement. The Company is also a partner in several joint ventures that develop and manage commercial property in Florida, Georgia and Texas. The Company's community residential division owns large tracts of land in west Florida near Tallahassee, Florida and northwest Florida, including significant Gulf of Mexico frontage. The Company is developing and managing residential communities on certain lands owned by the Company, through its 74% owned limited partnership, St. Joe/Arvida Company, L.P. ("Arvida"). The Company also recently purchased a 26% interest in Arvida/JMB Partners, L.P., a limited partnership that is developing residential communities, three in Florida, one near Atlanta, Georgia and one in North Carolina. The Company owns a residential real estate brokerage, sales and services business in Florida through its recent acquisition of Prudential Florida Realty, which has since changed its name to Arvida Realty Services ("ARS"). ARS was broker to 13,000 real estate transactions since its acquisition in July 1998 through its 80 locations in south and central Florida.

Forestry

The Company is the largest private owner of timberlands in Florida. The principal product of the Company's forestry operations is softwood pulpwood. In addition, the Company produces and sells sawtimber. Prior to 1998, the majority of the wood harvested by the Company was sold under a long term wood fiber supply agreement to the Company's former linerboard mill, which it sold to Florida Coast Paper Company, L.L.C. ("FCP") in May, 1996.

After the closure of the mill for several months in 1997, the Company renegotiated its 15 year supply contract with FCP to allow it to supply pulpwood to the mill at a level (700,000 tons per year beginning June 1, 1998) significantly lower than historical levels.

The Company sought to reduce its obligation to supply pulpwood under the agreement and intends to extend growing periods for certain portions of its timber and to sell such timber in the form of higher-margin products, which the Company anticipates will increase the long-term profitability of its forestry operations.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

On March 1, 1999 the Company announced that it intends to sell approximately 800,000 acres of its northwest Florida timberlands with the first 100,000 acres going on the market immediately. Under the Company's development plans, none of the timberland to be offered for sale has significant real estate development potential in the next 15 to 20 years. No assurances can be given that any of the property can be sold at an acceptable price within an acceptable time period.

Transportation

FECI's subsidiary, Florida East Coast Railway ("FEC"), provides rail and freight service between Jacksonville and Miami, Florida and branch line track between Fort Pierce and Lake Harbor, Florida. FEC has the only coastal right-of-way between Jacksonville and West Palm Beach, Florida. The principal commodities carried by rail include trailers-on-flatcar, containers-on-flatcar, crushed stone, cement, automobile vehicles and parts. FEC also has a trucking operation which is an interstate, irregular route, common carrier with terminals located throughout the eastern half of the United States. The Company continues to evaluate methods and means to extract the embedded value from its transportation holdings. The Company also owns the Apalachicola Northern Railroad Company ("ANRR"), a short-line railroad that operates between Port St. Joe and Chattahoochee, Florida. Its principal commodities include coal, pulpwood, pulpboard woodchips, and tall oil chemicals. ANRR's workforce has been reduced significantly as a result of loss of rail traffic recently, but the railroad continues to operate at a minimal schedule to service its existing customers.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Estimates

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

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and all of its majority-owned subsidiaries. Investments in joint ventures in which the Company does not have financial control are accounted for by the equity method. All significant intercompany transactions and balances have been eliminated except for sales of continuing operations of \$18,988 derived from discontinued operations in the year ended December 31, 1996 and intercompany interest with its discontinued sugar operation of \$483 and \$1,035 in 1997 and 1996, respectively. The unrealized profit in ending inventories relating to these sales has been eliminated.

Revenue Recognition

Revenues from real estate property sales and brokerage commissions earned therefrom are recognized upon closing of sales contracts or upon settlement of condemnation proceedings. Rental revenues are recognized upon commencement of rental and lease contracts, using the straight-line basis over the life of the contract. Transportation revenues are substantially recognized upon completion of transportation services at destination. Revenues from sales of forestry products are recognized generally on delivery of the product to the customer.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Cash and Cash Equivalents

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

Inventories

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

Investment in Real Estate

Investment in real estate is carried at lower of cost or net realizable value. Depreciation is computed on straight-line and accelerated methods over the useful lives of the assets ranging from 15 to 40 years. Depletion of timber is determined by the units of production method. An adjustment to depletion is recorded, if necessary, based on the continuous forest inventory ("CFI") analysis prepared every five years.

Property, Plant and Equipment

Depreciation is computed using both straight-line and accelerated methods over the useful lives of various assets. Railroad properties are depreciated and amortized using the straight-line method. Gains and losses on normal retirements of these items are credited or charged to accumulated depreciation.

Goodwill and Deferred Compensation

Goodwill associated with the Company's business combinations is being amortized on a straight-line basis over periods ranging from 15 years to 30 years. Deferred compensation is being amortized on a straight-line basis over a five-year vesting period, which is deemed to be the period for which services are performed. Periodically the Company evaluates the realizability of its intangibles to determine if an impairment in value has occurred. During 1998, the Company wrote off \$2,238 of intangible assets determined to be unrealizable.

Earnings Per Common Share

Earnings per common share ("EPS") are based on the weighted average number of common shares outstanding during the year as adjusted for the three-for-one stock split effective January 12, 1998. The Company applies the provisions of Statement of Financial Accounting Standards ("SFAS") No. 128, "Earnings Per Share". Diluted EPS assumes weighted average options to purchase 1,323,498 shares of common stock in 1998 and 1,379,495 shares of common stock in 1997 have been exercised using the treasury stock method. In August, 1998, the Company's Board of Directors authorized \$150,000 for the repurchase of the Company's outstanding common stock from time to time on the open market. As of December 31, 1998, the Company had repurchased 2,543,590 shares. Weighted average basic and diluted shares, taking into consideration shares repurchased and the weighted average options used in calculating EPS for each of the years presented is as follows:

	1998	1997	1996
	-----	-----	-----
Basic.....	90,961,941	91,695,046	91,495,950
Diluted.....	92,285,439	93,074,541	91,495,950

Stock-Based Compensation

SFAS No. 123, "Accounting for Stock-Based Compensation", permits entities to recognize as expense over the vesting period the fair value of all stock-based awards on the date of grant. Alternatively, SFAS No. 123 also allows entities to apply the provisions of Accounting Principles Board ("APB") Opinion No. 25,

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

"Accounting for Stock Issued to Employees", and provide pro forma net income and pro forma earnings per share disclosures for employee stock option grants as if the fair-value based method defined in SFAS No. 123 has been applied. Under APB No. 25, compensation expense would be recorded on the date of grant only if the current market price of the underlying stock exceeded the exercise price. The Company has elected to apply the provisions of APB Opinion No. 25 and provide the pro forma disclosure required by SFAS No. 123.

Comprehensive Income

The Company adopted the provisions of SFAS No. 130, "Reporting Comprehensive Income", effective January 1, 1998. This Statement establishes standards for reporting and display of comprehensive income and its components. The Company's comprehensive income differs from net income due to changes in the net unrealized gains on marketable securities available for sale. The Company has elected to disclose comprehensive income in its Consolidated Statement of Changes in Stockholders' Equity and has restated all prior periods accordingly.

Segment Reporting

The Company adopted the provisions SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information", effective January 1, 1998. This Statement requires that the Company report a measure of segment profit, segment assets, and certain related items according to how management makes decisions about asset performance and allocation of resources to those segments. Segment information for all periods presented has been restated to conform to SFAS No. 131 disclosure requirements.

Income Taxes

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

Investments

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

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

Trading and available-for-sale securities are recorded at fair value. Held-to-maturity securities are recorded at amortized cost, adjusted for the amortization or accretion of premiums or discounts. Unrealized holding gains and losses on trading securities are included in earnings. Unrealized holding gains and losses, net of the related income tax effect and minority interest in consolidated subsidiaries, on available-for-sale

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

securities are excluded from earnings and are reported as a separate component of stockholders' equity and comprehensive income until realized.

The Company accounts for hedges against its equity securities at fair value. Unrealized gains or losses are reported as a separate component of stockholders' equity along with the underlying equity securities' net unrealized gain or loss.

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

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

Long-Lived Assets

The Company complies with the provisions of SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of." This Statement requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount exceeds the fair value of the asset. The Company has recorded an \$8,000 write-down of transportation property, plant and equipment owned by its wholly-owned subsidiary, Apalachicola Northern Railroad ("ANRR") in 1998.

Reclassifications

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

Supplemental Cash Flow Information

The Company paid \$543, \$389 and \$1,009 for interest and \$29,690, \$33,686 and \$120,789 for income taxes in 1998, 1997, and 1996, respectively.

The Company's non-cash activities included assets acquired and liabilities assumed of approximately \$30,000 each.

3. BUSINESS COMBINATIONS

On July 31, 1998, the Company completed the purchase of Prudential Florida Realty ("PFR") from CMT Holding, Ltd. PFR is a residential real estate brokerage, sales and services company in Florida. Under the terms of the purchase and sale agreement, the Company acquired certain assets of CMT Holding, Ltd. for a total purchase price of \$98,815, of which \$88,815 was paid in cash and \$10,000 was paid in the form of a two-year note. Additionally, a contingent payment of \$10,000 will be paid over a three-year period (2001 through 2003) if certain performance targets are met. The PFR acquisition has been accounted for under the purchase method of accounting and the resulting goodwill of \$89,167 is being amortized on a straight-line basis over 20 years.

On September 24, 1998, the Company acquired Goodman Segar Hogan Hoffler, L.P. ("GSHH"), a commercial, retail, office and industrial real estate services company based in Norfolk, Virginia. GSHH manages approximately 10 million square feet of commercial property in the southeastern United States and brokers real estate transactions valued at nearly \$1,000,000 annually. Under the terms of the purchase agreement, the Company acquired all outstanding partnership interests of GSHH for a total purchase price of

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

\$15,650, of which \$11,190 was paid in cash at closing and \$4,480 was paid in the form of a three-year note. The GSHH acquisition has been accounted for under the purchase method of accounting and the resulting goodwill of \$16,904 is being amortized on a straight-line basis over 15 years. Subsequent to the acquisition, GSHH has become a subsidiary of SJCPS.

On December 21, 1998, the Company purchased the assets of Florida Real Estate Advisors, Inc. ("FREA"), a commercial, retail, office and industrial real estate services company based in Tampa, Florida. FREA manages approximately 4 million square feet of commercial property in central and south Florida. Under the terms of the purchase and sale agreement, the Company acquired certain assets of FREA for a total purchase price of \$8,550, of which approximately \$6,000 was paid in cash at closing and the remainder was paid in the form of a three-year note. The FREA acquisition has been accounted for under the purchase method of accounting and the resulting goodwill of \$8,257 is being amortized on a straight-line basis over 15 years. Subsequent to the acquisition, FREA has been merged into SJCPS.

On November 12, 1997, the Company purchased certain assets, including management and proprietary information systems, of Arvida Company through a joint venture formed for the purpose of developing and managing residential communities. The Company owns 74% of the new limited partnership, St. Joe/Arvida Company, L.P., which is based in Boca Raton, Florida. Under the terms of the limited partnership agreement, the Company paid \$12,240 in cash for its interest in the partnership. This acquisition has been accounted for under the purchase method of accounting and the resulting goodwill of \$11,500 is being amortized on a straight-line basis over 30 years.

The results of operations of the acquired companies are included in the consolidated statements of income from the dates of their respective acquisitions. Following is a summary of the unaudited pro forma results of operations of the Company for the years ended December 31, 1998 and 1997 assuming the PFR, GSHH and FREA acquisitions had occurred on January 1, 1997:

	1998 -----	1997 -----
Total revenues.....	\$534,840	\$487,340
Net income.....	28,942	34,156
Earnings per share:		
Basic.....	.32	.37
Diluted.....	.31	.37

Adjustments to the Company's results of operations to reflect proforma results include goodwill amortization, and reductions in interest income for the use of invested cash. The pro forma results do not necessarily represent results of operations that would have occurred if the acquisitions had taken place on the basis assumed above, nor are they necessarily indicative of the results of future combined operations. The amounts are based upon certain assumptions and estimates, and do not reflect any benefit from economies that might be achieved from combined operations.

4. INVESTMENT IN UNCONSOLIDATED AFFILIATES

Investments in unconsolidated affiliates as of December 31, consist of:

	OWNERSHIP -----	1998 -----	1997 -----
Arvida/JMB Partners, L.P.....	26%	\$45,938	--
Codina Group, Inc.....	33	9,758	--
Deerfield Park, L.L.C.....	61	6,002	\$5,618
ENTROS, Inc.....	44	5,091	--
WBP One, L.P.....	50	1,705	--
St. Joe/CNL Realty Group, LTD.....	50	1,597	1,438
Al-Zar, LTD.....	1	144	144
		-----	-----
		\$70,235	\$7,200
		=====	=====

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Any differences between the cost of the investments and the underlying equity in an unconsolidated investee's net assets are being amortized over the remaining lives of the investee's assets, ranging from five to fifteen years.

Summarized financial information for the unconsolidated affiliates on a combined basis, is as follows:

	DECEMBER 31, 1998	DECEMBER 31, 1997
	-----	-----
BALANCE SHEET:		
Investment property, net.....	\$208,659	\$ 8,681
Other assets.....	204,100	14,689
	-----	-----
Total assets.....	412,759	23,370
	-----	-----
Notes payable and other debt.....	81,948	5,510
Other liabilities.....	89,378	1,050
Equity.....	241,433	16,810
	-----	-----
Total liabilities and equity.....	\$412,759	\$23,370
	=====	=====
	YEAR ENDED DECEMBER 31, 1998	YEAR ENDED DECEMBER 31, 1997
	-----	-----
STATEMENT OF INCOME:		
Total revenues.....	\$36,730	\$5,254
	-----	-----
Total expenses.....	32,368	5,123
	-----	-----
Net income.....	\$ 4,362	\$ 131
	=====	=====

5. DISCONTINUED OPERATIONS

Sugar

On December 6, 1997, the Company signed an agreement in principle with the United States of America and the State of Florida (the "Governments"), under which the Governments agreed to purchase substantially all of the sugar lands that the Company owns or leases for \$133.5 million in cash. Talisman retained the right to farm the land through the 2003 crop year. In December 1998, that sale was closed in escrow pending the resolution of a lawsuit filed in Federal District Court in Washington, D.C. seeking to invalidate the sale. On March 25, 1999 Talisman entered into an Exchange Agreement ("The Exchange Agreement") with The South Florida Water Management District; United States Sugar Corporation; Okeelanta Corporation; South Florida Industries, Inc.; Florida Crystals Corporation; Sugar Cane Growers Cooperative of Florida (collectively the "Sugar Companies"); The United States Department of Interior; and The Nature Conservancy. The Agreement allows Talisman to exit the sugar business. Talisman assigned its right to farm the land to the Sugar Companies. In return, the lawsuit was dismissed and the other parties agreed to pay Talisman \$19.0 million.

Talisman retains ownership of the sugar mill and is presently evaluating the best manner to dispose of the mill. Talisman is responsible for the cleanup of the mill site. Talisman is obligated to complete certain defined environmental remediation (the "Remediation"). Approximately \$5.0 million of the purchase price will be held in escrow pending the completion of the Remediation. Talisman must use its funds to pay the costs of the Remediation. Based upon the current environmental studies, Talisman does not believe the costs of the Remediation will exceed the amount held in escrow. Talisman will receive the fund when all the Remediation is complete. In the event other environmental matters are discovered, the Sugar Companies will be responsible for the first \$5 million of the cleanup. Talisman will be responsible for the next \$4.5 million, thereafter the parties shall share the costs equally.

In addition, approximately \$1.7 million is being held in escrow, representing the value of the land subject to the Remediation. As Talisman completes the cleanup of a particular parcel, an amount equal to the land

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

value on that parcel will be released from escrow. The Company has reported its sugar operations as discontinued operations for all periods presented. Revenues from Talisman were \$40,955, \$49,320, and \$54,496 in 1998, 1997 and 1996 respectively. Net income for Talisman was \$2,706, \$4,053, and \$609 in 1998, 1997 and 1996, respectively. The estimated gain on the combined sale of the land and harvesting rights is expected to be between \$40.0 million and \$45.0 million, after tax, (unaudited), subject to finalization of reserves and other adjustments.

Communications

On April 11, 1996, St. Joe Industries, Inc., a wholly owned subsidiary of the Company, sold the stock of St. Joe Communications, Inc. (SJCI) to TPG Communications, Inc. for \$96,098. TPG Communications, Inc. assumed \$17,963 of SJCI interest bearing debt. SJCI also sold its interest in three remaining cellular partnerships for an aggregate of \$25,113. The Company recorded a \$39,154 gain on the sales net of tax. SJCI's revenues through the April 11, 1996 sale date were \$9,335. Earnings for SJCI were \$1,120 for 1996.

Forest Products

On May 30, 1996, the Company sold its linerboard mill and container plants. Proceeds from the sale included \$323,844 cash and a \$10,000 senior subordinated note, (the Promissory Note). The gain on the sale was \$49,487, net of tax. Revenues for the linerboard mill and container plants through May 30, 1996 were \$156,305. Earnings (loss) for the linerboard mill and container plants were \$(5,648) for 1996. On November 25, 1997, the Company sold the Promissory Note to an unrelated third party for approximately \$10,400 which resulted in a pre-tax gain of approximately \$400.

On March 31, 1997, a special distribution of a portion of the net proceeds of the sales of \$3.33 per share was paid to shareholders of record on March 21, 1997, and on December 30, 1997, the remaining net proceeds of \$.34 per share were distributed to shareholders of record on December 19, 1997.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

6. INVESTMENTS

Investments as of December 31, 1998, consist of:

	AMORTIZED COST	FAIR VALUE	UNREALIZED HOLDING GAIN	UNREALIZED HOLDING LOSS
	-----	-----	-----	-----
Short term investments (maturing within one year)				
Trading				
Cash.....	\$ 90	90	--	--
Tax exempt municipal bonds.....	34,827	34,765	--	(62)
	-----	-----	-----	-----
	34,917	34,855	--	(62)
	-----	-----	-----	-----
Available for sale				
Commercial paper.....	17,613	17,613	--	--
Tax exempt municipal bonds.....	12,811	12,817	6	--
	-----	-----	-----	-----
	65,341	65,285	6	(62)
	=====	=====	=====	=====
Marketable securities				
Available for sale				
U.S. Government securities				
Maturing in one to five years.....	3,600	3,707	107	--
Tax exempt municipals				
Maturing in one to five years.....	32,429	33,155	726	--
Maturing in five to ten years.....	12,010	12,896	886	--
Maturing in more than ten years.....	4,766	4,740	--	(26)
Equity securities and options.....	1,681	143,976	142,295	--
Other corporate debt				
Maturing in one to five years.....	2,062	2,528	466	--
	-----	-----	-----	-----
	\$56,548	201,002	144,480	(26)
	=====	=====	=====	=====

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Included in short term investments is \$17,000 of restricted commercial paper collateralizing the PFR line of credit. (See Note 10. Long-Term Debt)

Investments as of December 31, 1997, consist of:

	AMORTIZED COST	FAIR VALUE	UNREALIZED HOLDING GAIN	UNREALIZED HOLDING LOSS
	-----	-----	-----	-----
Short term investments (maturing within one year)				
Available for sale				
U. S. Government securities.....	\$ 48,902	\$ 48,940	\$ 38	\$ --
Other corporate debt securities.....	2,094	2,094	--	--
	-----	-----	-----	-----
	\$ 50,996	51,034	\$ 38	--
	=====	=====	=====	=====
Marketable securities				
Available for sale				
U. S. Government securities				
Maturing in one to five years.....	\$107,659	\$108,242	\$ 583	\$ --
Maturing in five to ten years.....	767	788	21	--
Tax exempt municipal bonds				
Maturing in one to five years.....	19,750	20,158	408	--
Maturing in five to ten years.....	18,326	19,304	978	--
Maturing in more than ten years.....	3,408	3,388	--	(20)
Equity securities.....	17,351	146,349	128,998	--
Mortgage-backed securities				
Maturing in one to five years.....	110	110	--	--
Maturing in five to ten years.....	833	845	12	--
Maturing in more than ten years.....	3,443	3,512	69	--
Other corporate debt securities				
Maturing in one to five years.....	2,358	2,345	--	(13)
Maturing in five to ten years.....	857	1,761	904	--
Maturing in more than ten years.....	95	108	13	--
	-----	-----	-----	-----
	\$174,957	\$306,910	\$131,986	\$(33)
	=====	=====	=====	=====

In 1998, gross realized gains were \$8,079 and realized losses were \$1,185 on available for sale investments. Prior years' gross realized gains and losses were not significant.

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

On June 24, 1998, the Company entered into put and call options to hedge the market value of certain equity securities. The cost of the purchased put was exactly offset by the premium earned on the sold calls, thus no consideration was exchanged. The value of these securities and the related collars is subject to inherent market risk caused by the volatility of the equity markets.

The put options have strike prices set at 90% of the average price of the stocks as of the contract date. The call options have strike prices ranging from 114% to 121% of the average price of the stocks as of the contract date. This hedging strategy locked in the market value of the equity securities within this range as of the contract date. The Company may settle obligations arising from the collars with cash or shares of the underlying equity securities. The net fair value of the puts and the calls at December 31, 1998, which is included in the fair value of equity securities, was \$23,764 and \$2,137, respectively. The Company can settle the options at any time prior to the expiration date which is June 24, 1999.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Unrealized gains and losses for the designated equity securities and the associated hedge are presented as a separate component of stockholders' equity. Any realized gains and losses on the combined position will be reflected in income in the period in which the stock is sold or the hedge is executed.

7. INVESTMENT IN REAL ESTATE

Real estate as of December 31 consists of:

	1998	1997
	-----	-----
Operating property.....	\$569,258	\$502,127
Development property.....	13,560	1,182
Investment property.....	20,176	4,470
	-----	-----
	602,994	507,779
	-----	-----
Accumulated depreciation.....	54,893	42,343
	-----	-----
	\$548,101	\$465,436
	=====	=====

Included in operating property is the Company's timberlands, and land and buildings used for commercial rental purposes. Development property consists of community residential land currently under development. Investment property is the Company's land held for future use. Real estate properties having net book value of \$258,600 at December 31, 1998 are leased under non-cancelable operating leases with expected aggregate rentals of \$164,103 of which \$41,200, \$36,300, \$31,000, \$21,900, and \$13,000 is due in the years 1999 through 2003, respectively and \$20,703 is due thereafter through 2012.

8. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, at cost, as of December 31 consists of:

	ESTIMATED USEFUL LIFE	1998	1997
	-----	-----	-----
Transportation property and equipment.....	12-30	\$593,410	\$571,470
Machinery and equipment.....	12-30	26,879	21,292
Office equipment.....	10	3,368	1,877
Autos, trucks, and airplane.....	3-10	3,001	3,098
		-----	-----
		626,658	597,737
		-----	-----
Accumulated depreciation.....		267,742	247,665
		-----	-----
		\$358,916	\$350,072
		=====	=====

9. ACCRUED LIABILITIES

Accrued liabilities as of December 31 consist of:

	1998	1997
	-----	-----
Payroll and benefits.....	\$11,483	\$ 5,164
Payroll taxes.....	149	42
Property and other taxes.....	9,029	8,800
Accrued casualty reserves.....	18,869	21,924
Other accrued liabilities.....	15,589	7,443
	-----	-----
	55,119	43,373
Less: noncurrent accrued casualty reserves and other liabilities.....	11,946	13,643
	-----	-----
	\$43,173	\$29,730
	=====	=====

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

10. LONG-TERM DEBT

Long-term debt and credit agreements at December 31, 1998 consisted of the following:

	1998

Revolving credit agreement, interest payable monthly at 1.5% per annum; secured by restricted short-term investments; matures July 31, 1999.....	\$17,000
Non-interest bearing note payable to CMT Holding, Ltd. due in equal annual installments beginning July 28, 1999, net of discount of \$.6 million imputed at 6%.....	9,396
Non-interest bearing notes payable to former owners of Goodman Segar GVA due in three annual installments beginning September 24, 1999, net of discount of \$.3 million imputed at 6%.....	4,101
Non-interest bearing note payable to former owners of Florida Real Estate Advisors due in three annual installments beginning December 21, 1999, net of discount of \$.3 million imputed at 6%.....	2,272
Various secured and unsecured notes and capital leases, bearing interest at rates from Prime to 11.25%.....	2,131

Total long-term debt.....	34,900

Less: current portion.....	24,953

Net long-term debt.....	\$ 9,947
	=====

The aggregate maturities of long-term debt for each of the five years subsequent to December 31, 1998 are as follows; 1999, \$24,953; 2000, \$8,261; 2001, \$1,584; 2002, \$39; 2003, \$63. Based on the current terms and rates of the Company's long-term debt, carrying value approximates fair value, except for the revolving credit agreement. The terms and conditions of the revolving credit agreement are commensurate with the nature of the underlying security.

11. INCOME TAXES

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

	1998	1997	1996
	-----	-----	-----
Income from continuing operations.....	\$36,180	\$37,971	\$ 79,311
Earnings (loss) from discontinued operations.....	1,699	2,550	1,021
Gain on the sale of discontinued operations.....	--	--	48,705
Stockholders' equity, for recognition of unrealized gain on debt and marketable equity securities.....	4,781	10,590	9,428
	-----	-----	-----
	\$42,660	\$51,111	\$138,465
	=====	=====	=====

Income tax expense attributable to income from continuing operations differed from the amount computed by applying the statutory federal income tax rate of 35% to income from continuing operations before taxes and minority interest as a result of the following:

	1998	1997	1996
	-----	-----	-----
Tax at the statutory federal rate.....	\$28,500	\$30,720	\$64,615
Dividends received deduction and tax free interest.....	(2,890)	(1,752)	(4,311)
Excise tax on reversion of prepaid pension asset.....	6,411	5,352	13,228
State income taxes (net of federal benefit).....	3,178	3,144	4,610
Undistributed earnings of FECI.....	1,513	1,382	1,262
Other, net.....	(532)	(875)	(93)
	-----	-----	-----
	\$36,180	\$37,971	\$79,311
	=====	=====	=====

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

The tax effects of temporary differences that give rise to significant portions of deferred tax assets and deferred tax liabilities as of December 31 are presented below:

	1998	1997
	-----	-----
Deferred tax assets:		
Accrued casualty and other reserves.....	\$ 9,056	\$ 8,715
Impairment loss.....	3,086	--
Other.....	1,950	1,531
	-----	-----
Total deferred tax assets.....	14,092	10,246
	-----	-----
Deferred tax liabilities:		
Tax in excess of book depreciation.....	110,062	107,887
Deferred gain on land sales and involuntary conversions...	73,306	72,939
Deferred gain on subsidiary's defeased bonds.....	1,444	1,700
Unrealized gain on debt and marketable equity securities.....	55,701	50,920
Prepaid pension asset recognized for financial reporting.....	47,549	36,192
Other.....	12,254	9,440
	-----	-----
Total gross deferred tax liabilities.....	300,316	279,078
	-----	-----
Net deferred tax liability.....	\$286,224	\$268,832
	=====	=====

Based on the timing of reversal of future taxable amounts and the Company's history of reporting taxable income, the Company believes that the deferred tax assets will be realized and a valuation allowance is not considered necessary. The current deferred tax assets of \$3,135 and \$3,467 are recorded in other current assets as of December 31, 1998 and 1997, respectively.

The Company has not recognized a deferred tax liability of approximately \$17,842 for the undistributed earnings of FECI that arose in 1992 and prior years because the Company does not currently expect those unremitted earnings to reverse and become taxable to the Company in the foreseeable future. A deferred tax liability will be recognized when the Company expects that it will recover those undistributed earnings in a taxable manner, such as through receipt of dividends or sale of the investment. As of December 31, 1998, the undistributed earnings of the subsidiary for which no deferred tax liability was provided were approximately \$48,454.

12. EMPLOYEE BENEFITS PLANS

The Company sponsors defined benefit pension plans which cover substantially all of its salaried employees excluding FECI. The benefits are based on the employees' years of service or years of service and compensation during the last five or ten years of employment. The Company complies with the minimum funding requirements of ERISA.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

A summary of the net periodic pension credit follows:

	1998	1997
	-----	-----
Service cost.....	\$ 312	\$ 184
Interest cost.....	7,558	7,322
Expected return on assets.....	(16,499)	(14,052)
Transition (asset) obligation.....	(2,566)	(2,500)
Actuarial (gain) loss.....	(2,220)	(360)
Prior service costs.....	593	50
Curtailment loss.....	--	604
Settlement (gain).....	--	(1,951)
	-----	-----
Total pension income.....	\$(12,822)	\$(10,703)
	=====	=====

A reconciliation of projected benefit obligation as of December 31 follows:

	1998	1997
	-----	-----
Projected benefit obligation, beginning of year.....	\$112,487	\$108,726
Service cost.....	312	184
Interest cost.....	7,558	7,322
Actuarial (gain) loss.....	(3,587)	8,614
Benefits paid.....	(8,857)	(11,280)
Plan amendment.....	6,999	--
Curtailments.....	--	604
Settlements.....	--	(1,951)
Special termination benefits.....	--	268
	-----	-----
Projected benefit obligation, end of year.....	\$114,912	\$112,487
	=====	=====

A reconciliation of plan assets as of December 31 follows:

	1998	1997
	-----	-----
Fair value of assets, beginning of year.....	\$231,790	\$194,156
Actual return on assets.....	19,185	48,914
Benefits paid.....	(8,857)	(11,280)
	-----	-----
Fair value of assets, end of year.....	\$242,118	\$231,790
	=====	=====

A reconciliation of funded status as of December 31 follows:

	1998	1997
	-----	-----
Pension benefit obligation		
Accumulated benefit obligation.....	\$ 113,452	\$ 111,567
Projected benefit obligation.....	114,912	112,487
Market value of assets.....	242,118	231,790
Funded status.....	(127,206)	(119,303)
Unrecognized net transition (asset) obligation.....	6,159	8,725
Unrecognized prior service costs.....	(6,519)	(114)
Unrecognized net gain (loss).....	73,883	69,830
	-----	-----
(Prepaid) pension cost.....	\$ (53,683)	\$ (40,861)
	=====	=====

The weighted-average discount rates for the plans were 7% in 1998 and 1997. The rate of increase in future compensation levels used in determining the actuarial present value of the projected benefit obligation for salaried employees was 6% in 1998 and 1997. The expected long-term rates of return on assets was 8% in 1998 and 1997.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

As discussed in note 3, several of the Company's operations were sold during 1996, which significantly reduced the number of employees covered under the defined benefit plans. The defined benefit plans' assets were not a part of the sales. In accordance with SFAS No. 88, "Employers' Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits", the Company recognized a curtailment gain of approximately \$3,700 (\$500 net of tax). The Company also recognized in 1997 a settlement gain of \$2,000 (\$200 net of tax) resulting from certain lump-sum distributions paid during the year.

On February 25, 1997, the Board of Directors approved an interim severance program. The program was available to all employees (including early and regular retirees) who elected to leave employment with the Company prior to May 2, 1997. The Company recognized a curtailment loss of approximately \$600 (\$100 net of tax) as a result of those who elected early retirement.

The Company's pension plans are in an overfunded position and with the reduction in employees resulting from the sales of several of the Company's operations, it is unlikely that the overfunding will be realized other than by a plan termination and reversion of excess assets. Accordingly, a 50% excise tax has been included in the tax effects of the prepaid asset as well as the curtailment gain and settlement loss. The Company has no immediate plans to terminate the pension plans and is in the process of evaluating other alternatives.

Deferred Compensation Plans and ESOP

The Company also has other defined contribution plans that cover substantially all its salaried employees. Contributions are at the employees' discretion and are matched by the Company up to certain limits. Expense for these defined contribution plans was \$951, \$963, and \$1,081, in 1998, 1997, and 1996, respectively.

The Company had an Employee Stock Ownership Plan (the ESOP) for the purpose of purchasing stock of the Company for the benefit of qualified employees. On November 21, 1996 the Pension committee of the Board of Directors of the Company voted to terminate the ESOP effective December 31, 1996. Contributions to the ESOP were limited to .5% of compensation of employees covered under the ESOP.

Stock Based Compensation Plans

Effective January 6, 1997, the Company granted Mr. Rummell, Chairman and CEO of the Company, 201,861 restricted shares of the Company's common stock. The restricted shares vest in equal installments on the first five anniversaries of the date of grant. The Company recorded deferred compensation of approximately \$3,500 for the unamortized portion of this grant as of December 31, 1997. Compensation expense related to this grant totaled approximately \$900 each in 1998 and 1997.

On January 7, 1997, the Company adopted the 1997 Stock Incentive Plan (the "Incentive Plan"), whereby awards may be granted to certain employees and non-employee directors of the Company in the form of restricted shares of Company stock or options to purchase Company stock. Awards are discretionary and are determined by the Compensation Committee of the Board of Directors. The total amount of restricted shares and options available for grant under the Incentive Plan is 6,030,000 shares. The options are exercisable in equal installments on the first anniversaries of the date of grant and expire generally 10 years after date of grant.

Stock option activity during the period indicated is as follows:

	NUMBER OF SHARES	WEIGHTED AVERAGE EXERCISE PRICE
	-----	-----
Balance at December 31, 1996.....	--	--
Granted.....	5,643,480	\$21.69
	-----	-----
Balance at December 31, 1997.....	5,643,480	21.69
Forfeited.....	(252,000)	24.10
	-----	-----
Balance at December 31, 1998.....	5,391,480	\$21.57
	=====	=====

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

The options were granted with exercise prices equal to the current market price of the Company's common stock on the date of grant and ranged from \$19.14 to \$31.83.

No options were granted during 1998. The per share weighted-average fair value of stock options granted during 1997 was \$10.39 on the date of grant using the Black Scholes option-pricing model with the following weighted average assumptions: .8% expected dividend yield, risk-free interest rate of 5.89%, weighted average expected volatility of 23.06% and an expected life of 7.5 years.

The Company applies APB Opinion No. 25 in accounting for its Incentive Plan and, accordingly, no compensation cost has been recognized for its stock options in the consolidated financial statements. Had the Company determined compensation costs based on the fair value at the grant date for its stock options under SFAS No. 123, the Company's net income and net income per share would have been reduced to the pro forma amounts indicated below:

Net income -- pro forma -- \$ 22,540 in 1998 and \$29,600 in 1997
Per share -- pro forma -- \$.25 and \$.24 per basic and diluted share in 1998 and \$.32 per basic and diluted share in 1997

The following table presents information regarding all options outstanding at December 31, 1998.

NUMBER OF OPTIONS OUTSTANDING	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE	RANGE OF EXERCISE PRICES	WEIGHTED AVERAGE EXERCISE PRICE
4,422,480	8.1 years	\$19.14 - \$24.92	\$19.46
969,000	8.8 years	\$28.23 - \$31.83	\$31.25

5,391,480	8.3 years	\$19.14 - \$31.83	\$21.57

The following table presents information regarding options exercisable at December 31, 1998:

NUMBER OF OPTIONS EXERCISEABLE	RANGE OF EXERCISE PRICES	WEIGHTED AVERAGE EXERCISE PRICE
884,496	\$19.14 - \$24.92	\$19.46
193,800	\$28.23 - \$31.83	\$31.25

1,078,296	\$19.14 - \$31.83	\$21.57

On February 24, 1998, the Company adopted the 1998 Stock Incentive Plan (the "1998 Incentive Plan") whereby awards may be granted to employees and non-employee directors of the Company in the form of restricted shares of Company stock, options to purchase Company stock or stock appreciation rights (SAR's). Awards are discretionary and are determined by the Compensation Committee of the Board of Directors. The total amount of restricted shares, options, and stock appreciation rights available for grant under the 1998 Incentive Plan is one million. As of December 31, 1998 SAR's were granted to certain employees and non-employee directors. The Company records compensation expense in the amount by which the quoted market value of the shares covered by the SARs exceeds the SAR grant price over the related service period. SARs outstanding at December 31, 1998 totaled 698.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

13. QUARTERLY FINANCIAL DATA (UNAUDITED)

	QUARTERS ENDED			
	DECEMBER 31	SEPTEMBER 30	JUNE 30	MARCH 31
1998				
Total revenues.....	\$138,490	\$108,329	\$75,406	\$69,956
Operating profit.....	5,615	19,374	15,261	9,258
Net income from continuing operations.....	2,293	9,730	8,455	5,654
Income (loss) from discontinued operations.....	1,779	(493)	(407)	1,827
Net income.....	4,072	9,237	8,048	7,481
Earnings per share -- Basic.....	.05	.10	.09	.08
Earnings per share -- Diluted.....	.05	.10	.09	.08
1997				
Total revenues.....	\$ 70,633	\$ 69,231	\$80,408	\$76,705
Operating profit.....	6,486	16,788	13,687	8,829
Net income from continuing operations.....	4,704	9,584	9,812	7,300
Income (loss) from discontinued operations.....	2,469	(528)	1,402	710
Net Income.....	7,173	9,056	11,214	8,010
Earnings per share -- Basic.....	.09	.10	.12	.09
Earnings per share -- Diluted.....	.09	.10	.12	.08

14. SEGMENT INFORMATION

The Company conducts primarily all of its business in six reportable operating segments, which are residential real estate services, community residential real estate, commercial real estate, transportation, forestry, and leisure and resort. Residential real estate services provides complete real estate brokerage services, including asset management, rental, property management, property inspection, mortgage brokerage, relocation and title services. The community residential real estate segment develops and manages residential communities on certain lands owned by the Company. The commercial real estate segment owns, leases, and manages commercial, retail, office and industrial properties throughout the Southeast. Transportation consists of the railroad and trucking operations of FEC and ANRR. The forestry segment's operations produce and sell softwood pulpwood and sawtimber. Leisure and Resort is in the infancy stages of resort development.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies. Total revenues represent sales to unaffiliated customers, as reported in the Company's consolidated income statements and intercompany sales that occurred principally between the Forestry and Transportation segments and discontinued operations in 1996. All other intercompany transactions have been eliminated. The Company evaluates a segment's performance based on EBITDA. EBITDA is defined as earnings before interest expense, income taxes, depreciation and amortization and is considered a key financial measurement in the industries that the Company operates. EBITDA excludes gains from discontinued operations and gains on sales of non-strategic lands and other assets. The "Other" EBITDA primarily consists of investment income, net of general and administrative expenses.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Information by business segment follows:

	1998	1997	1996
	-----	-----	-----
TOTAL REVENUES:			
Residential real estate services.....	\$ 79,255	\$ --	\$ --
Residential real estate.....	5,516	4,685	99,434
Commercial real estate.....	68,688	65,614	35,096
Transportation.....	204,662	194,961	185,484
Forestry.....	33,844	31,700	56,679
Leisure and resort.....	216	17	--
Total revenues.....	\$ 392,181	\$ 296,977	\$ 376,693
	=====	=====	=====
EBITDA:			
Residential real estate services.....	\$ 6,369	\$ --	\$ --
Residential real estate.....	(4,909)	1,161	97,321
Commercial real estate.....	29,505	21,403	17,535
Transportation.....	60,961	55,856	47,583
Forestry.....	17,088	6,291	5,619
Leisure and resort.....	(305)	(18)	--
Other.....	21,907	27,754	41,562
EBITDA.....	130,616	112,447	209,620
	-----	-----	-----
ADJUSTMENTS TO RECONCILE TO INCOME FROM CONTINUING OPERATIONS:			
Depreciation and amortization.....	(38,893)	(28,732)	(27,831)
Other income (expense).....	748	4,446	2,389
Interest expense.....	(804)	(389)	435
Impairment loss.....	(10,238)	--	--
Income taxes.....	(36,180)	(37,971)	(79,311)
Minority interest.....	(19,117)	(18,401)	(14,002)
Income from continuing operations.....	\$ 26,132	\$ 31,400	\$ 91,300
	=====	=====	=====
TOTAL ASSETS:			
Residential real estate services.....	\$ 128,870	\$ --	\$ --
Residential real estate.....	33,830	10,166	61,541
Commercial real estate.....	476,716	434,870	312,258
Transportation.....	471,723	433,336	413,100
Forestry.....	137,406	121,758	114,710
Leisure and resort.....	(144)	1,711	--
Unallocated corporate assets (primarily investments).....	283,554	460,152	820,803
Discontinued operations.....	72,318	74,775	72,399
Total assets.....	\$1,604,269	\$1,536,768	\$1,794,811
	=====	=====	=====
CAPITAL EXPENDITURES:			
Residential real estate services.....	\$ 639	\$ --	\$ --
Residential real estate.....	29,964	1,036	2,672
Commercial real estate.....	66,820	45,806	41,036
Transportation.....	31,332	13,549	15,800
Forestry.....	3,305	3,156	4,672
Leisure and resort.....	342	109	--
Other.....	2,677	481	1,018
Total capital expenditures.....	\$ 135,079	\$ 64,137	\$ 65,198
	=====	=====	=====

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

15. CONTINGENCIES

The Company and its subsidiaries are involved in litigation on a number of matters and are subject to certain claims which arise in the normal course of business, none of which, in the opinion of management, is expected to have a material adverse effect on the Company's consolidated financial position or results of operations.

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

The Company is guarantor on two credit obligations entered into by partnerships in which the Company owns equity interests. The maximum amount of the guaranteed debt totals \$74,900; the amount outstanding at December 31, 1998 totaled \$25,263.

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

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

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

It is not possible to quantify future environmental costs because many issues relate to actions by third parties or changes in environmental regulation. However, based on information presently available, management believes that the ultimate disposition of currently known matters will not have a material effect on the financial position, results of operations or liquidity of the Company. Environmental liabilities are paid over an extended period and the timing of such payments cannot be predicted with any confidence. Aggregate environmental-related accruals were \$7,261 and \$7,270 as of December 31, 1998 and 1997, respectively.

INDEPENDENT AUDITORS' REPORT
FINANCIAL STATEMENT SCHEDULES

The Board of Directors and Stockholders
The St. Joe Company:

Under date of February 23, 1999, we reported on the consolidated balance sheets of The St. Joe Company and subsidiaries as of December 31, 1998 and 1997, and the related consolidated statements of income, changes in stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 1998, as contained in this annual report on Form 10-K for the year 1998. In connection with our audits of the aforementioned consolidated financial statements, we also audited the related consolidated financial statement schedules as listed in the accompanying index. These financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statement schedules based on our audits.

In our opinion, such financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

KPMG LLP

Jacksonville, Florida
February 23, 1999

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THE ST. JOE COMPANY
 SCHEDULE II (CONSOLIDATED)
 VALUATION AND QUALIFYING ACCOUNTS

	YEARS ENDED DECEMBER 31, 1998, 1997 AND 1996			BALANCE AT END OF YEAR
	BALANCE AT BEGINNING OF YEAR	ADDITIONS CHARGED TO EXPENSE	PAYMENTS	
	-----			-----
	(DOLLARS IN THOUSANDS)			
RESERVES INCLUDED IN LIABILITIES				
1998				
Casualty and other reserves.....	21,924	6,223	9,278	18,869
1997				
Casualty and other reserves.....	25,096	5,316	8,488	21,924
1996				
Casualty and other reserves.....	13,548	19,698	8,150	25,096

All periods presented have been restated to exclude discontinued operations.
 (a) 1996 additions include \$5,272 related to discontinued operations and charged to expense in prior years.

THE ST. JOE COMPANY

SCHEDULE III (CONSOLIDATED) -- REAL ESTATE AND ACCUMULATED DEPRECIATION
 DECEMBER 31, 1998, 1997 AND 1996
 (IN THOUSANDS)

DESCRIPTION	INITIAL COST TO COMPANY			CARRIED AT CLOSE OF PERIOD			TOTAL
	ENCUMBRANCES	LAND	BUILDINGS & IMPROVEMENTS	COSTS CAPITALIZED SUBSEQUENT TO ACQUISITION	LAND & LAND IMPROVEMENTS	BUILDINGS AND IMPROVEMENTS	
Bay County, Florida							
Land w/Infrastructure.....	0	517	--	10,753	11,270	--	11,270
Office and Misc. Buildings.....	0	2	--	2,102	--	2,102	2,102
Timberlands.....	0	4,125	--	14,585	18,710	--	18,710
Brevard County, Florida							
Unimproved Land.....	0	9,387	--	--	9,387	--	9,387
Broward County, Florida							
Rail Warehouse.....	0	85	--	1,708	405	1,388	1,793
Land w/Infrastructure.....	0	5,431	--	370	5,801	--	5,801
Unimproved Land.....	0	2,418	--	1	2,419	--	2,419
Leasehold improvements.....	0	--	292	--	--	292	292
Calhoun County, Florida							
Timberlands.....	0	1,199	--	4,239	5,438	--	5,438
Dade County, Florida							
Double Front Load Warehouse....	0	972	--	6,176	1,986	5,162	7,148
Rail Warehouses.....	0	4,283	--	25,158	8,119	21,322	29,441
Office/Showroom/Warehouses.....	0	2,442	--	17,584	5,766	14,260	20,026
Office/Warehouses.....	0	4,444	--	31,923	9,345	27,022	36,367
Front Load Warehouses.....	0	4,819	--	26,067	9,782	21,104	30,886
Office/Service Center.....	0	344	--	3,495	873	2,966	3,839
Cross Dock.....	0	137	--	1,018	137	1,018	1,155
Transit Warehouse.....	0	3	--	217	3	217	220
Land w/Infrastructure.....	0	25,223	--	10,327	35,550	--	35,550
Unimproved Land & Misc.							
Assets.....	0	13,816	--	394	14,210	--	14,210
Leasehold improvements.....	0	--	228	--	--	228	228
Construction in Progress.....	0	--	--	6,137	--	6,137	6,137
Duval County, Florida							
Office Buildings.....	0	6,550	--	71,144	12,930	64,764	77,694
Office/Showroom/Warehouses.....	0	2,931	--	43,329	6,758	39,502	46,260
Office/Warehouses.....	0	1,806	--	9,935	3,833	7,908	11,741
Front Load Warehouse.....	0	30	--	2,546	409	2,167	2,576
Rail Warehouses.....	0	36	--	2,865	694	2,207	2,901
Land w/Infrastructure.....	0	4,504	--	6,163	10,667	--	10,667
Unimproved Land & Misc.							
Assets.....	0	6,969	416	991	6,969	1,407	8,376
City & Residential Lots.....	0	351	82	--	351	82	433
Timberlands.....	0	96	--	340	436	--	436
Construction in Progress.....	0	--	--	15,927	--	15,927	15,927
Flagler County, Florida							
Unimproved Land.....	0	4,403	--	--	4,403	--	4,403
Franklin County, Florida							
Timberlands.....	0	1,306	--	4,618	5,924	--	5,924
Gadsden County, Florida							
Timberlands.....	0	1,504	--	5,317	6,821	--	6,821
Gulf County, Florida							
Misc. Buildings.....	0	--	978	157	--	1,135	1,135
Timberlands.....	0	5,342	--	18,890	24,232	--	24,232
Jefferson County, Florida							
Misc. Buildings.....	0	--	--	181	--	181	181
Timberlands.....	0	2,002	--	7,080	9,082	--	9,082
Leon County, Florida							
Land w/Infrastructure.....	0	603	--	1,878	2,481	--	2,481
Misc. Buildings.....	0	--	--	69	--	69	69
Timberlands.....	0	1,218	--	4,307	5,525	--	5,525

DESCRIPTION	ACCUMULATED DEPRECIATION	DATE CAPITALIZED OR ACQUIRED	DEPRECIABLE LIFE USED IN CALCULATION IN LATEST INCOME STATEMENT
Bay County, Florida			
Land w/Infrastructure.....	13	1998	20 years
Office and Misc. Buildings.....	463	Various	10 to 30 years
Timberlands.....	240	Various	20 years
Brevard County, Florida			
Unimproved Land.....	--	Various	--
Broward County, Florida			
Rail Warehouse.....	751	1986	3 to 40 years
Land w/Infrastructure.....	4	1992	3 to 40 years
Unimproved Land.....	--	Various	--
Leasehold improvements.....	23	Various	Lesser of lease term to 5 years
Calhoun County, Florida			
Timberlands.....	70	Various	20 years

Dade County, Florida			
Double Front Load Warehouse.....	1,442	1993	3 to 40 years
Rail Warehouses.....	5,425	1988	3 to 40 years
Office/Showroom/Warehouses.....	4,850	1988	3 to 40 years
Office/Warehouses.....	4,791	1990	3 to 40 years
Front Load Warehouses.....	5,255	1991	3 to 40 years
Office/Service Center.....	427	1994	3 to 40 years
Cross Dock.....	327	1987	3 to 40 years
Transit Warehouse.....	3	Various	3 to 40 years
Land w/Infrastructure.....	1,754	Various	3 to 40 years
Unimproved Land & Misc.			
Assets.....	--	Various	3 to 40 years
Leasehold improvements.....	19	Various	Lesser of lease term to 5 years
Construction in Progress.....			
	--	1998	--
Duval County, Florida			
Office Buildings.....	11,413	1985	3 to 40 years
Office/Showroom/Warehouses.....	8,006	1987	3 to 40 years
Office/Warehouses.....	1,382	1994	3 to 40 years
Front Load Warehouse.....	101	1998	3 to 40 years
Rail Warehouses.....	118	1998	3 to 40 years
Land w/Infrastructure.....	1,014	1998	3 to 40 years
Unimproved Land & Misc.			
Assets.....	222	1998	5 years
City & Residential Lots.....	132	Various	10 to 20 years
Timberlands.....	6	Various	20 years
Construction in Progress.....			
	--	1998	--
Flagler County, Florida			
Unimproved Land.....			
	--	Various	--
Franklin County, Florida			
Timberlands.....	76	Various	20 years
Gadsden County, Florida			
Timberlands.....	88	Various	20 years
Gulf County, Florida			
Misc. Buildings.....	253	Various	10 to 30 years
Timberlands.....	364	Various	20 years
Jefferson County, Florida			
Misc. Buildings.....	--	Various	10 to 30 years
Timberlands.....	308	Various	20 years
Leon County, Florida			
Land w/Infrastructure.....	17	Various	20 years
Misc. Buildings.....	34	Various	10 to 30 years
Timberlands.....	71	Various	20 years

THE ST. JOE COMPANY

SCHEDULE III (CONSOLIDATED) -- REAL ESTATE AND ACCUMULATED DEPRECIATION -- (CONTINUED)

DESCRIPTION	INITIAL COST TO COMPANY			CARRIED AT CLOSE OF PERIOD			TOTAL
	ENCUMBRANCES	LAND	BUILDINGS & IMPROVEMENTS	COSTS CAPITALIZED SUBSEQUENT TO ACQUISITION	LAND & LAND IMPROVEMENTS	BUILDINGS AND IMPROVEMENTS	
Liberty County, Florida							
Misc. Buildings.....	0	--	--	73	--	73	73
Timberlands.....	0	2,385	--	8,436	10,821	--	10,821
Martin County, Florida							
Land w/Infrastructure.....	0	3,638	--	1,514	5,152	--	5,152
Unimproved Land.....	0	1,414	--	--	1,414	--	1,414
Orange County, Florida							
Office Building.....	0	1,276	--	12,123	2,274	11,125	13,399
Office/Showroom/Warehouse.....	0	1,543	--	6,006	2,411	5,138	7,549
Land w/Infrastructure.....	0	17,510	--	844	18,167	187	18,354
Leasehold improvements.....	0	--	24	--	--	24	24
Construction in Progress.....	0	--	--	6,521	--	6,521	6,521
Palm Beach County, Florida							
Office/Showroom/Warehouse.....	0	217	--	2,880	599	2,498	3,097
Rail Warehouses.....	0	461	--	4,241	557	4,145	4,702
Cross Docks.....	0	274	--	3,629	1,262	2,641	3,903
Unimproved Land.....	0	2,433	--	--	2,433	--	2,433
Leasehold improvements.....	0	--	269	--	--	269	269
Seminole County, Florida							
Unimproved Land.....	0	2	--	--	2	--	2
Leasehold improvements.....	0	--	32	--	--	32	32
St. Johns County, Florida							
Land w/Infrastructure.....	0	6,862	--	1,016	7,878	--	7,878
Volusia County, Florida							
Unimproved Land.....	0	3,627	--	--	3,627	--	3,627
Wakulla County, Florida							
Misc. Buildings.....	0	--	--	71	--	71	71
Timberlands.....	0	1,238	--	4,380	5,618	--	5,618
Walton County, Florida							
Land w/Infrastructure.....	0	71	--	1,119	1,190	--	1,190
Timberlands.....	0	466	--	1,647	2,113	--	2,113
Other Florida Counties							
Unimproved Land.....	0	747	--	--	747	--	747
Misc. Land.....	0	5,552	--	2,217	7,769	41	7,809
Leasehold improvements.....	0	--	334	--	--	334	334
Timberlands.....	0	864	--	3,058	3,922	--	3,922
Fulton County, Georgia							
Leasehold improvements.....	0	--	16	--	--	16	16
Other Georgia Counties							
Misc. Buildings.....	0	--	--	141	--	141	141
Timberlands.....	0	897	--	3,176	4,073	--	4,073
Durham County, North Carolina							
Leasehold improvements.....	0	--	23	--	--	23	23
Virginia Cities and Counties							
Leasehold improvements.....	0	--	86	--	--	86	86
White County, Tennessee							
Unimproved Land.....	0	36	--	--	36	--	36

DESCRIPTION	ACCUMULATED DEPRECIATION	DATE CAPITALIZED OR ACQUIRED	DEPRECIABLE LIFE
			USED IN CALCULATION IN LATEST INCOME STATEMENT
Liberty County, Florida			
Misc. Buildings.....	46	Various	10 to 30 years
Timberlands.....	139	Various	20 years
Martin County, Florida			
Land w/Infrastructure.....	278	Various	3 to 40 years
Unimproved Land.....	--	Various	--
Orange County, Florida			
Office Building.....	394	Various	3 to 40 years
Office/Showroom/Warehouse.....	128	Various	3 to 40 years
Land w/Infrastructure.....	11	1995, 1998	3 to 40 years
Leasehold improvements.....	2	Various	Lesser of lease term to 5 years
Construction in Progress.....	--	1998	--
Palm Beach County, Florida			
Office/Showroom/Warehouse.....	1,089	Various	3 to 40 years
Rail Warehouses.....	1,486	Various	3 to 40 years
Cross Docks.....	1,323	Various	3 to 40 years
Unimproved Land.....	--	Various	--
Leasehold improvements.....	22	Various	Lesser of lease term to 5 years
Seminole County, Florida			
Unimproved Land.....	--	Various	--
Leasehold improvements.....	3	Various	Lesser of lease term to 5 years

St. Johns County, Florida			
Land w/Infrastructure.....	--	Various	--
Volusia County, Florida			
Unimproved Land.....	--	Various	--
Wakulla County, Florida			
Misc. Buildings.....	--	Various	--
Timberlands.....	136	Various	20 years
Walton County, Florida			
Land w/Infrastructure.....	--	Various	--
Timberlands.....	27	Various	20 years
Other Florida Counties			
Unimproved Land.....	--	Various	--
Misc. Land.....	147	Various	20 years
Leasehold improvements.....	26	Various	Lesser of lease term to 5 years
Timberlands.....	50	Various	20 years
Fulton County, Georgia			
Leasehold improvements.....	1	Various	Lesser of lease term to 5 years
Other Georgia Counties			
Misc. Buildings.....	--	Various	--
Timberlands.....	114	Various	20 years
Durham County, North Carolina			
Leasehold improvements.....	2	Various	Lesser of lease term to 5 years
Virginia Cities and Counties			
Leasehold improvements.....	6	Various	Lesser of lease term to 5 years
White County, Tennessee			
Unimproved Land.....	--	Various	--

THE ST. JOE COMPANY

SCHEDULE III (CONSOLIDATED) -- REAL ESTATE AND
ACCUMULATED DEPRECIATION -- (CONTINUED)

DESCRIPTION	INITIAL COST TO COMPANY			CARRIED AT CLOSE OF PERIOD			
	ENCUMBRANCES	LAND	BUILDINGS & IMPROVEMENTS	COSTS CAPITALIZED SUBSEQUENT TO ACQUISITION	LAND & LAND IMPROVEMENTS	BUILDINGS AND IMPROVEMENTS	TOTAL
Harris County, Texas							
Land w/Infrastructure.....	0	1,817	--	352	2,169	--	2,169
Construction in Progress.....	0	--	--	6,109	--	6,109	6,109
District of Columbia							
Leasehold improvements.....	0	--	4	--	--	4	4
TOTALS.....	0	172,629	2,784	427,543	324,950	278,044	602,994

DESCRIPTION	ACCUMULATED DEPRECIATION	DATE CAPITALIZED OR ACQUIRED	DEPRECIABLE LIFE USED IN CALCULATION IN LATEST INCOME STATEMENT
Harris County, Texas			
Land w/Infrastructure.....	--	1998	--
Construction in Progress.....	--	1998	--
District of Columbia			
Leasehold improvements.....	1	Various	Lesser of lease term to 5 years
TOTALS.....	54,893		

Notes:

- (A) The aggregate cost of real estate owned at December 31, 1998 for federal income tax purposes is approximately \$442,852,000.
 (B) Reconciliation of real estate owned (in thousands of dollars):

	1998	1997	1996
Balance at Beginning of Year.....	\$507,779	\$474,438	\$403,974
Amounts Capitalized.....	109,915	50,410	75,832
Amounts Retired or Adjusted...	(14,700)	(17,069)	(5,368)
Balance at Close of Period....	\$602,994	\$507,779	\$474,438

- (C) Reconciliation of accumulated depreciation (in thousands of dollars):

	1998	1997	1996
Balance at Beginning of Year.....	\$ 42,343	\$ 36,025	\$ 28,383
Depreciation Expense.....	12,784	8,878	7,710
Amounts Retired or Adjusted...	(234)	(2,560)	(68)
Balance at Close of Period....	\$ 54,893	\$ 42,343	\$ 36,025

- (D) The timberland properties have been included as investment properties and prior year amounts have been reclassified to conform to this presentation.

PURCHASE AND SALE AGREEMENT

by and between

TALISMAN SUGAR CORPORATION,
a Florida corporation
("Seller")

and

THE NATURE CONSERVANCY,
a District of Columbia non-profit corporation
("Buyer")

joined by

THE UNITED STATES DEPARTMENT OF THE INTERIOR,
("DOI")

and joined by

THE ST. JOE COMPANY, a Florida
corporation, ("St. Joe")

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PURCHASE AND SALE AGREEMENT

THIS PURCHASE AND SALE AGREEMENT (this "Agreement") is made as of the Effective Date (as defined below), by and between TALISMAN SUGAR CORPORATION, a Florida corporation ("Seller"), joined by THE ST. JOE COMPANY, a Florida corporation, the sole shareholder of Seller ("St. Joe") and THE NATURE CONSERVANCY, a District of Columbia non-profit corporation or such of its affiliates as it may determine ("Buyer"), joined by the United States Department of the Interior, ("DOI"). The "Effective Date" of this Agreement shall be the date the last of Seller or Buyer causes this Agreement to be executed on its behalf. Each of Seller and Buyer shall furnish to the other an original of this Agreement executed on its behalf promptly after such execution.

W I T N E S S E T H:

In consideration of the mutual covenants and agreements set forth herein, Seller and Buyer hereby agree as follows:

1. SALE OF PROPERTY

Seller agrees to sell and Buyer agrees to purchase the following real and personal property subject to the terms and conditions stated herein:

- 1.1 REAL PROPERTY. Those certain tracts of land situated in Palm Beach County, Florida and Hendry County, Florida, which are more particularly described in EXHIBIT A attached hereto as a part hereof (consisting of approximately 45,635 acres) together with all and singular the rights, tenements, hereditaments and appurtenances thereto belonging or in anywise appertaining (collectively "Real Property").

- 1.2 REAL PROPERTY OUTPARCELS. All and singular of Seller's title, rights, tenements, hereditaments and appurtenances, if any, belonging or in anywise appertaining to those certain tracts of land in Palm Beach and Hendry Counties, Florida (consisting of approximately 205 acres) which are more particularly described on EXHIBIT B attached hereto as a part hereof ("Real Property Outparcels"). Notwithstanding any provision of this Agreement to the contrary, Seller makes no representations nor warranties with respect to its ownership of the Real Property Outparcels. Seller shall, within thirty (30) days after the Effective Date, cause the Title Company, as hereinafter defined, to issue and deliver to Buyer an ownership and encumbrance report with legible copies of all instruments affecting title attached thereto.
- 1.3 LEASES. All right, title, and interests of Seller, as tenant or lessee, in, to, or under any and all leases, subleases, licenses, tenancies, or occupancy agreements (the "Leases") consisting of approximately 5,121 acres which constitutes all of Seller's leasehold interests in lands (collectively, "Leased Property"). A list of the Leases is described on EXHIBIT C attached hereto as a part hereof.
- 1.4 MAP OF REAL PROPERTY AND LEASED PROPERTY. A map of the Real Property and the Leased Property is attached hereto for illustration purposes only as EXHIBIT D. The approximate area of the Real Property is identified as Parcels A, B, D, E, F, H, I, J, K and "Ranch," on EXHIBIT D but excluding the 12.9 acre canal parcel identified on Exhibit A. The approximate area of the Leased Property is identified as "Talisman Leases" on EXHIBIT D. In the event of a conflict between the map attached hereto as EXHIBIT D and the legal descriptions in the documents referenced in the attached EXHIBIT A, EXHIBIT B, and EXHIBIT C, the legal descriptions shall control. The Real

Property and the Leased Property are herein sometimes collectively referred to as the "Property."

- 1.5 INCLUDED IN CONVEYANCE. The conveyance of the Property will include the following: all fixtures, improvements, dikes and all rights with respect to the Property, including but not limited to all logs and timber rights, all water rights, all mineral rights, all oil and gas rights, all crops, including cane stubble, all pasturage rights, all grazing rights and all other rights connected with the beneficial use and enjoyment of the Property; as well as, all right, title and interest in any streams, canals, ditches and other water bodies located on the Property, appurtenant to the Property or which may provide access to the Property; and all rights, title, and interest in any alleys, roads, streets, and easements included within the Property, appurtenant to the Property or which may provide access to the Property. It is the intention of the parties hereto that, in this transaction, Seller shall convey, at the Closing (as defined herein), all of Seller's real estate interests in Palm Beach and Hendry Counties, Florida, subject to the reservations of occupancy and use rights specifically defined herein as the "Reservations", subject to the rights of The United States of America and the State of Florida in and to submerged lands, if any, and subject to the "Permitted Exceptions", (as defined herein) and except for: (i) parcels of property containing approximately 3,000 acres identified as Parcels C, G and L on EXHIBIT E (the "Excluded Real Property".); and (ii) the Excluded Items as defined in Paragraph 1.8 below.
- 1.6 PERSONAL PROPERTY TO BE TRANSFERRED. Subject to Seller's use in conjunction with the Reservations, Seller shall convey to Buyer at Closing by bill of sale all irrigation and drainage systems, including all pumps, pump motors, pump houses, and piping,

and such other equipment and structures, other than the Excluded Items (defined below), as may be specifically designated by Buyer during the Inspection Period ("Personal Property").

- 1.7 SUGAR MILL PARCEL; DEFERRED PARCELS. The sugar mill parcel ("Sugar Mill Parcel"), which consists of the parcel of Real Property more particularly described in F attached hereto as a part hereof, and certain other parcels which may be designated by Buyer five (5) days prior to Closing as having uncured Title Objections which Seller is obligated to cure pursuant to Paragraph 3.6.2, or requiring Remediation pursuant to Paragraph 4.2, below, are collectively referred to as the "Deferred Parcels". Title to each Deferred Parcel shall, at Buyer's option be conveyed: (i) within fifteen (15) days after Buyer's receipt of Seller's Notice of Completion (as defined in Paragraph 4.3(d) below) and the cure of any Title Objections of each such Deferred Parcel has been completed; or (ii) at an earlier date designated by Buyer, or such later date as Buyer and Seller shall agree (a "Deferred Closing"). The portion of the Purchase Price allocated to the Deferred Parcels shall not be paid to Seller at Closing but shall be paid to and held by the Escrow Agent pursuant to Paragraph 7.2 until the Deferred Closing(s) at which time it shall be paid to Seller. Such portion of the Purchase Price shall be computed based on the Deferred Parcel acreage multiplied by the applicable price per acre to be determined by the parties at the time the Deferred Parcels are identified; provided however in the event the parties fail to agree, then the applicable per acre price shall be determined by dividing the Purchase Price by 45,635. Prerequisites and procedures applicable by this Agreement to the Closing

shall, unless specifically excepted in this Agreement, be deemed to apply to every Deferred Closing.

- 1.8 EXCLUDED ITEMS. Excluded from conveyance or transfer under this Agreement are items which include the mill structure, accessory buildings, equipment and vehicles on the Sugar Mill Parcel ("Sugar Mill") and, except as provided below, all other structures, and all personal property other than the Personal Property ("Excluded Items"). The Excluded Items and all other structures shall be removed by Seller ("Removed Structures") unless such of the other structures are designated by Buyer in writing during the Inspection Period to remain. The Removed Structures shall be and remain property of Seller.
2. PURCHASE PRICE AND CASH TO CLOSE. The consideration from Buyer to Seller for the purchase of the Property and Personal Property is the negotiated purchase price in the amount of ONE HUNDRED THIRTY-THREE MILLION FOUR HUNDRED FIFTY FOUR THOUSAND EIGHT HUNDRED AND NO/100 DOLLARS (\$133,454,800.00), hereinafter referred to as the "Purchase Price."
- 2.1 EARNEST MONEY. Within five (5) days after the Effective Date, Buyer shall deposit the sum of ONE THOUSAND AND NO/100 DOLLARS (\$1,000.00) as the Earnest Money ("Earnest Money Deposit") with Chicago Title Insurance Company whose address is 2701 Gateway Drive, Pompano Beach, Florida 33069 ("Escrow Agent"). Unless Buyer terminates this Agreement in accordance with the terms and provisions hereof, the Earnest Money Deposit shall be deemed fully earned by Seller. Promptly after Escrow Agent's receipt of the Earnest Money Deposit (which receipt shall be deemed to occur on clearance of funds), Escrow Agent shall deposit the Earnest

Money Deposit in a non-interest bearing account. At Closing (as defined herein), the Earnest Money Deposit shall be paid to Seller and applied against the Purchase Price.

- 2.2 CASH TO CLOSE. Buyer agrees to cause the Purchase Price to be delivered to Escrow Agent, no later than one (1) day before the Closing, subject to, or together with, as the case may be, the prorations, adjustments, and closing expenses set forth in this Agreement charged or credited to Buyer ("Cash to Close") in immediately available U.S. funds by wire transfer as more particularly set forth in this Agreement and shall be disbursed pursuant to Paragraph 7.2 below.
- 2.3 DESIGNATED TRANSFEREES. Seller acknowledges that Buyer will be involved in land transactions among various third parties in the Everglades Agricultural Area, which transactions will include some of the Property (the "EAA Transactions"). Seller agrees to cooperate in the EAA Transactions and to convey parcels of Real Property and/or assign interests under the Leases to third parties that are designated in writing by Buyer ("Designated Transferee(s)") at least ten (10) business days before Closing or, before a Deferred Closing. Seller shall furnish to Designated Transferees those closing documents, including appropriate representations and warranties contained in a seller's affidavit which shall include those representations and warranties contained in Paragraph 8.1 (c), (d), (e), (f), (g), (p) and (q) below. Conveyances of parcels of the Real Property to Designated Transferees may occur simultaneously with or after, but not before Closing and except as provided in Paragraph 5.6 below, shall be conveyed subject to the Reservations. The EAA Transactions shall not in any way affect the aggregate Purchase Price or the manner of payment thereof and Seller shall not be responsible for any additional costs associated with any EAA Transactions.

2.4 WAIVER OF RELOCATION ASSISTANCE. In consideration of the negotiated Purchase Price, Seller hereby waives any rights or claims it may have under the Uniform Relocation Assistance and Real Property Acquisition Policy Act of 1970, as amended. (42 U.S.C. ss. 4601 et seq.).

3. SELLER'S DELIVERIES, EVIDENCE OF TITLE, LEASES AND OTHER INFORMATION.

3.1 TITLE, LEASE AND OTHER INFORMATION FROM SELLER. Within fifteen (15) days after the Effective Date, Seller shall (at its sole cost and expense) deliver or cause to be delivered to Buyer copies of: (a) all deeds by which Seller acquired title to the Real Property, (b) all existing title insurance policies insuring title to any portion of the Property (Buyer acknowledges that Seller does not have an existing title insurance policy for portions of the Real Property), (c) all Leases, (d) all surveys, environmental or engineering reports, studies, inspections or analyses, copies of all historical over flight photographs, Material Safety Data Sheets, hazardous waste shipment manifests or invoices and other physical inspections or reports conducted with respect to the Property or on behalf of Seller or otherwise, if any, which are in Seller's possession or control, (e) a list of any such documents or information described in (d) above not in Seller's possession or control but of which Seller has knowledge, and (f) a list of litigation or, proceedings, pending or threatened with respect to the Property. Any such inspections, tests and studies prepared by third parties and delivered to Buyer shall be given by Seller without representation or warranty of any kind, and shall at all times be subject to the rights of the professionals and other third party preparers of such inspections, tests and studies; provided, however, Seller has no knowledge of any inaccuracies contained in the documents delivered except as specifically pro-

vided in writing by Seller and delivered to Buyer contemporaneously with the delivery of such items. In the event that Seller subsequently determines that there are inaccuracies contained in the documents delivered, Seller shall disclose to Buyer any errors or misstatements contained in such inspections, tests or studies of which Seller has knowledge. Seller shall attempt to obtain and deliver to Buyer estoppel letters (in the form attached hereto as EXHIBIT G) from the lessors under the Leases within sixty (60) days after the Effective Date. In the event the Seller is unable to obtain an estoppel letter for any Lease, the required estoppel information regarding the status of such Lease may be provided by a certificate from Seller in the form attached hereto as EXHIBIT H delivered to Buyer within sixty (60) days after the Effective Date, which shall state that upon Closing, Buyer or its designated assignee of the Lease shall be indemnified by Seller against any lessor claims not disclosed by such certificate. In the event that Seller is in default of any of the Leases, Seller shall cure any such default(s) at or prior to Closing.

- 3.2 DOCUMENTS. Within fifteen (15) days after the Effective Date, Seller shall (at its sole cost and expense) deliver or cause to be delivered to Buyer copies of the following documents (the "Documents") if any, which are in Seller's possession or control: (a) all service contracts, warranties, guarantees pertaining to the Property and Personal Property in effect on the Effective Date; (b) all plans and specifications pertaining to improvements, including borrow pits, irrigation systems and structures located on the Property; (c) all licenses, variances, waivers, permits (including, without limitation, South Florida Water Management District permits), authorizations and approvals required by law or otherwise issued by governmental or private authority

having jurisdiction over the Property, or any portion thereof ("Governmental Approvals") as well as all unrecorded instruments and agreements that relate to the use or operation of the Property and (d) a list of any such documents or information described in (a) - (c) above not in Seller's possession or control but of which Seller has knowledge. In complying with this Paragraph 3.2, Seller shall not be required to furnish financial information to Buyer. Any such Documents prepared by third parties and delivered to Buyer shall be given by Seller without representation or warranty of any kind, and shall at all times be subject to the rights of the professionals and other third party preparers of such Documents; provided, however, Seller has no knowledge of any inaccuracies contained in the Documents delivered except as specifically provided in writing by Seller and delivered to Buyer contemporaneously with the delivery of such items. In the event that Seller subsequently determines that there are inaccuracies contained in the Documents delivered, Seller shall disclose to Buyer any errors or misstatements contained in such Documents of which Seller has knowledge. Buyer shall have the right to direct Seller to cancel any or all of the service contracts, such cancellation to be effective not later than the Termination of the Reservations described in Paragraph 5.3 below.

- 3.3 INSPECTION PERIOD. Buyer shall have one hundred fifty (150) days after the Effective Date of this Agreement (hereinafter referred to as the "Inspection Period") for Buyer or Buyer's Representatives (as defined below) and those persons or entities designated by Buyer as potential purchasers of Buyer's interest in the Property ("Buyer's Potential Purchasers") to make such investigations, studies and tests of the Property and Personal Property including, but not limited to, conducting engineering inspec-

tions, making soil and substrate drillings and borings, installing piezometers and temporary or permanent groundwater monitoring wells, collecting soil, sediment, surface water and groundwater samples, measuring water levels, and performing environmental inspections and any other inspections, tests, studies, investigations which Buyer deems necessary or advisable, in its sole and absolute discretion, in order to determine the condition and compliance of the Property under Environmental Laws and the suitability of the Property for Buyer's intended use, uses and purposes for agriculture flood control, water supply, water storage, water quality, water management and environmental restoration and for sales, exchanges with or transfers to Designated Transferees and others ("Buyer's Intended Purposes"). Buyer will use its best efforts to complete its environmental inspections, evaluations and assessments, which assessment shall include an estimate of the cost of Remediation (as defined in Paragraph 4.3(a)) which estimate may include the removal of solid waste ("Buyer's Environmental Assessment") of the Property at the earliest date possible, but in no event later than one hundred fifty (150) days after the Effective Date. Buyer shall keep Seller continuously informed of the results of its assessment throughout the Inspection Period and shall provide an initial draft of Buyer's Environmental Assessment to Seller within ninety (90) days of the Effective Date. If Buyer determines in its sole discretion during this Inspection Period that the Real Property, Leased Property or Personal Property is unsuitable for Buyer's Intended Purposes, then, upon written notice given to Seller and Escrow Agent on or before 5:00 p.m. on the last day of the Inspection Period, Buyer shall have the right to terminate this Agreement and receive immediate payment of the Earnest Money Deposit held by the Escrow Agent, except

for One Hundred and No/100 Dollars (\$100.00), which shall be paid to Seller as consideration for entering into this Agreement and thereafter this Agreement shall be null and void and neither party shall have any further liability to the other under this Agreement. In the absence of such notice from Buyer, then this Agreement shall remain in full force and effect. If Buyer shall terminate this Agreement at any time prior to the scheduled Closing Date, Buyer shall furnish the results of all inspections, tests and studies to Seller within ten (10) days after furnishing Seller with notice of termination of this Agreement. Buyer shall deliver to Seller copies of all such inspections, tests and studies, but such delivery shall be without representation or warranty from Buyer of any kind, and shall at all times be subject to the rights of the professionals and other preparers of such inspections, tests and studies. The term "Buyer's Representatives" shall mean any and all officers, employees, contractors and agents of Buyer, the U.S. Department of the Interior, the Environmental Protection Agency, the Florida Department of Environmental Protection, and the South Florida Water Management District ("District") .

- 3.4 ACCESS BY BUYER. Seller agrees (i) on and after the Effective Date, Buyer and Buyer's Representatives and Buyer's Potential Purchasers shall have access to the Property for the purpose of making environmental surveys or other inspections and independent investigations; and (ii) Seller shall make other good faith efforts upon Buyer's reasonable request to provide Buyer with other relevant or necessary information with respect to the Property. Seller shall make access available to Buyer, Buyer's Representatives, and Buyer's Potential Purchasers, and their agents and consultants, within twenty-four (24) hours of Seller's receipt of written request for access which

written request shall be delivered by facsimile transmission to Miguel Cevera at (561) 996-6915 and J. Malcolm Jones, Jr. at 904-398-8620. Seller represents that it has the authority to grant to Buyer, Buyer's Representatives, and Buyer's Potential Purchasers, the access rights described in this paragraph. Buyer, to the extent permitted by law, agrees to hold Seller harmless from any personal injury or property damage caused by Buyer, Buyer's Representatives, or Buyer's Potential Purchasers, arising out of Buyer's, Buyer's Representatives' or Buyer's Potential Purchasers', access to the Property. If, for any reason whatsoever, this transaction does not close, Buyer agrees to correct any damage to the Property arising from Buyer's investigations and to restore the Property to its condition prior to such inspection and investigation except Buyer shall not be required to remove any permanent monitoring wells. The indemnity set forth in this paragraph shall survive a termination of this Agreement.

- 3.5 SURVEY. Buyer shall have the right to have all or any portion of the Property surveyed, at Buyer's sole expense, and, until one hundred and twenty (120) days after the Effective Date of this Agreement, to notify Seller in writing of its objections to any matters indicated by the survey(s) (the "Survey") which render title objectionable to Buyer ("Survey Objection Notice"). Any and all defects expressly stated in the Survey Objection Notice shall be treated as Title Objections (as herein defined) under this Agreement. The Survey, if any, shall: (a) be made by a duly licensed Florida surveyor, and shall be prepared in accordance with the minimum technical standards set forth by the Florida Board of Land Surveyors pursuant to Section 472.027, Florida Statutes, and Chapter 61G17, Florida Administrative Code, (b) locate all matters

described by documents referred to in the Title Binder (as defined herein), easements and rights-of-way (identified by recording data if applicable), (c) reflect any encroachments or protrusions and any other matters referenced in the Title Binder (as defined herein), (d) contain an appropriate legal description of the Real Property and the Leased Property, and (e) contain a certificate in favor of Seller, Seller's counsel, Buyer, Buyer's counsel, and the Title Company (as defined herein).

3.6 TITLE.

3.6.1 TITLE INFORMATION DELIVERY AND REVIEW. Seller shall have forty-five (45) days after the Effective Date to cause a title insurance company or companies, including re-insurers approved by Buyer (collectively, "Title Company") to issue and deliver to Buyer a binder or binders with legible copies of all instruments affecting title attached thereto (collectively, "Title Binder"), committing the Title Company to issue in Buyer's or Buyer's Designated Transferees' favor a policy or policies of title insurance insuring the marketability of fee title to the Real Property, and the leasehold interest under the Leases in amounts aggregating the Purchase Price. Buyer shall have sixty (60) days after receipt of the Title Binder to review and to notify Seller in writing of any objections ("Title Objection Notice") to anything contained in the Title Binder ("Title Objections"). The Title Binder shall commit to issue ALTA title insurance policy or policies (Owner's Form "B" and Leasehold as to Buyer and all Designated Transferees, except the United States shall be issued an ALTA U.S. Policy-9/28/91) insuring Buyer's and Buyer's Designated Transferees' interest in the Property substantially in the form of the

blank title insurance policy form attached hereto as Exhibit I. All title insurance shall be issued by Mark J. Boulris, P.A. ("Title Agent") as agent or approved attorney for the Title Company and both Seller and Buyer hereby waive any conflict which may exist by virtue of the Title Agent also serving as legal counsel to Seller. Taxes for the year of Closing or Deferred Closing(s), zoning and land use regulations, and any items to which Buyer does not object in the Title Objection Notice or the Survey Objection Notice or waives, shall be deemed to be "Permitted Exceptions" to title under this Agreement. If Buyer does not timely and in accordance with this Agreement deliver a Title Objection Notice or Survey Objection Notice, Buyer shall be conclusively deemed to have waived any objection to the title to the Property which are disclosed in the Title Binder. Seller shall not grant, convey, encumber, lease or allow the imposition of any lien on any portion of the Property at any time prior to Closing. Seller will not execute or record any instrument in any way affecting the title to the Property at any time prior to Closing or a Deferred Closing, as may be applicable, without Buyer's prior written consent. At the Closing or Deferred Closing, Seller shall convey title to the Real Property and assign an insurable leasehold interest under the Leases to Buyer and/or Buyer's Designated Transferee(s), free of Marketability Defects (as defined in Paragraph 3.6.2) and subject only to the Permitted Exceptions. Prior to or at Closing or Deferred Closing, Seller shall undertake such actions, pay such amounts of money, and execute such documents, as may be necessary to satisfy all requirements set forth in the Title Binder, and to delete all of the standard exceptions set forth in the Title

Binder, but subject to matters of survey if a Survey is obtained by Buyer pursuant to Paragraph 3.5 above.

- 3.6.2 CURING TITLE DEFECTS. Seller shall have sixty (60) days ("Cure Period") from the receipt of the Title Objection Notice or the Survey Objection Notice to cure and remove Title Objections. Seller shall be obligated to and shall use diligent effort, including the bringing of necessary suits to cure and remove Title Objections that render title unmarketable by standards adopted under authority of the Florida Bar, under Florida Law (as modified by the terms of this Agreement) and the U.S. Department of Justice Standards and Regulations for the preparation of Title Evidence (1970) ("Marketability Defect"). Seller's obligation to cure Marketability Defects: (i) caused by the existence of Title Objections not created by or resulting from the act or omission of Seller; and (ii) affecting only those portions of the Property for which Seller has no title insurance policy insuring its interest, shall include the bringing of necessary suits but shall be limited to the expenditure of \$150,000.00 in the aggregate for all such Title Objections. Seller shall not be obligated to remove any of the following interests in the Property held by third parties not affiliated, controlled or owned by Seller: canal, drainage and access easements, utility easements and reservations of interests in mineral rights in the Property; provided, however, the existence of such interest may be objected to by Buyer and, in such event, shall constitute a Title Objection which may be considered by Buyer in determining, during the Inspection Period, whether

the Property is suitable for the Buyer's Intended Purposes. If Seller shall not have cured and removed all Title Objections which it is obligated to cure pursuant to this Paragraph by the end of the Cure Period or three (3) business days before December 31, 1998 (the "Outside Closing Date"), whichever occurs first, then with respect to the parcel(s) of the Property affected by the uncured Title Objection(s) which Seller is obligated to cure pursuant to this Paragraph (the "Defect Parcel(s)"), Buyer shall have the option of:

- (a) accepting title to the Defect Parcel(s) as it then is; or
- (b) designating the Defect Parcel(s) as a Deferred Parcel(s) and requiring Seller to continue to diligently pursue the cure of any Marketability Defect until the Proration Date (as defined in Paragraph 5.3 and thus extending the Cure Period for said amount of time and have Seller place an executed General Warranty Deed(s) (as hereinafter defined) in escrow with the Escrow Agent pursuant to the terms of the Escrow Agreement (as hereinafter defined); or
- (c) rejecting any Defect Parcels and proceeding to Closing on the rest of the Property (other than the Deferred Parcels) with an apportioned reduction in the Purchase Price as provided in Paragraph 1.7; provided, however, if the rejected Defect Parcels exceed in the aggregate 1,000 acres of the Property, then Seller may terminate this Agreement and the Earnest Money Deposit shall be immediately returned to Buyer and thereafter

this Agreement shall be null and void and neither party shall have any further liability to the other under this Agreement; or.

- (d) declining to accept title to the Defect Parcel(s), whereupon this Agreement shall be terminated and the Earnest Money Deposit shall be immediately returned to Buyer and thereafter this Agreement shall be null and void and neither party shall have any further liability to the other under this Agreement.

3.6.3 TITLE COSTS. Seller shall pay any and all costs (including, without limitation, search charges and premiums) required for the issuance of the Title Binder (and periodic updates, continuations and extensions thereof as to Deferred Parcels) and policies and for the issuance of any desired or applicable endorsements requested by Buyer.

4. ENVIRONMENTAL MATTERS.

4.1 DEFINITIONS. The following terms when used in this Agreement shall have the following meanings:

- (a) ENVIRONMENTAL CLAIMS AND LIABILITIES. The term "Environmental Claims and Liabilities" shall mean any notices of investigation or potential liability, demands for payment, law suits for damages, penalties or injunctive relief, or any other claims of any sort whatsoever of any nature, kind, or description which in any way arise out of, are connected with, pertain to, refer to, or relate to either directly or indirectly or which may result in whole or in part

from the presence of Pollutants on or under or emanating from the Property in violation of any Environmental Laws.

- (b) ENVIRONMENTAL LAWS. "Environmental Laws" shall mean any federal, state, regional, or local laws, statutes, ordinances, rules, regulations or other governmental restrictions now or hereinafter enacted regulating or governing the use, handling, storage, disposal, presence, acceptable concentrations, impact assessment, or remediation of Pollutants including, but not limited to, the Comprehensive Environmental Response, Compensation & Liability Act, 42 U.S.C. ss. 9601 et seq., the Resource Conservation & Recovery Act, 42 U.S.C. ss. 6901 et seq., the Federal Water Pollution Control Act, 33 U.S.C. ss. 1251 et seq., the Toxic Substances Control Act, 15 U.S.C. ss. 2601 et seq., the Emergency Planning and Community Right to Know Act of 1986, 42 U.S.C. ss. 11001 et seq., the Clean Air Act, 42 U.S.C. ss. 7401 et seq., the Endangered Species Act, 16 U.S.C. ss. 1521 et seq., the Occupational Safety and Health Act, 29 U.S.C. ss. 651 et seq., the Safe Drinking Water Act, 42 U.S.C. ss. 300(f) et seq., the Hazardous Materials Transportation Act, 49 U.S.C. ss. 1801 et seq., the Pollution Prevention Act of 1990, 42 U.S.C. ss. 13101 et seq., and Chapters 376 and 403, Florida Statutes, including the rules promulgated thereunder, as all of the foregoing statutes have been and hereafter may be amended on or before completion of Remediation.
- (c) POLLUTANTS. The term "Pollutant" or "Pollutants" shall mean any hazardous or toxic substance; solid waste, or waste of any kind; or any material, con-

taminant, petroleum, petroleum product or petroleum by-product as defined or regulated by Environmental Laws.

- 4.2 NOTICE OF DEFERRED PARCELS. In the event that Buyer does not elect to terminate this Agreement pursuant to Paragraph 3.3 of this Agreement, it shall, by no later than 5:00 p.m. on the last day of the Inspection Period, provide Seller with written notice identifying the Deferred Parcels, if any, which shall be those parcels of the Property requiring Remediation (as defined in Paragraph 4.3(a) below). Such notice shall include copies of Buyer's Environmental Assessment and other reports on the Deferred Parcels. The Deferred Parcels shall be identified with sufficient particularity so that they may be excluded from that portion of the Property that will be transferred at the Closing. If the Buyer identifies more than seven hundred and fifty (750) acres as Deferred Parcels, then Seller may, within ten (10) days of its receipt of written notice from the Buyer identifying the Deferred Parcels, elect to terminate the Agreement and, upon payment to Buyer of one-half (1/2) of the cost incurred in acquiring Buyer's Environmental Assessment and the return to Buyer of the Escrow Deposit, this Agreement shall be null and void and neither party shall have any further liability to the other under this Agreement. Buyer's failure to designate any particular portion of the Property as a Deferred Parcel during the Inspection Period shall not adversely affect Buyer's right to give Buyer's Second Environmental Notice or Buyer's Final Environmental Notice for all or any part of the Property and to require Remediation at the times set forth in Paragraphs 4.3 (c), (d) and (e), and 5.3 and 5.4 below and Sections 12 and 20 of the Reservation Conditions.

4.3 SELLER'S REMEDIATION.

- (a) SELLER'S DUTY TO REMEDIATE. Seller shall, at its sole cost and expense, complete any and all necessary additional assessments, clean up and monitoring of the Pollutants at the Deferred Parcels required by Buyer's Environmental Assessment and take all action necessary to bring the Deferred Parcels into, and to cause all of the Property to be maintained in compliance with all Environmental Laws and to satisfy Buyer's Second Environmental Notice, and Buyer's Final Environmental Notice ("Remediation"). Seller shall cause Remediation of all the Property, except the Sugar Mill Parcel to be completed prior to the Termination of the Reservations (as defined in Paragraph 5.3). Notwithstanding anything herein to the contrary, the time for Remediation of the Sugar Mill Parcel shall be governed by Paragraph 5.4.
- (b) NOTICE OF PROPOSED REMEDIATION PLAN. As to each Deferred Parcel, Seller shall provide to Buyer a copy of a proposed plan to accomplish Remediation including an estimate of the cost of such Remediation (a "Remediation Plan") at least forty-five (45) days prior to initiating the work contemplated by such plan but in no event later than one hundred eighty (180) days prior to Termination of the Reservations. Buyer may provide comments to Seller on the proposed Remediation Plan. Seller may consider any such comments but the ultimate content of the Remediation Plan shall be in the sole discretion of Seller, as long as the implementation of the Remediation is reasonably expected to bring Deferred Parcels into, and to cause all other portions of the

Property to be maintained in, compliance with all Environmental Laws and satisfy the requirements of the Buyer's Environmental Assessment.

- (c) BUYER'S SECOND ENVIRONMENTAL NOTICE. Prior to the Termination of Reservations, Buyer may at Buyer's sole cost and expense conduct further environmental investigations of all or any part of the Property ("Buyer's Second Environmental Assessment") and give Seller a second notice of any environmental problems requiring Remediation ("Buyer's Second Environmental Notice"). Buyer's Second Environmental Notice shall be delivered to Seller on or before one hundred eighty (180) days prior to the Termination of Reservations or, in the event of early Termination of Reservations, within sixty (60) days after Buyer's receipt of Seller's notice of such early Termination of Reservations. Buyer shall, upon application to the Escrow Agent, be reimbursed from the Remediation Escrow Fund (as defined in Paragraph 4.4) the costs (up to a maximum of \$100,000) incurred by Buyer in conducting Buyer's Second Environmental Assessment.
- (d) NOTICE OF COMPLETION. Seller shall provide to Buyer written notice of Seller's completion of its Remediation obligations under this Paragraph 4.3 as to the Property ("Seller's Notice of Completion"). For all of the Property, excluding the Sugar Mill Parcel, the Seller's Notice of Completion shall be delivered to Buyer no later than the date of Termination of the Reservations and shall include: (i) Seller's statement that it has completed its obligations of Remediation; and (ii) written confirmation from the Florida Department of Environmental Protection ("DEP"), and any state or local governmental

agency with regulatory jurisdiction and, if applicable, any Federal regulatory authority, over the environmental condition of the Property, as applicable, indicating that, having reviewed Buyer's Environmental Assessments, Seller's Remediation Plans and Remediation actions, no further action is required by such agency or agencies (collectively "Governmental Confirmation"). A "deactivation letter" or completion report from an agency shall be deemed to be a confirmation that no further action is required by such agency. Notwithstanding the foregoing, Seller, Buyer, and Buyer's Representatives shall use their best efforts and cooperation to arrange for DEP to act as a clearing house and assume lead responsibility for acquiring the above confirmations from other state and local regulatory authorities and, if applicable Federal regulatory authorities. If DEP agrees to assume lead responsibility, then written confirmation from DEP shall be deemed to be conclusory evidence of Governmental Confirmation. For all of the Property, excluding the Sugar Mill Parcel, the written confirmations required by this Paragraph 4.3(d) shall be issued as of the date of, or not more than thirty (30) days prior to, Termination of the Reservations.

- (e) BUYER'S FINAL ENVIRONMENTAL NOTICE. At any time within thirty (30) days after the later of the date a Deferred Parcel is conveyed to Buyer or a Designated Transferee, or the Terminations of Reservations, Buyer may conduct a final environmental assessment ("Buyer's Final Environmental Assessment") and deliver to Seller a final environmental notice specifying matters requiring Remediation ("Buyer's Final Environmental Notice"). If Seller

does not complete such additional Remediation in accordance with the provisions of Paragraphs 4.3, 5.3 and 5.4 of this Agreement and Sections 12 and 20 of the Reservation Conditions, within thirty (30) days after receipt of Buyer's Final Environmental Notice, then, in addition to all other remedies for Seller's failure to complete Remediation as required, Buyer may cause such Remediation to be completed and withdraw from the Remediation Escrow Fund all costs and expenses incurred with respect thereto.

4.4 REMEDIATION ESCROW FUND.

- (a) At Closing, Escrow Agent shall withhold from the portion of the Purchase Price paid to Seller at Closing and deposit in an interest bearing escrow account funds to guarantee Seller's obligations in Sections 4.3 and 5.3 and 5.4 of the Agreement and Sections 12 and 20 of the Reservation Conditions (the "Remediation Escrow Fund"). The amount of the funds to be deposited in the Remediation Escrow Fund shall be equal to Buyer's estimate of the cost of Remediation of Deferred Parcels.
- (b) If the Buyer's estimate of the cost of Remediation exceeds Five Million and No/100 Dollars (\$5,000,000.00), then Seller may, within ten (10) days of its receipt of written notice from the Buyer of its estimate, elect to terminate this Agreement and, upon payment to Buyer of one-half (1/2) the cost incurred in acquiring the environmental assessment and the return to Buyer of the Escrow Deposit, this Agreement shall be null and void and neither party shall have any further liability to the other under this Agreement.

- (c) The Remediation Escrow Fund shall be administered by an escrow agent acceptable to both Buyer and Seller pursuant to the terms of an escrow agreement ("Escrow Agreement") to be entered into by and among Seller, Buyer and the Escrow Agent. The parties shall cooperate and use best efforts to develop and approve the form of the Escrow Agreement within forty-five (45) days of the Effective Date.
- (d) Upon Seller's: (i) completion of Remediation of all Deferred Parcels and other Property in accordance with Sections 4.3, 5.3 and 5.4 of the Agreement and Sections 12 and 20 of the Reservation Conditions; and (ii) Termination of the Reservations (as herein defined), Seller shall submit to Buyer a written request for disbursement of the balance of the Remediation Escrow Fund for such Remediation.
- (e) No later than thirty (30) days after Buyer's receipt of a proper request for disbursement, Buyer shall issue a letter of disbursement authorization to the escrow agent ordering the escrow agent to disburse to the Seller the balance of the Remediation Escrow Fund.
- (f) If Seller has not completed Remediation of all of the Property as set forth in 4.3, 5.3 and 5.4 of this Agreement and Sections 12 and 20 of the Reservation Conditions, , then in addition to any other remedies at law or in equity, and without limiting Buyer's common law or statutory rights, Buyer shall be entitled to withdraw funds from the balance of the Remediation Escrow Fund to be used for completing Remediation and for payment of any and all costs

and charges incurred by Buyer arising from Seller's failure to complete such Remediation.

- 4.5 INDEMNIFICATION BY SELLER. Seller shall absolutely, irrevocably, and forever indemnify, defend and hold harmless Buyer and those of Buyer's Designated Transferees which are governmental bodies, and their successors and/or assigns which are either not-for-profit organizations or governmental bodies, of and from any and all Environmental Claims and Liabilities, including court costs, reasonable attorney fees, and other reasonable costs of defense, including expert consultant and witness fees and costs. Buyer shall notify Seller in writing, and while Seller is in possession of any of the Property Seller shall notify Buyer in writing, of any action, notice, demand, claim, administrative or legal proceeding or investigation to which Seller's obligation to indemnify and to hold harmless pursuant to this Paragraph 4.5, may apply and Seller, at Seller's sole expense, shall assume on behalf of Buyer and conduct with due diligence and good faith the defense thereof with counsel satisfactory to Buyer in its reasonable discretion; provided, however, that Buyer shall have the right, at its option, to be represented in such matters by advisory counsel of its own selection at its own expense. In the event of failure by Seller to fully perform in accordance with this Paragraph 4.5, Buyer, at its option and without relieving Seller of its obligations hereunder, may so perform, but all costs and expenses so incurred by Buyer in such event shall be reimbursed by Seller to Buyer, together with interest on the same from the date any such expenses were paid by Buyer until reimbursed by Seller, at the highest nonusurious rate of interest which may be contracted for, charged or received in the State of Florida at such time. Seller hereby agrees, represents and warrants that

it has been represented by counsel of its choosing in the preparation of this Agreement and that it has had this Paragraph 4.5 fully explained by such counsel and that the Seller is fully aware of its content and legal effect. Seller acknowledges and agrees that it has received valuable consideration for providing the indemnification, defense, and hold harmless agreement pursuant to this Paragraph 4.5. Provisions of Paragraph 4.5 shall survive the Closing and the Deferred Closings. While this Agreement establishes contractual liability for the Seller regarding Pollutants on the Property, it does not alter or diminish any statutory or common law liability of the Seller for such pollution.

5. RESERVATIONS OF USE AND OCCUPANCY.

- 5.1 RESERVATIONS. Except as provided in Paragraph 5.6, the General Warranty Deed(s) conveying the Real Property and the Assignment(s) of Leases (together, "Conveyance Documents") shall contain a reservation ("Reservation") in favor of Seller, allowing Seller to retain possession and use of the Property through a period of time ending not later than March 31, 2003. The Reservations shall be for Seller's right to remain in exclusive possession of the Real Property, Leased Property and improvements thereon solely to: (a) plant, cultivate, farm and grow sugar cane on the Real Property and the Leased Property; (b) operate the Sugar Mill and activities ancillary thereto in any lawful manner on the Sugar Mill Parcel; and (c) harvest, fertilize, remove, use and sell sugar cane.
- 5.2 RESERVATION CONDITIONS. Seller's rights under the Reservations shall be subject to conditions more specifically set forth in EXHIBIT J, attached hereto as a part hereof

(the "Reservation Conditions"). The Reservation Conditions shall also be stated in the Conveyance Documents.

5.3 TERMINATION OF THE RESERVATIONS. Unless the Reservations have been sooner terminated with respect to any of the Property pursuant to Seller's election or Paragraph 5.6 below, Seller's rights under the Reservations shall terminate on March 31, 2003 ("Termination of the Reservations"). At or prior to the Termination of the Reservations, Seller shall:

- (a) vacate the Property; subject to the right of entry on and over the Property as is necessary to reasonably carry out the obligations of Seller set forth in Paragraph 5.4;
- (b) provide Buyer with current Conveyance Documents and other closing documents including, without limitation, a Seller's Affidavit, an updated Title Binder as to all Deferred Parcels, and a statement that the Documents provided to Buyer pursuant to Paragraph 3.2 of this Agreement are current or, alternatively, if not current, that Seller is simultaneously providing Buyer with current copies of the Documents;
- (c) provide Buyer with an accounting for Operating Expenses (described in Paragraph 7.4 below);
- (d) arrange for final utility meter readings and facilitate the transfer of utility accounts to Buyer; and
- (e) cause the Personal Property to be placed in good working order; and

- (f) complete Seller's Remediation obligations under this Agreement and the Reservation Conditions, exclusive of the Sugar Mill Parcel. The date when the last of the events in subparagraphs (a) through (f) have been completed shall be the "Proration Date" for purposes of Paragraph 7.3 below.

5.4 SUGAR MILL; EXCLUDED ITEMS; AND REMOVED STRUCTURES. Seller shall have a period of twelve (12) months from the date of Termination of the Reservations in which to remove the Sugar Mill from the Property and, provided Seller has timely completed such removals within said twelve (12) month period, a period of up to twelve (12) additional months from the date of completion of such removal to complete Remediation of the Sugar Mill Parcel (the "Sugar Mill Remediation Period"). Structures other than the Sugar Mill which Buyer desires to have remain on the Property shall be designated by Buyer in written notice delivered to Seller on or before the earlier of September 30, 2002 or, in the event of the early Termination of Reservations within thirty (30) days after Buyer's receipt of Seller's notice of Termination of Reservations. The Sugar Mill and other Removed Structures shall be removed from the Property so that nothing more than bare foundations remain, and any and all salvage and residual value of the Removed Structures shall remain the property of Seller. The Remediation of the Sugar Mill Parcel shall be conducted pursuant to Paragraph 4.3, except that: (i) Seller's Remediation Plan shall be updated and provided to Buyer no later than ten (10) months after the Termination of the Reservations; and (ii) Seller's Notice of Completion of its Remediation obligations and the written confirmations required pursuant to Paragraph 4.3(d) shall be furnished to Buyer within

thirty (30) days of the date Seller completes its Remediation obligations, but in no event later than the last day of the Sugar Mill Remediation Period.

- 5.5 PLANTING. As of Termination of the Reservations, and in no event later than March 31, 2003, unless otherwise instructed by Buyer, Seller shall, at Seller's expense and in accordance with the planting schedule for the Property replace harvested sugarcane (with the exception of areas or fields scheduled to be fallow for that growing season or fields of ratoon, which will regrow during the immediately following growing season from the root stock of the harvested sugarcane) with newly planted sugarcane for the next harvest season.
- 5.6 CONVEYANCE OF PROPERTY WITHOUT RESERVATIONS. Upon the request of Buyer, Seller shall release from the Reservations at any time after Closing, up to a cumulative total of five thousand (5,000) acres of the Property. Buyer shall notify Seller of the designation of acres to be released at least sixty (60) days prior to the date Buyer desires the release to become effective; provided however, the effective date of such release shall not be: (i) prior to March 31, 1999, or (ii) during the months of September through March. Buyer and Seller will cooperate in good faith to identify as many of the acres to be so released at least thirty (30) days prior to Closing and thereafter at least thirty (30) days prior to the date designated by Buyer for release.
- 5.7 INDEMNIFICATION. Seller shall indemnify and hold harmless Buyer, any not-for-profit or governmental successor of Buyer, and every Buyer's Representative who becomes a Designated Transferee, and their respective officers, shareholders, directors, employees, agents, successors and assigns, from and against any and all damages, claims, suits, judgments, liens and liabilities whatsoever arising from or related to,

directly or indirectly, Seller's ownership, occupancy and/or use of the Property, or any part thereof.

6. CONDITIONS PRECEDENT TO CLOSING.

- 6.1 In addition to all other conditions precedent to Buyer's obligation to consummate the purchase and sale contemplated herein provided elsewhere in this Agreement, the following shall be additional conditions precedent to Buyer's obligation to close at Closing or a Deferred Closing, as the case may be ("Conditions Precedent"):
- (a) The physical condition of the Property, except as otherwise specifically provided herein, shall be the same as it was on the Effective Date of this Agreement, reasonable wear and tear excepted.
 - (b) At Closing, there should be no litigation or administrative action or other governmental proceedings of any kind whatsoever, other than those filed or maintained by Buyer's Representatives (to which Seller hereby reserves the right to object and defend), pending or threatened, which, after Closing, would adversely affect Buyer's Intended Purposes.
 - (c) The Property shall be in compliance with all applicable Federal, State and local laws, ordinances, statutes, rules and regulations, codes or requirements, licenses, permits and authorizations.
 - (d) All of the representations and warranties of Seller contained in this Agreement, including but not limited to those contained in Paragraph 8, shall be true and correct.

- (e) The transactions contemplated by this Agreement shall not be in violation of, or prohibited by, any private restriction, governmental law, ordinances, statute, rule or regulation.
- (f) There are no adverse title matters affecting the Property since the Effective Date of the Title Binder other than Permitted Exceptions.
- (g) On or before July 24, 1998 Buyer has obtained approval of this Agreement from its Board of Governors.
- (h) On or before July 24, 1998 Buyer has entered into a cooperative agreement by and between Buyer, the District and DOI (the "Cooperative Agreement") pursuant to which DOI has, or DOI and the District have, agreed to provide the Purchase Price for the acquisition of the Property pursuant to this Agreement.
- (i) In the event that any third party files a lawsuit or other proceeding or action challenging the authority of DOI to fund the Purchase Price out of the monies made available under Section 390 of the Federal Agricultural Improvement and Reform Act of 1996 (Public Law 104-127), or the authority of Buyer to enter into or perform under this Agreement, or otherwise challenging the validity or enforceability of this Agreement or the Cooperative Agreement, Seller and Buyer agree to cooperate, to the extent, and so long as, a party, in its sole discretion deems such action and cooperation appropriate, to defend all rights and obligations under this Agreement and under the Cooperative Agreement, with Seller and Buyer each being responsible for its own attorneys' fees and costs, if any, through all appeals. If, prior to Closing,

such lawsuit, action, or proceeding is filed and a court of competent jurisdiction enters an order prohibiting the Closing, then, in such event, unless prohibited by law or action of court, Closing shall be delayed as provided in Paragraph 7.1 below and the Cash to Close and the Deed(s) and other closing documents shall be delivered to Escrow Agent pending resolution of the lawsuit, action, or proceeding. Notwithstanding any of the foregoing, Buyer shall not object to Seller intervening as an interested party to defend its interests against any such lawsuit, action, or proceeding challenging this Agreement or the Cooperative Agreement, or to Seller's filing any and all actions and counterclaims, including, without limitation, a claim for tortious interference with this Agreement or the Cooperative Agreement (provided that same is brought and maintained at Seller's expense), but excluding crossclaims or other actions filed by Seller against Buyer or Buyer's Representatives or which otherwise challenge the validity or enforceability of this Agreement or the Cooperative Agreement. This Paragraph shall not be binding on the United States if the United States becomes the Buyer under this Agreement.

- 6.2 Should any of the Conditions Precedent provided in Paragraph 6.1(a)-(g) above fail to occur as of Closing or a Deferred Closing, then Buyer shall have the right, in Buyer's sole and absolute discretion, to reject the Property affected by such failure, reduce the Purchase Price attributable to such parcel in accordance with Paragraph 1.7, and proceed with a closing on the rest of the Property; provided, however, that if more than five percent (5%) of all the Property is affected by failure of the Conditions Precedent as of Closing, then Buyer may, in its sole discretion, terminate this

Agreement upon which both parties shall be released of all obligations under this Agreement with respect to each other, except for matters expressly stated herein as surviving termination of this Agreement, and, upon notice to Escrow Agent, the Earnest Money Deposit shall be returned to Buyer.

- 6.3 Should any of the Conditions Precedent provided in Paragraph 6.1(h) and (i) above fail to timely occur, then either Seller or Buyer shall have the right, in its sole and absolute discretion to terminate this Agreement, upon which both parties shall be released of all obligations under this Agreement with respect to each other, except for matters expressly stated herein as surviving termination of this Agreement, and, upon notice to Escrow Agent, the Earnest Money Deposit shall be returned to Buyer.

7. CLOSING. Buyer and Seller hereby agree that the transaction contemplated by this Agreement shall be consummated as follows:

- 7.1 CLOSING. Except for Deferred Closings, the transaction shall be closed, the deed and other documents delivered and recorded and the Cash to Close disbursed pursuant to this Agreement on December 17, 1998 ("Closing"), unless such date is extended as a result of a curative act (related to a breach or title defect). Buyer shall notify Seller in writing no later than ten (10) days prior to the Closing as to the Designated Transferees to be inserted in the General Warranty Deed(s) or Special Warranty Deeds (as hereinafter defined) for the various portions of the Property and which portions of the Property are to be conveyed directly to Buyer. Except as provided below and in Paragraph 6.1(j), if all Conditions Precedent are otherwise satisfied, Closing shall occur no later than December 31, 1998 (the "Outside Closing Date"). If the Closing has been delayed pursuant to Paragraph 6.1(j) and has not occurred by March 31,

2003, then either party may elect to terminate this Agreement, upon which both parties shall be released of all obligations under this Agreement with respect to each other, except for matters expressly stated herein as surviving termination of this Agreement, and, upon notice to Escrow Agent, the Earnest Money Deposit shall be returned to Buyer. The Closing shall take place at 10:00 a.m. local time in the West Palm Beach, Florida offices of The South Florida Water Management District.

- 7.2 TITLE TRANSFER AND PAYMENT OF PURCHASE PRICE. Seller shall convey to Buyer title to the Real Property by General Warranty Deed(s), subject to the Permitted Exceptions and to all of the Leased Property by assignment(s) of Leases subject to the Reservations, and title to the Real Property Outparcels by Quit Claim Deed. At Closing, the deeds and assignments for conveyance of all of the Property and the Real Property Outparcels, except the Deferred Parcels, shall be recorded and the portion of the Purchase Price allocated pursuant to Paragraph 1.7 for disbursement to Seller for such conveyances (less Seller's prorations and adjustments, funding of the Remediation Escrow Fund and Seller's closing expenses) and for payment of closing expenses for such conveyances, shall be immediately released and paid from escrow upon the Title Company's issuance of an endorsement or mark-up of the Title Binder deleting the Schedule B-1 requirements and the pre-printed exceptions other than the exception for taxes for the year of Closing and for the survey exception in the event Buyer elects not to obtain a survey or, if Buyer elects to obtain a survey, the survey exception shall be modified to include survey matters which are Permitted Exceptions, and agreeing to issue the owner's policy or policies or title insurance subject only to the Permitted Exceptions. The balance of the Cash to Close allocated to the Deferred

Parcels, if any, pursuant to Paragraph 1.7, shall be held by the Escrow Agent in an interest bearing escrow account (which interest shall accrue and be paid to the United States) and disbursed pursuant to the Escrow Agreement.

- 7.3 PRORATIONS, TAXES AND ASSESSMENTS. After Closing and any Deferred Closing, Seller shall continue to pay when due all real and personal property taxes (whether ad valorem or non-ad valorem and including, without limitation, taxes and fees levied by the South Florida Water Management District) as well as all pending, certified, confirmed and ratified special assessment liens levied against the Property together with all other expenses of the Property through the Proration Date, following Termination of the Reservation, in accordance with Paragraph 5.3 above. Taxes shall be prorated based on the tax for the year of Termination of Reservations (except for the Sugar Mill Parcel which shall be the year of completion of Remediation for the Sugar Mill Parcel) with due allowance made for exemptions (if any). If the assessment for the year of Termination of Reservations (or in the case of the Sugar Mill Parcel, the year in which Remediation of the Sugar Mill Parcel is completed) is not available, then taxes will be prorated on the prior year's tax. Any tax proration based on an estimate shall be subsequently readjusted at the request of either party upon receipt of a tax bill.
- 7.4 REAL PROPERTY OPERATING EXPENSES. All Property operating expenses shall be paid by Seller through the Proration Date for that Property. Seller shall pay all utility charges and other operating expenses attributable to the Property (the "Operating Expenses") to and including the Proration Date and Buyer shall pay all utility charges and other operating expenses attributable to the Property after the Proration Date.

Seller shall provide Buyer with a list of all utility services and companies servicing the Property at least thirty (30) business days prior to the date of Termination of Reservations for that Property.

- 7.5 LEASE PAYMENTS AND SECURITY DEPOSITS. All lease payments (including, without limitation, rentals, sales taxes, and real estate taxes, if appropriate) with respect to the Leases, and all expenses pertaining to the Leased Property shall be prorated as of the Proration Date for such Leased Property. All security deposits and advance rent for periods after the Proration Date paid by Seller under the Leases shall be credited to Seller on the Proration Date.
- 7.6 EXCISE, TRANSFER, SALES TAXES AND CLOSING COSTS. The cost of any excise, transfer and sales taxes and all recording fees and documentary stamps and other closing costs imposed with respect to the transaction shall be paid by Seller at Closing.
- 7.7 INSURANCE. Seller shall maintain all insurance coverage for the Property until the Termination of the Reservations in the types and amounts set forth in the Reservation Conditions.

- 7.8 RECIPROCAL REAL ESTATE BROKERAGE INDEMNITIES. Seller agrees to indemnify Buyer and hold Buyer harmless from any loss, liability, damage, cost, or expense (including, without limitation, court costs, and reasonable attorneys fees) paid or incurred by Buyer by reason of any claim to any brokers, finders, agents or other fee in connection with the transaction by any party claiming by, through or under Seller. Buyer agrees to indemnify Seller and hold Seller harmless from any loss, liability, damage, cost or expense (including without limitation, court costs, and reasonable attorneys fees) paid or incurred by Seller by reason of any claim to any brokers, finders, agents or other fee in connection with the transaction by any party claiming by, through or under Buyer. These indemnities shall survive Closing or termination of this Agreement.
- 7.9 CLOSING DOCUMENTS. At the Closing and each Deferred Closing, Seller shall deliver or cause to be delivered to Buyer the following documents:
- 7.9.1 GENERAL WARRANTY DEED. A Statutory General Warranty Deed or Deeds conveying to Buyer or, as the case may be, to Buyer's Representative all of Seller's right, title and interest in and to the Real Property, subject to the Reservations, the Reservation Conditions and Permitted Exceptions ("General Warranty Deed")
- 7.9.2 SPECIAL WARRANTY DEED. A Special Warranty Deed or Deeds conveying to Buyer's Designated Transferees (other than Buyer's Representatives) all of Seller's right, title and interest in and to the Real Property, subject to the Reservations and the Reservation Conditions ("Special Warranty Deed").

- 7.9.3 QUIT CLAIM DEED. A Quit Claim Deed or Deeds conveying to Buyer all of Seller's right, title and interest, if any, in and to the Real Property Outparcels ("Quit Claim Deed").
- 7.9.4 ASSIGNMENT OF LEASES. Seller shall assign the Leases to Buyer by an assignment or assignments, subject to the Reservations, the Reservation Conditions, and Permitted Exceptions.
- 7.9.5 SELLER'S AFFIDAVIT. An affidavit in favor of Buyer and the Title Company sufficient to enable the Title Company to delete from the Title Binder the standard exceptions concerning the rights of parties in possession or for leases, construction liens, taxes, and assessments for years prior to the year of Closing, unrecorded easements other than as shown on the Survey (i.e., matters shown on the Survey which do not render title unmarketable may be Schedule B-II exceptions to the policy or policies issued pursuant to the Title Binder), and the "gap."
- 7.9.6 ASSIGNMENTS OF DOCUMENTS. Seller shall assign to Buyer to the extent assignable and designated by Buyer to be assigned, all of Seller's right, title and interest in and to the Documents (as defined in Paragraph 3.2 above).
- 7.9.7 NON-FOREIGN STATUS AFFIDAVIT. A non-foreign status affidavit as required by Paragraph 1445 of the Internal Revenue Code.
- 7.9.8 BENEFICIAL INTEREST AND DISCLOSURE AFFIDAVIT. A Beneficial Interest and Disclosure Affidavit attached hereto as EXHIBIT K as required by Florida Statute 286.23.

- 7.9.9 SELLER'S CERTIFICATION AS TO LEASES AND UPDATED ESTOPPEL LETTERS AS DESCRIBED IN PARAGRAPH 3.1. A certificate executed by Seller confirming that the estoppel letters furnished to Buyer pursuant to Paragraph 3.1 remain true and correct as of Closing and, with respect to Deferred Parcels, new estoppel letters, updated as of no later than ten (10) days prior to a Deferred Closing Date, as described in Paragraph 3.1 from the lessors under the Leases.
- 7.9.10 CERTIFICATES OF CONSENT. Certificates of Consent, in recordable form, from all of the lessors of the Leases to be assigned to Buyer in this transaction which by their terms require the lessor's consent.
- 7.9.11 CERTIFICATE. Certificate that all of the representations and warranties and covenants made in this Agreement by Seller are still in full force and effect as of the Closing Date.
- 7.9.12 BILL OF SALE. Bill of Sale conveying to Buyer all of Seller's right, title and interest in and to the Personal Property ("Bill of Sale"), subject to the Reservations and Reservation Conditions.
- 7.9.13 OTHER DOCUMENTS. Such other documents or instruments as may be reasonably required by the Buyer or the Title Company to consummate and close the transaction.

- 7.10 OTHER DELIVERIES. At the Closing and each Deferred Closing, the following shall occur:
- 7.10.1 TITLE POLICY. Provided that Seller has complied with the requirements of the Title Binder, The Title Agent shall issue title insurance as agent for the Title Company, and shall cause the Title Company to mark-up the Title Binder, commit to furnish to Buyer and the Designated Transferees (at Seller's sole cost and expense) owner's and leasehold policy or policies of title insurance (collectively, the "Title Policy") consistent with the terms of this Agreement, in the form promulgated by the State Department of Insurance of the State of Florida, issued on the Title Company and insuring Buyer's or the Designated Transferees' title to the applicable parcels of Real Property and the Buyer's leasehold interest in the Leased Property, subject only to the Permitted Exceptions, in the aggregate amount of the Purchase Price. Seller shall pay all premiums and expenses arising from or in connection with the Title Binder, and the Title Policy.
- 7.10.2 EVIDENCE OF AUTHORITY. Seller and Buyer shall deliver to the Title Company such documents as may be reasonably required by the Title Company and the other party's counsel to evidence the capacity of the parties hereto and the authority of the persons executing any documents on behalf of the parties hereto. Seller shall provide an opinion of its counsel as to the matters set forth in Paragraph 8.1(g).
- 7.10.3. OTHER DOCUMENTS. Such other documents as may be reasonably required by the Title Company or as may be agreed upon by Seller and Buyer.

7.11 DEFERRED CLOSING; DESIGNATED TRANSFEREE(S). The foregoing procedures and requirements for closing shall apply to any and all Deferred Closings for the Deferred Parcels; provided, however, all closing documents necessary to convey title to Buyer and the Designated Transferees and the funds necessary to record the General Warranty Deed(s), Special Warranty Deed(s) and Assignments of Lease and to pay all the closing costs imposed with respect to the Deferred Parcels and the Defect Parcels, shall be held in escrow pursuant to the terms of the Escrow Agreement. The Outside Closing Date does not apply to Deferred Closings. References to "Buyer" in this Paragraph 7 shall be construed as also applying to Buyer's Designated Transferees.

8. REPRESENTATIONS AND WARRANTIES.

- 8.1 SELLER. As a material inducement to Buyer entering into this Agreement, Seller represents and warrants to and covenants with Buyer that the following matters are true as of the Effective Date and that they will also be true as of Closing and any Deferred Closing:
- (a) The description of the Property set forth in this Agreement constitutes, to the best knowledge and belief of Seller, all of Seller's real estate interests in Palm Beach and Hendry Counties, Florida, except the Excluded Real Property.
 - (b) Seller is the legal fee simple title holder of the Real Property and has good and marketable title to the Real Property free and clear of all liens, encumbrances, mortgages and security interests, except those which shall be discharged prior to Closing or which are Permitted Exceptions. There shall be

no change in the ownership, operation or control of any party constituting Seller from the Effective Date through the final Termination of Reservations.

- (c) Seller is the Lessee of the Leased Property and all of the Leases are in full force and effect with no defaults by either the Lessee or Lessor upon any of said Leases.
- (d) At Closing, Seller shall not be in default, nor any circumstances exist which would give rise to a default under any of the documents, recorded or unrecorded, referred to in the Title Binder.
- (e) Seller, the Property and the occupancy, use and operation thereof are, in compliance with all applicable federal, state and local governmental laws, ordinances, regulations, licenses, permits, and authorizations, including, without limitation, applicable zoning and environmental laws and regulations and Governmental Approvals.
- (f) There is no pending, or to Seller's knowledge, threatened federal, state or local judicial, county or administrative proceedings affecting the Property or in which Seller is or will be party by reason of either Seller's ownership of the Real Property or any portion thereof, or Seller's interests in the Leased Property or any portion thereof including, without limitation, proceedings for or involving zoning violations, or personal injuries or property damage alleged to have occurred on the Property or by reason of the condition or use of the Property. No attachments, execution proceedings, assignments for the benefit of creditors, insolvency, bankruptcy, reorganization or other proceedings are pending or, to Seller's best knowledge, threatened against

Seller. In the event any proceeding of the character described in this subparagraph is initiated prior to Closing, Seller shall promptly advise Buyer in writing.

- (g) The execution and delivery of this Agreement by the signatories hereto, and all the documents to be delivered by Seller to Buyer at Closing by the signatories thereto, on behalf of Seller, and the performance of this Agreement by Seller have been duly authorized by Seller and Seller's shareholder and this Agreement is binding on Seller and St. Joe and enforceable against Seller and St. Joe in accordance with its terms, conditions and provisions. No consent to such execution, delivery and performance is required from any person, beneficiary, partner, limited partner, shareholder, creditor, investor, judicial or administrative body, governmental authority or other party other than any such consent which already has been unconditionally given. Neither the execution of this Agreement nor the consummation of the transaction contemplated hereby will violate any restriction, court order or agreement to which Seller, St. Joe or the Property is subject.

- (h) As to the condition of the Property:

- (1) For purposes of this Agreement, disposal ("Disposal") shall mean the release, storage, use, handling, discharge, or disposal of Pollutants (as defined in Paragraph 4.1(c)).
- (2) The Seller has obtained and is in compliance with any and all permits regarding the Disposal of Pollutants on the Property.

- (3) The Seller is not aware nor does it have any actual notice of any past or present conditions, activities or practices, or unrecorded instruments which: (i) may give rise to any Environmental Claims and Liabilities on the Property, except as disclosed by the Environmental Concerns Summary for Talisman Sugar Property prepared by Dames & Moore, dated May 13, 1996, and the Phase I and Phase II Environmental Assessment for the Property Known as The Plant, Palm Beach County and Hendry County, Florida, prepared by CRB Geological & Environmental Services, Inc., dated March 25, 1996, and Groundwater Sampling and Analysis Reports for Talisman Sugar Corporation prepared by Professional Service Industries, Inc., dated April 2, 1998, and May 13, 1998; or (ii) otherwise materially impairs use or operation of the Property for agricultural purposes. For purposes of the foregoing subparagraph (ii), a condition shall not be deemed "material" unless the cost to cure exceeds Twenty Five Thousand Dollars (\$25,000.00). Seller will immediately notify Buyer in writing should it obtain any actual notice regarding any such additional activities, practices or conditions upon any portion of the Property.
- (4) There is no civil, criminal or administrative action, suit, claim, demand, investigation, or notice of violation pending or threatened against the Seller relating in any way to the Disposal of Pollutants on the Property which has not been disclosed in writing to Buyer.

- (i) At all times prior to the Termination of the Reservations, Seller shall perform when due all of Seller's obligations in accordance with applicable laws, ordinances, rules and regulations affecting the Property.
- (j) All action required pursuant to this Agreement which is necessary to effectuate the transaction contemplated herein will be taken promptly and in good faith by Seller.
- (k) Seller has delivered to Buyer all information reports, studies and other documents required by this Agreement to be furnished by Seller to Buyer.
- (l) Seller shall promptly notify Buyer of any material change in any condition with respect to the Property or of any event or circumstance which makes any representation or warranty of Seller to Buyer under this Agreement untrue or misleading, or in any covenant of Seller under this Agreement incapable or less likely of being performed, it being understood that the Seller's obligation to provide notice to Buyer under this subparagraph shall in no way relieve Seller of any liability for a breach by Seller or any of its representations, warranties, or covenants under this Agreement.
- (m) Seller has not entered into other agreements for purchase and sale applicable to the Property other than this Agreement.
- (n) All items delivered pursuant to this Agreement which have been prepared by Seller pursuant to this Agreement, are and will be true, correct and complete in all material respects and fairly represent the information set forth therein; no such items omit information necessary to make the information contained therein or herein true and correct.

- (o) Seller warrants that there is legal access, ingress and egress between the Property and public roads.
- (p) Seller represents and warrants that there are no parties other than Seller in occupancy or possession of any part of the Property and no person or entity, except to the interest of one (1) tenant disclosed to Buyer whose tenancy shall be terminated prior to Closing, has any right to occupy, possess or lease any portion of the Real Property or, subject to the interest of lessors, the Leased Property.
- (q) Except as disclosed by the Title Binder and except for Seller's negotiation with the South Florida Water Management District as to a 12.9 acre canal to be used for stormwater water management, Seller hereby represents and warrants that there are no pending applications, permits, petitions, contracts, approvals, or other proceedings with any governmental or quasi-governmental authority, including but not limited to municipalities, counties, districts, utilities, and/or federal or state agencies, concerning the use or operation of, or title to the Property or any portion thereof, and Seller has not granted nor is obligated to grant any interest in the Property to any of the foregoing entities.
- (r) Seller represents and warrants that neither Seller nor any subsidiary of or entity otherwise controlled by Seller is a party to any agreement with laborers, workers, employees, organized labor groups or independent contractors that is binding upon a transferee of any interest in any portion of the Property, whether or not such transferee is or becomes engaged in business activities

on or concerning the Property that are similar to such activities now or hereafter conducted by Seller on or concerning the Property, and that any and every agreement with such third parties shall be terminated not later than the Termination of the Reservations for that portion of the Property affected by any such agreement.

- 8.2 CONTINUING NATURE OF SELLER'S REPRESENTATION AND WARRANTIES. The representations and warranties made in this Agreement by Seller shall be continuing and shall be deemed remade by Seller as of Closing and any Deferred Closing with the same force and effect as if in fact made at that time and shall survive the closing of this transaction. Seller shall be liable to Buyer before and after Closing or any Deferred Closing for any loss, damages, liability, or cost (including but not limited to reasonable attorney's fees and costs) that Buyer incurs directly, indirectly or proximately as a result of any warranty or representation made by Seller in this Agreement not being true and correct as of Closing and any Deferred Closing due to gross negligence or intentional misrepresentations or omission on the part of Seller. Notwithstanding anything to the contrary herein, the effect of the representations and warranties made in this Agreement shall not be diminished or deemed to be waived by any inspections, tests or investigations made by Buyer or Buyer's Representatives. For purposes of these representations and warranties, Seller's knowledge is limited to the actual knowledge of J. Malcolm Jones, Jr., as Senior Vice President, and Miguel Cevera, as General Manager and Vice President, of Talisman Sugar Corporation. Seller represents Miguel Cevera has been a manager of the Property and Personal Property for Seller for a period of approximately thirty (30) years during which pe-

rior he has had a direct supervisory position regarding the Property and activities conducted upon the Property and that J. Malcolm Jones has been the Senior Vice President in charge of operations of Seller for a period of approximately one (1) year.

8.3 BUYER. Buyer represents and warrants to Seller that Buyer has full legal power and authority to enter into this Agreement and the person executing this Agreement on behalf of Buyer has been duly authorized and empowered to execute this Agreement, subject to approval of Buyer's Board of Governors as provided in Paragraph 6.1 (h).

9. DEFAULTS.

9.1 BUYER. In the event Buyer breaches its obligation to close on the purchase of the Property, then Seller's sole remedy shall be to terminate this Agreement by giving notice thereof to Buyer with a copy to Escrow Agent and to receive from the Escrow Agent, as full liquidated damages (the parties hereby agreeing that the actual damages to the Seller in such circumstances will be difficult, if not impossible, to ascertain) the Earnest Money Deposit. Upon such termination and payment by the Escrow Agent, this Agreement shall be deemed null and void and of no force or effect and no party hereto shall have any further rights, obligations or liabilities hereunder.

9.2 SELLER. In the event Seller breaches its obligation to close on the sale of the Property, then Buyer's sole remedies shall be to: (a) seek specific performance of Seller's obligations or (b) terminate this Agreement by giving notice thereof to Seller with a copy to Escrow Agent and to receive from the Escrow Agent the Earnest Money Deposit. Upon such termination and payment by the Escrow Agent, this Agreement shall be deemed null and void and of no force or effect and no party hereto shall have any further rights, obligations or liabilities hereunder. If the Seller breaches Paragraph

8, either before or after Closing, or if the Seller fails or neglects to perform any of the terms, conditions, covenants or provisions of this Agreement after Closing, in addition to any other remedies available at law or equity, the Buyer shall have the right to seek specific performance of Seller's obligations, without thereby waiving any action for damages resulting from Seller's breach.

9.3 DEFAULT NOTICE. In all cases (other than the failure of Buyer to pay the Cash to Close or the failure by Buyer or Seller to execute and deliver the items required to be executed and delivered by same at Closing or a Deferred Closing or the failure of Seller to timely vacate the Property and timely complete its Remediation obligations), each party shall, prior to exercising any remedy for a default hereunder, give the other party and the Escrow Agent advance written notice of the acts or omissions alleged to have constituted a default. The party receiving such default notice shall have a period of thirty (30) days after receipt of such notice to cure the default, if any. If same is not cured within such period, then the parties may exercise any remedies set forth in this Agreement to the extent applicable to the subject act or omission.

10. JURISDICTION AND VENUE. The parties acknowledge that a substantial portion of negotiations and anticipated performance and execution of this Agreement occurred or shall occur in Palm Beach County, Florida, and that, therefore, each of the parties irrevocably and unconditionally (i) agrees that except for a forcible entry and detainer suit or similar suit for possession of the Real Property or the Leased Property, or as required by law to be filed in the appropriate state court in Palm Beach County, Florida or Hendry County, Florida, as determined by the situs of the Real Property or Leased Property out of which the dispute arises, any suit, action, or legal proceeding arising out of or related to this Agreement may be brought in the

courts of record of the State of Florida in Palm Beach County or the court of the United States, Southern District of Florida; (ii) consents to the jurisdiction of each such court in any suit, action or proceeding; and (iii) waives any objection which it may have to the laying of venue of any such suit, action or proceeding in any of such courts. With respect to the United States as a party to any litigation under this Paragraph, nothing shall be construed (a) to establish venue except in accordance with the federal law, or (b) to constitute a waiver of the requirements of federal law that jurisdiction and claims against the United States lies only in federal court.

11. PRESERVATION OF PROPERTY; RISK OF LOSS. Seller assumes all risk of loss or damage to the Property prior to the Closing Date and warrants as a condition of Closing or Deferred Closing, as applicable, that the Property shall be transferred and conveyed to Buyer in the same condition as of the date of Seller's execution of this Agreement, ordinary wear and tear excepted. This covenant expressly precludes any cutting of timber on the Property. However, in the event the condition of the Property is altered by an act of God or other natural force beyond the control of Seller in a manner which has a material adverse affect on Buyer's intended use of the Property, Buyer may elect, at its sole option to terminate this Agreement and receive the refund of the Earnest Money Deposit and neither party shall have any further obligations under this Agreement. In the event Buyer elects not to terminate this Agreement, the Purchase Price shall be reduced by the reduction in appraised value of the Property and any casualty insurance proceeds shall belong to Seller. After Closing, Seller's possession and use of the Property shall be in accordance with the Reservation Conditions.

12. MISCELLANEOUS.

12.1 TIME. Time is of the essence with regard to every term, condition and provision set forth in this Agreement. Time periods shall be calculated in calendar days unless otherwise specified. Time periods herein of less than six (6) days shall in the computation exclude Saturdays, Sundays and state or national legal holidays, and any time period provided for herein which shall end on Saturday, Sunday or a legal holiday shall extended to 5:00 p.m. of the next business day.

12.2 NOTICES. Any notice, request, demand, instruction, or other communications to be given to either party here under (except those required to be delivered at Closing), shall be in writing and shall be deemed to be delivered upon the earlier to occur of (i) actual receipt if delivered by hand or by commercial courier to the address indicated or if faxed with confirmation of receipt, or (ii) the first attempted delivery by registered or certified United States Postal Service mail, return receipt requested, postage prepaid, addressed as follows:

If to Buyer: The Nature Conservancy
 222 S. Westmonte Drive, Suite 300
 Altamonte Springs, FL 32714-4269
 Attention: Robert L. Bendick, Jr.
 Telefax: (407) 682-3077

With a copy to: South Florida Water Management District
 3301 Gun Club Road
 West Palm Beach, Florida 33406
 Attention: Bill Malone
 Telefax: (561) 681-6233

 The Nature Conservancy
 222 S. Westmonte Drive, Suite 300
 Altamonte Springs, FL 32714-4269
 Attention: Regional Attorney
 Telefax: (407) 682-3077

If to Seller: Talisman Sugar Corporation
Suite 400, duPont Center 1650
Prudential Drive
Jacksonville, Florida 32207
Attention: J. Malcolm Jones, Jr.
Senior Vice President
Telefax: (904) 858-5237

With a copy to: The St. Joe Company
Suite 400 duPont Center
1650 Prudential Drive
Jacksonville, Florida 32207
Attention: Robert M. Rhodes, Esquire
General Counsel
Telefax: (904) 858-5237

Mark J. Boulris, P.A.
2730 S.W. Third Avenue
Suite 403
Miami, Florida 33129
Telefax: (305) 858-4266

If to Escrow Agent: Chicago Title Insurance Company
2701 Gateway Drive
Pompano Beach, Florida 33609
Attention: James W. Harvey III
Telefax: (954) 971-2050

The addresses for the purpose of this Paragraph may be changed by either party by giving written notice of such change to the other party in the manner provided herein.

- 12.3 ATTORNEY'S FEES. In the event it becomes necessary for either Buyer or Seller to file a suit to enforce this Agreement or any provisions contained herein, the prevailing party in such suit shall be entitled to recover, in addition to all other remedies set forth herein, reasonable attorney's fees, and costs of court incurred in connection with such suit including all appeals.

- 12.4 ENTIRE AGREEMENT AND MODIFICATION. This Agreement constitutes the entire agreement between Buyer and Seller and supersedes all prior agreements and understandings (if any) relating to the subject matter hereof, including, without limitation, the Agreement in Concept dated December 6, 1997. This Agreement cannot be amended, modified or altered except by an agreement in writing executed by both Buyer and Seller.
- 12.5 BINDING EFFECT. This Agreement shall be binding upon and shall insure to the benefit of the parties hereto, and their respective successors, permitted assigns and legal representatives.
- 12.6 ASSIGNMENT. The rights and privileges granted by this Agreement are not assignable except as specifically provided in this Paragraph 12.6. Buyer may only assign its rights and privileges granted by this Agreement to Buyer's Representatives or a successor not-for-profit organization and may assign its rights to acquire portions of the Property to Designated Transferees as provided in Paragraph 2.3. Seller may assign its Reservations, in whole or in part, without Buyer's approval; provided, however, any such assignment shall be subject to the Reservation Conditions.
- 12.7 HEADINGS. Paragraph headings are for convenience of reference only and shall in no way affect the interpretation of this Agreement.
- 12.8 GOVERNING LAW. The substantive laws of the State of Florida, and the laws and standards of the United States of America, shall govern the validity, construction, performance, enforcement and interpretation of this Agreement.
- 12.9 FULL EXECUTION. This Agreement shall be deemed fully executed and binding upon Buyer and Seller when both Buyer and Seller have executed this Agreement as set

forth below and are in possession of the original, a photocopy or faxed copy of the fully executed Agreement. Escrow Agent's execution of this Agreement shall not be required for full execution of this Agreement, but shall merely evidence acceptance by Escrow Agent of the provisions relating to the Escrow Agent set forth in this Agreement.

- 12.10 RADON DISCLOSURE. In accordance with Florida law, the following disclosure is hereby made: RADON GAS: Radon is a naturally occurring radioactive gas that, when it has accumulated in a building in sufficient quantities, may present health risk to persons who are exposed to it over time. Levels of radon that exceed federal and state guidelines have been found in buildings in Florida. Additional information regarding radon and radon testing may be obtained from your county public health unit.
- 12.11 ESCROW AGENT. Unless otherwise agreed by the parties, the "Escrow Agent" shall act as such for the convenience of the parties without fee or other charges for such services as Escrow Agent and pursuant to the following terms. The Escrow Agent shall not be liable to any party or person for misdelivery to Buyer or Seller or items subject to this Escrow, unless such misdelivery is due to willful breach of this Agreement or gross negligence of Escrow Agent. In the event that competing demands are made on Escrow Agent for the disposition of the Earnest Deposit (or so much thereof as may be paid by Buyer), the Escrow Agent shall give written notice to the Seller and the Buyer advising that, in the absence of written instructions, signed by both Seller and Buyer received within the next ten (10) days, Escrow Agent shall interplead the Earnest Money Deposit by filing an interpleader action in a court permitted by this Agreement (to the jurisdiction of which both parties do

hereby consent). If Escrow Agent receives the aforesaid written instruction, it shall continue to hold the paid portion of the Earnest Money Deposit pursuant to such written instruction. If Escrow Agent does not receive the aforesaid written instruction, it shall pay in to the registry of the court the paid portion of the Earnest Money Deposit including all interest earned thereon, whereupon such Escrow Agent shall be relieved and released from any further liability as Escrow Agent hereunder. No Earnest Money Deposit shall be disbursed, except at Closing, without five (5) days' prior written notice from Escrow Agent to both parties.

- 12.12 SEVERABILITY. If any provision of this Agreement or any other Agreement entered into pursuant hereto is contrary to, prohibited by or deemed invalid under applicable law or regulation, such provision shall be inapplicable and deemed omitted to the extent as contrary, prohibited or invalid, but the remainder hereof shall not be invalidated thereby and shall be given full force and effect so far as possible. If any provision of this Agreement may be construed in two or more ways, one of which would render the provision invalid or otherwise voidable or unenforceable and another of which would render the provision valid and enforceable, such provision shall have the meaning which renders it valid and enforceable.
- 12.13 THIRD PARTIES. Unless expressly stated herein to the contrary nothing in this Agreement, whether express or implied, is intended to confer any rights or remedies under or by reason of this Agreement on any person other than the parties hereto and their respective legal representatives, successors and permitted assigns. Nothing in this Agreement is intended to relieve or discharge the obligation or liability of any third

persons to any party to this Agreement, not shall any provision give any this persons any right of subrogation or action over or against any party to this Agreement.

- 12.14 COUNTERPARTS. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. A photocopy or facsimile copy of this Agreement and any signature hereon shall be considered for all purposes as originals.
- 12.15 WAIVER. Failure of Buyer to insist upon strict performance of any covenant or condition of this Agreement, or to exercise any right herein contained, shall not be construed as a waiver or relinquishment for the future enforcement of any such covenant, condition or right; but the same shall remain in full force and effect.
- 12.16 CONSTRUCTION. The parties acknowledge that they have had equal bargaining strength, and that any rule of construction to the effect that ambiguities are to be resolved against one party or the other shall not apply in the interpretation of this Agreement.
- 12.17 RECORDATION. A memorandum of this Agreement shall be recorded at Closing in the Public Records of Palm Beach and Hendry counties ("Memorandum"). Said Memorandum shall be indexed in the grantor index both counties under all names in which title to the Property may be held.
- 12.18 FURTHER ASSURANCES; ADDITIONAL DOCUMENTS. In the event that it is ever asserted, claimed or held that Seller has any remaining interests in the Property or Personal Property or has any remaining real estate interests in Palm Beach or Hendry Counties, Florida, other than the Excluded Real Property, and the Excluded Property.

Seller agrees to execute any and all documents necessary to convey such right, title or interest to Buyer or Buyer's Designated Transferees.

- 12.19 SURVIVAL. All express representations, warranties and indemnifications in this Agreement, as well as all obligations that, by their terms, may or must be performed after a closing, shall survive the Closing, Deferred Closings and Termination of the Reservations.
- 12.20 TAX DEFERRED EXCHANGE. Buyer and Seller hereby acknowledge that it is the intention of Seller that the transaction contemplated by this Agreement qualify as a tax-free exchange within the meaning of Section 1031 of the Internal Revenue Code of 1986, as amended from time to time. Buyer agrees to assist and cooperate with Seller in effectuating such tax-free exchange, provided however, Seller hereby agrees that (a) Seller shall pay directly for any additional expense caused to the Buyer as a result of actions taken by Buyer for the purpose of facilitating such exchange, and (b) the Buyer's agreement to facilitate such exchange will not require it to take title to any property other than the Property.

IN WITNESS WHEREOF, this Agreement has been executed by the parties hereto in multiple counterparts and is effective as of the date of Seller's execution hereof as set forth below.

SELLER:

TALISMAN SUGAR CORPORATION, a Florida corporation

Witness: -----
By: -----
Name: J. Malcolm Jones, Jr.
As its: Senior Vice President
Date of Execution: -----

BUYER:

THE NATURE CONSERVANCY, a District of Columbia non-profit corporation

Witness: -----
By: -----
Name: Mike Dennis
As its: Vice President
Date of Execution: -----

The undersigned joins in this Agreement for the sole purpose of confirming that it will fund the Purchase Price in accordance with this Agreement upon execution of a Cooperative Agreement with Buyer that provides for such funding.

Nothing in the preceding sentence shall be used by any Party to either this Agreement or the Cooperative Agreement to create, enhance or limit a cause of action or remedy at law or equity.

THE UNITED STATES DEPARTMENT OF THE INTERIOR

Witness: -----

By: -----

Name: Curtis Bohlen
Its: Duly Authorized Principal
Negotiator
Date of Execution: -----

The undersigned joins in this Agreement to absolutely, continuously, irrevocably, and unconditionally guaranty Seller's payment and performance, and not a guaranty of collection, under this Agreement. No set-off, counterclaim, recoupment, reduction, or diminution of any obligation, or any defense of any kind or nature which Seller may have against Buyer or any other party, or which St. Joe may have against Seller, Buyer, or any other party, shall be available to, or shall be asserted by, St. Joe against Buyer or any subsequent beneficiary of this guaranty. If acceleration of the time for payment by Seller of all or any portion of Seller's obligations under this Agreement is stayed upon the insolvency, bankruptcy, or reorganization of Seller, such obligations shall nonetheless be payable by St. Joe hereunder forthwith on demand by Buyer.

THE ST. JOE COMPANY

Witness: -----

By: -----

Name: Robert M. Rhodes
As Its: Senior Vice President and
General Counsel
Date of Execution: -----

Witness: -----

The undersigned hereby executes this Agreement for the following sole and limited purposes to: (i) acknowledge receipt of the Earnest Money Deposit and a copy of this Agreement; and (ii) evidence its agreement to hold in trust and/or disburse the Earnest Money Deposit in accordance with the terms of this Agreement.

ESCROW AGENT:

By: _____
Name: _____
As its: _____
Date: _____

EXHIBIT LIST
[To Be Revised]

Exhibit A	Real Property
Exhibit B	Real Property Outparcels
Exhibit C	Leases
Exhibit D	Map of Real Property and Leased Property
Exhibit E	Excluded Real Property
Exhibit F	Sugar Mill Parcel
Exhibit G	Estoppel Letters
Exhibit H	Seller's Certificate
Exhibit I	Title Insurance Policy
Exhibit J	Reservation Conditions
Exhibit K	Beneficial Interest and Disclosure Affidavit

\$65,000,000

CREDIT AGREEMENT

AMONG

ST. JOE CAPITAL I, INC.

THE BANKS NAMED HEREIN

AND

BANKERS TRUST COMPANY,
AS AGENT

Dated as of March 9, 1999

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CREDIT AGREEMENT

This CREDIT AGREEMENT dated as of March 9, 1999 (as amended, supplemented or otherwise modified from time to time, this "Credit Agreement"), is by and among ST. JOE CAPITAL I, INC., a Delaware corporation (the "Borrower"), BANKERS TRUST COMPANY ("BTCO") and any other financial institution which may become a lender hereunder (each a "Bank" and, collectively, the "Banks") and BANKERS TRUST COMPANY, acting in the manner and to the extent described in Article X (in such capacity, the "Agent").

R E C I T A L S

WHEREAS, the Borrower has requested certain extensions of credit from the Banks and the Banks are willing to make such extensions only on the terms and conditions set forth below;

A G R E E M E N T

NOW, THEREFORE, in consideration of the premises and agreements, provisions and covenants herein contained, the Borrower, the Banks and the Agent agree as follows:

ARTICLE I

DEFINITIONS AND PRINCIPLES OF CONSTRUCTION

1.1 DEFINED TERMS.

As used in this Agreement, the following terms shall have the following meanings (such meanings to be equally applicable to both the singular and plural forms of the terms defined):

"Adjusted LIBOR Rate" shall mean, on any particular Interest Rate Determination Date, the rate determined by dividing (i) the per annum rate of interest equal to the offered rates for deposits in Dollars for the applicable Interest Period which appear on Dow Jones Page 3750 or other similar system as of approximately 11:00 A.M. (London time) on such Interest Rate Determination Date, except as provided below, by (ii) an amount equal to one minus the stated maximum rate (expressed as a decimal) of all reserve requirements (including any marginal, emergency, supplemental, special or other reserves) that is specified on the first day of such Interest Period by the Board of Governors of the Federal Reserve System (or any successor agency) for determining the maximum reserve requirement with respect to eurocurrency funding (currently referred to as "Eurocurrency liabilities" in Regulation D of such Board) maintained by a member bank of such System. If more than one offered rate appears on Dow Jones Page 3750 or

similar system, the rate in respect of the applicable Interest Rate Determination Date will be the arithmetic mean of such offered rates. Each determination by the Agent of the Adjusted LIBOR Rate shall be conclusive and binding on the Borrower in the absence of manifest error on the part of the Agent.

"Affiliate" shall mean, with respect to any Person, any other Person (other than an individual) directly or indirectly controlling, controlled by, or under direct or indirect common control with, such Person; provided, however, that for purposes of subsection 8.6, an Affiliate of the Borrower shall include any Person (including an individual) that directly or indirectly owns more than 5% of the Borrower and any officer or director of the Borrower or any such Person. A Person shall be deemed to control another Person if such Person possesses, directly or indirectly, the power to direct or cause the direction of the management and policies of such other Person, whether through the ownership of voting securities, by contract or otherwise.

"Agent" shall have the meaning provided in the first paragraph of this Agreement and shall include any successor to the Agent appointed pursuant to subsection 10.9.

"Agreement" shall mean this Credit Agreement, as amended, supplemented or otherwise modified from time to time.

"Bank" shall mean each of BTCo and its successors and assignees pursuant to subsection 11.4.

"Bankruptcy Code" shall have the meaning provided in subsection 9.5.

"Base Rate" shall mean, at any time, the higher of (i) the Prime Lending Rate and (ii) the rate which is 1/2 of 1% in excess of the Federal Funds Effective Rate.

"Base Rate Loans" shall mean Loans bearing interest at rates determined by reference to the Base Rate as provided in subsection 2.3(a).

"Borrower" shall have the meaning provided in the first paragraph of this Agreement.

"BTCo" shall have the meaning provided in the first paragraph of this Agreement.

"Business Day" shall mean (i) for all purposes other than as covered by clause (ii) below, any day except Saturday, Sunday and any day which shall be in New York City a legal holiday or a day on which banking institutions are authorized or required by law or other government action to close, and (ii) with respect to all notices, determinations, fundings and payments in connection with the Adjusted LIBOR Rate or any LIBOR Rate Loans, any day that is a Business Day described in clause (i) above and

that is also a day for trading by and between banks in Dollar deposits in the London interbank market.

"Certificate of Exemption" shall have the meaning assigned to that term in subsection 2.6.

"Closing Date" shall mean the initial date on or before March 9, 1999 on which all of the conditions to the effectiveness of this Agreement set forth in subsection 5.1 are satisfied or waived.

"Code" shall mean the Internal Revenue Code of 1986, as amended from time to time.

"Collar Collateral" shall have the meaning set forth in the Pledge and Security Agreement.

"Collar Documents" shall mean, collectively, the Master Agreement and the Confirmations, as any of the same may from time to time be amended, supplemented or otherwise modified to the extent permitted under subsection 8.6.

"Collar Event of Default" shall mean an "Event of Default," a "Termination Event" or an "Additional Termination Event" (as such terms are defined in the Collar Documents).

"Collar Transactions" shall mean the put and call option(s) evidenced by the Confirmations, forming a part of the Collar Documents.

"Collar Value" shall mean on any day the amount (which shall be expressed as a negative number), if any, estimated by the Agent in good faith and in a commercially reasonable manner consistent with customary industry practice, which would be payable by the Borrower to BTCo under the Collar Documents, if the Collar Transactions then in effect were terminated as of such date, as the result of a Collar Event of Default with respect to the Borrower, and a payment was due to BTCo under the Collar Documents, or, if no such amount would be payable by the Borrower, the amount (which shall be expressed as a positive number), if any, estimated by the Agent in good faith and in a commercially reasonable manner consistent with customary industry practice, which would be payable by BTCo to the Borrower under the Collar Documents, if the Collar Transactions then in effect were terminated as of such date, as the result of a Collar Event of Default with respect to the Borrower, and a payment was due to the Borrower under the Collar Documents. The Agent may rely, in the absence of manifest error, on valuations provided by the calculation agent under the Collar Documents in determining Collar Value.

"Collateral" shall mean, collectively, all of the property (including capital stock) in which Liens are purported to be granted pursuant to the Pledge and Security Agreement as security for the Obligations.

"Commitment" or "Commitments" shall mean the commitment or commitments of a Bank or the Banks to make Loans as set forth in subsection 2.1(a).

"Confirmations" shall mean the equity option transactions under the Master Agreement evidenced by the confirmations identified on Schedule II annexed to the Pledge and Security Agreement.

"Contingent Obligation" shall mean, as to any Person, (A) any obligation of such Person guaranteeing or intended to guarantee any Indebtedness, leases, dividends or other obligations ("primary obligations") of any other Person (the "primary obligor") in any manner, whether directly or indirectly, including, without limitation, any obligation of such Person, whether or not contingent, (i) to purchase any such primary obligation or any property constituting direct or indirect security therefor, (ii) to advance or supply funds (x) for the purchase or payment of any such primary obligation or (y) to maintain working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor, (iii) to purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation or (iv) otherwise to assure or hold harmless the holder of such primary obligation against loss in respect thereof; provided, however, that the term Contingent Obligation shall not include endorsements of instruments for deposit or collection in the ordinary course of business; and (B) any obligations of such Person under any Interest Rate Agreement or any future, swap, currency contract, forward contract or financial derivative. The amount of any Contingent Obligation shall be deemed to be an amount equal to the stated or determinable amount of the primary obligation in respect of which such Contingent Obligation is made or, if not stated or determinable, the maximum reasonably anticipated liability in respect thereof (assuming such Person is required to perform thereunder) as determined by such Person in good faith.

"Credit Documents" shall mean this Agreement, each Note and the Pledge and Security Agreement.

"Credit Parties" shall mean the Borrower and each other Person (other than the Agent or any Bank) party to any Credit Document.

"Credit Parties" shall mean the Borrower and each other Person (other than the Agent or any Bank) party to any Credit Document.

"Dollars" and "\$" shall mean the lawful money of the United States of America.

"ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended from time to time. Section references to ERISA are to ERISA, as in effect at the date of this Agreement, and to any subsequent provisions of ERISA, amendatory thereof, supplemental thereto or substituted therefor.

"ERISA Affiliate" shall mean any person (as defined in Section 3(9) of ERISA) which together with the Borrower would be a member of the same "controlled group" within the meaning of Section 414(b), (m), (c) and (o) of the Code.

"Event of Default" shall have the meaning provided in Article IX.

"Federal Funds Effective Rate" shall mean, for any period, a fluctuating interest rate equal for each day during such period to the weighted average of the rates on overnight Federal funds transactions with the members of the Federal Reserve System arranged by Federal funds brokers, as published for such day (or, if such day is not a Business Day, for the next preceding Business Day) by the Federal Reserve Bank of New York, or, if such rate is not so published for any day which is a Business Day, the average of the quotations for such day on such transactions received by the Agent from three Federal funds brokers of recognized standing selected by the Agent.

"Fees" shall mean all amounts payable pursuant to or referred to in subsection 3.1.

"Foreign Bank" shall have the meaning assigned to that term in subsection 2.6.

"Funding Date" shall mean the date of the funding of a Loan.

"Government Acts" shall have the meaning assigned to such term in subsection 2.7(h).

"Indebtedness" shall mean, as to any Person, without duplication, (i) all indebtedness (including principal, fees and charges) of such Person for borrowed money or for the deferred purchase price of property or services, (ii) the undrawn amount of or unreimbursed amount under all letters of credit issued for the account of such Person and all drafts drawn thereunder, (iii) all liabilities secured by any Lien on any property owned by such Person, whether or not such liabilities have been assumed by such Person, (iv) the aggregate amount required to be capitalized under generally accepted accounting principles under leases under which such Person is the lessee and (v) all Contingent Obligations of such Person.

"Interest Payment Date" means (i) with respect to any Base Rate Loan, the last day of each calendar month, commencing on the first such date to occur after the Closing Date, and (ii) with respect to any LIBOR Rate Loan, the last day of each Interest Period applicable to such Loan; provided that in the case of each Interest Period of longer than three months "Interest Payment Date" shall also include the date that is three months, or an integral multiple thereof, after the commencement of such Interest Period.

"Interest Period" has the meaning assigned to that term in subsection 2.3(b).

"Interest Rate Agreement" shall mean any interest rate swap agreement, interest rate cap agreement or other similar agreement or arrangement designed to protect the Borrower against fluctuations in interest rates hereunder.

"Interest Rate Determination Date" means, with respect to any Interest Period, the second Business Day prior to the first day of such Interest Period.

"Lending Office" shall mean, with respect to each Bank, the office of such Bank specified opposite its signature below as its lending office or such other office, Subsidiary or Affiliate of such Bank as such Bank may from time to time specify as such to the Borrower and the Agent.

"Letter of Non-Exemption" shall have the meaning assigned to that term in subsection 2.6.

"LIBOR Rate Loans" shall mean Loans bearing interest at rates determined by reference to the Adjusted LIBOR Rate as provided in subsection 2.3(a).

"Lien" shall mean any mortgage, pledge, hypothecation, assignment, deposit arrangement, encumbrance, lien (statutory or other), preference, priority or other security agreement of any kind or nature whatsoever (including, without limitation, any conditional sale or other title retention agreement, any financing or similar statement or notice filed under the UCC or any other similar recording or notice statute, any agreement to give any security interest and any lease having substantially the same effect as any of the foregoing).

"Loans" shall mean the Loans made by the Banks on or after the Closing Date pursuant to subsection 2.1(a).

"Loan to Collateral Value Ratio" shall mean, as of any date of determination, the ratio of (x) the sum of (1) 50% of the Market Value of the Collateral consisting of Margin Stock plus (2) the fair market value of all other Collateral to (y) the principal amount of all outstanding Loans on such date; provided that for purposes of this definition, the Market Value and fair market value of any equity securities or debt obligations of Parent held by the Borrower shall be zero.

"Margin Stock" shall have the meaning provided in Regulation U of the Board of Governors of the Federal Reserve System.

"Market Value" shall mean the value calculated on the basis of the closing price per share or other unit of the Collateral being valued as reported in The Wall Street Journal or the last sale price as reported on the securities exchange or other market where the unit of Collateral being valued is primarily traded.

"Master Agreement" shall mean the ISDA Master Agreement, dated as of June 15, 1998, and any Schedules and Annexes thereto, between BTCO and the Borrower (BT Master Agreement No. 1N866).

"Net Worth" shall mean the excess of assets over liabilities based upon the fair market value of such assets and liabilities, it being assumed that the value of the Collar Transactions shall be the Collar Value.

"Notes" shall mean the promissory notes of the Borrower issued in favor of the Banks pursuant to subsection 2.2 to evidence the Loans, substantially in the form of Exhibit B annexed hereto.

"Notice of Borrowing" shall mean a notice substantially in the form of Exhibit A annexed hereto with respect to a proposed borrowing.

"Notice of Conversion/Continuation" shall mean a notice substantially in the form of Exhibit B annexed hereto with respect to a proposed conversion or continuation of the applicable basis for determining the interest rate with respect to the Loans specified therein.

"Notice Office" shall mean the office of the Agent located at One Bankers Trust Plaza, 14th Floor, New York, New York 10006, or such other office as the Agent may hereafter designate in writing as such to the other parties hereto.

"Obligations" shall mean all amounts owing to the Agent or any Bank pursuant to the terms of this Agreement or any other Credit Document.

"Parent" shall mean The St. Joe Company, a Florida corporation.

"Payment Office" shall mean the office of the Agent located at One Bankers Trust Plaza, New York, New York 10006, Attention: Commercial Loan Division Ref: St. Joe Capital I, Inc., or such other office as the Agent may hereafter designate in writing as such to the other parties hereto.

"PBGC" shall mean the Pension Benefit Guaranty Corporation established pursuant to Section 4002 of ERISA or any successor thereto.

"Person" shall mean any individual, partnership, joint venture, firm, corporation, association, trust or other enterprise or any government or political subdivision or any agency, department or instrumentality thereof.

"Plan" shall mean any multiemployer plan or single-employer plan as defined in Section 4001 of ERISA, which is maintained or contributed to, or at any time during the five calendar years preceding the date of this Agreement was maintained or contributed to, by the Borrower or by an ERISA Affiliate.

"Pledge and Security Agreement" shall mean that certain Pledge and Security Agreement dated the Closing Date between the Agent and the Borrower, in substantially the form of Exhibit D annexed hereto, as such agreement may thereafter be amended, supplemented or otherwise modified from time to time.

"Prime Lending Rate" shall mean the rate which BTO announces from time to time as its prime lending rate, and the Prime Lending Rate shall change when and as such prime lending rate changes. The Prime Lending Rate is a reference rate and does not necessarily represent the lowest or best rate actually charged to any customer. BTO may make commercial loans or other loans at rates of interest at, above or below the Prime Lending Rate.

"Pro Rata Share" shall mean, with respect to each Bank, the percentage designated as such Bank's Pro Rata Share set forth opposite the name of such Bank on Schedule I; provided that Schedule I shall be amended and the Banks' Pro Rata Shares shall be adjusted from time to time to give effect to the addition of any new Banks and any reallocations among existing Banks necessary to reflect assignments pursuant to subsection 11.4. The sum of the Pro Rata Shares of all Banks at any date of determination shall equal 100%.

"Required Banks" shall mean, at any time, the Banks holding 51% or more of the aggregate Commitments (or, if the Commitments have been terminated, the aggregate unpaid principal amount of the Loans).

"Subsidiary" shall mean, as to any Person, (i) any corporation more than 50% of whose stock of any class or classes having by the terms thereof ordinary voting power to elect a majority of the directors of such corporation (irrespective of whether or not at the time stock of any class or classes of such corporation shall have or might have voting power by reason of the happening of any contingency) is at the time owned by such Person and/or one or more Subsidiaries of such Person and (ii) any partnership, association, joint venture or other entity in which such Person and/or one or more Subsidiaries of such Person has more than a 50% equity interest at the time.

"Termination Date" shall mean the earlier of (a) January 14, 2000 and (b) the date upon which the Commitments are terminated pursuant to subsection 4.1, 4.6 or 9.

"UCC" shall mean the Uniform Commercial Code as from time to time in effect in the relevant jurisdiction.

"Unfunded Current Liability" shall mean, as to any Plan, the amount, if any, by which the present value of the accrued benefits under such Plan as of the close of its most recent plan year determined in accordance with Section 412 of the Code exceeds the fair market value of the assets allocable thereto.

"Wholly-Owned Subsidiary" shall mean, as to any Person, (i) any corporation 100% of whose capital stock is at the time owned by such Person and/or one or more Wholly-Owned Subsidiaries of such Person and (ii) any partnership, association, joint venture or other entity in which such Person and/or one or more Wholly-Owned Subsidiaries of such Person has a 100% equity interest at such time.

1.2 PRINCIPLES OF CONSTRUCTION.

(A) All references to sections, schedules and exhibits are to sections, schedules and exhibits in or to this Agreement unless otherwise specified. The words "hereof," "herein" and "hereunder" and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement.

(B) All accounting terms not specifically defined herein shall be construed in accordance with generally accepted accounting principles in conformity with those used in the preparation of the financial statements referred to in subsection 6.5.

ARTICLE II AMOUNT AND TERMS OF CREDIT

2.1 THE LOANS.

(A) LOANS. Subject to the terms and conditions of this Agreement and in reliance upon the representations and warranties of the Borrower set forth herein, each Bank hereby severally agrees, subject to the limitations set forth below with respect to the maximum amount of Loans permitted to be outstanding from time to time, to make Loans to the Borrower in an amount not exceeding its Pro Rata Share of the aggregate Commitments (as defined below) for the purposes identified in subsection 2.5. Each Bank's commitment to make Loans to the Borrower pursuant to this subsection 2.1(a) is hereby called its "Commitment" and such commitments of all Banks in the aggregate are herein called the "Commitments". The initial amount of each Bank's Commitment is set forth in Schedule I annexed hereto and the aggregate initial amount of all Commitments is \$65,000,000. The amount of the Commitments shall be reduced by the amount of all reductions thereof required or otherwise made pursuant to subsections 4.1 and 4.6 through the date of determination. In no event shall the aggregate principal amount of the Loans from any Bank outstanding at any time exceed the amount of its Commitment then in effect. Each Bank's Commitment shall expire on the Termination Date and all Loans and all other amounts owed hereunder with respect to the Loans, the Commitments, or otherwise shall be paid in full no later than that date.

All Loans under this Agreement shall be made by the Banks simultaneously and proportionately to their respective Pro Rata Shares, it being understood that no Bank shall be responsible for any default by any other Bank in that other Bank's obligation to make Loans hereunder nor shall the Commitment of any Bank be increased or decreased as a result of the default by any other Bank in that other Bank's

obligation to make Loans hereunder. Amounts borrowed by the Borrower under this subsection 2.1(a) may be repaid and, through but excluding the Termination Date, reborrowed.

(B) NOTICE OF BORROWING. Subject to subsection 2.1(a), whenever the Borrower desires to borrow Loans under this subsection 2.1, it shall deliver to the Agent a Notice of Borrowing no later than 10:00 A.M. (New York time) at least three Business Days in advance of the proposed Funding Date in the case of a LIBOR Rate Loan or at least one Business Day in advance of the proposed Funding Date in the case of a Base Rate Loan. The Notice of Borrowing shall specify (a) the proposed Funding Date (which shall be a Business Day), (b) the amount of the proposed borrowing, (c) whether such Loans shall be Base Rate Loans or LIBOR Rate Loans, (d) in the case of any Loans requested to be made as LIBOR Rate Loans, the initial Interest Period therefor, (e) the proposed use of proceeds and (f) that the aggregate principal amount of outstanding Loans (after giving effect to the Loans then requested) will not exceed the Commitments then in effect. Loans shall be made in an aggregate minimum amount of \$500,000 and integral multiples of \$100,000 in excess of that amount. In lieu of delivering the above-described Notice of Borrowing, the Borrower may give the Agent telephonic notice by the required time of any proposed borrowing of Loans under this subsection 2.1; provided that such notice shall be promptly confirmed in writing by delivery of a Notice of Borrowing to the Agent on or prior to the Funding Date of the requested Loans.

Neither the Agent nor any Bank shall incur any liability to the Borrower in acting upon any telephonic notice referred to above that Agent believes in good faith to have been given by a duly authorized officer or other person authorized to borrow on behalf of the Borrower or for otherwise acting in good faith under this subsection 2.1, and upon funding of Loans by the Banks in accordance with this Agreement pursuant to any such telephonic notice, the Borrower shall have effected Loans hereunder.

Except as otherwise provided in subsections 2.7(b), 2.7(c) and 2.7(f), a Notice of Borrowing for a LIBOR Rate Loan (or telephonic notice in lieu thereof) shall be irrevocable on and after the related Interest Rate Determination Date, and the Borrower shall be bound to make a borrowing in accordance therewith.

(C) DISBURSEMENT OF FUNDS. Promptly after receipt of a Notice of Borrowing related to a Loan pursuant to subsection 2.1(b) (or telephonic notice thereof), the Agent shall notify each Bank of the proposed borrowing. Each Bank shall make the amount of its Loan available to the Agent, in same day funds, at its Payment Office not later than 1:00 P.M. (New York time) on the Funding Date. Upon satisfaction or waiver of the conditions precedent specified in Article V, as applicable, the Agent shall make the proceeds of such Loans available to the Borrower on such Funding Date by causing an amount of same day funds equal to the proceeds of all such Loans received by the Agent to be credited to the account of the Borrower at such office of the Agent.

Unless the Agent shall have been notified by any Bank in writing prior to any Funding Date in respect of any Loans that such Bank does not intend to make

available to the Agent such Bank's Loan on such Funding Date (which such notice, if so received by the Agent, shall promptly be communicated to the Borrower), the Agent may assume that such Bank has made such amount available to the Agent on such Funding Date and the Agent in its sole discretion may, but shall not be obligated to, make available to the Borrower a corresponding amount on such Funding Date. If such corresponding amount is not in fact made available to the Agent by such Bank, the Agent shall be entitled to recover such corresponding amount on demand from such Bank together with interest thereon, for each day from such Funding Date until the date such amount is paid to the Agent, at the customary rate set by the Agent for the correction of errors among banks for three Business Days and thereafter at the Base Rate. If such Bank does not pay such corresponding amount forthwith upon the Agent's demand therefor, the Agent shall promptly notify the Borrower, and the Borrower shall immediately pay such corresponding amount to the Agent. Nothing in this subsection 2.1(c) shall be deemed to relieve any Bank from its obligation to fulfill its Commitment hereunder or to prejudice any rights that the Borrower may have against any Bank as a result of any default by such Bank hereunder.

2.2 NOTES.

The Borrower shall execute and deliver to each Bank (or to the Agent for that Bank) on the Closing Date a Note substantially in the form of Exhibit C annexed hereto to evidence that Bank's Loans, in the principal amount of that Bank's Commitment and with other appropriate insertions. Each Bank will note on its internal records the amount of each Loan made by it and each payment in respect thereof and will prior to any transfer of any of its Notes endorse on the reverse side thereof the outstanding principal amount of the Loans evidenced thereby. Failure to make any such notation shall not affect the Borrower's obligations in respect of such Loans.

2.3 INTEREST ON THE LOANS.

(A) RATE OF INTEREST. Subject to the provisions of subsections 2.4 and 2.7, each Loan shall bear interest on the unpaid principal amount thereof from the date made until paid in full (whether by acceleration or otherwise) at a rate determined by reference to the Base Rate or the Adjusted LIBOR Rate, as the case may be. The applicable basis for determining the rate of interest with respect to any Loan shall be selected by the Borrower initially at the time a Notice of Borrowing is given with respect to such Loan pursuant to subsection 2.1(b), and the basis for determining the interest rate with respect to any Loan may be changed from time to time pursuant to subsection 2.3(c). If on any day a Loan is outstanding with respect to which notice has not been delivered to the Agent in accordance with the terms of this Agreement specifying the applicable basis for determining the rate of interest, then for that day that Loan shall bear interest determined by reference to the Base Rate.

Subject to the provisions of subsections 2.3(c) and 2.4, the Loans shall bear interest until paid in full as follows:

(i) if a Base Rate Loan, then at the Base Rate per annum; or

(ii) if a LIBOR Rate Loan, then at the sum of the Adjusted LIBOR Rate plus .50% per annum.

(B) INTEREST PERIODS. In connection with each LIBOR Rate Loan, the Borrower may, pursuant to the applicable Notice of Borrowing or Notice of Conversion/Continuation, as the case may be, select an interest period (each an "Interest Period") to be applicable to such Loan, which Interest Period shall be, at the Borrower's option, either a one, two, three or six month period; provided that:

(i) the initial Interest Period for any LIBOR Rate Loan shall commence on the Funding Date in respect of such Loan, in the case of a Loan initially made as a LIBOR Rate Loan, or on the date specified in the applicable Notice of Conversion/Continuation, in the case of a Loan converted to a LIBOR Rate Loan;

(ii) in the case of immediately successive Interest Periods applicable to a LIBOR Rate Loan continued as such pursuant to a Notice of Conversion/Continuation, each successive Interest Period shall commence on the day on which the next preceding Interest Period expires;

(iii) if an Interest Period would otherwise expire on a day that is not a Business Day, such Interest Period shall expire on the next succeeding Business Day; provided that, if any Interest Period would otherwise expire on a day that is not a Business Day but is a day of the month after which no further Business Day occurs in such month, such Interest Period shall expire on the next preceding Business Day;

(iv) any Interest Period that begins on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall, subject to clause (v) of this subsection 2.3(b), end on the last Business Day of a calendar month;

(v) no Interest Period with respect to any portion of the Loans shall extend beyond the Termination Date;

(vi) there shall be no more than four Interest Periods outstanding at any time; and

(vii) in the event the Borrower fails to specify an Interest Period for any LIBOR Rate Loan in the applicable Notice of Borrowing or Notice of Conversion/Continuation, the Borrower shall be deemed to have selected an Interest Period of one month.

(C) CONVERSION OR CONTINUATION. Subject to the provisions of subsection 2.7, the Borrower shall have the option (i) to convert at any time all or any part of the outstanding Loans equal to \$500,000 and integral multiples of \$100,000 in excess of that amount from Loans bearing interest at a rate determined by reference to one basis to Loans bearing interest at a rate determined by reference to an alternative basis or (ii) upon the expiration of any Interest Period applicable to a LIBOR Rate Loan, to continue all or any portion of such Loan equal to \$500,000 and integral multiples of \$100,000 in excess of that amount as a LIBOR Rate Loan; provided, however, that a LIBOR Rate Loan may only be converted into a Base Rate Loan on the expiration date of an Interest Period applicable thereto.

The Borrower shall deliver a Notice of Conversion/Continuation to the Agent no later than 10:00 A.M. (New York time) at least one Business Day in advance of the proposed conversion date (in the case of a conversion to a Base Rate Loan) and at least three Business Days in advance of the proposed conversion/continuation date (in the case of a conversion to, or a continuation of, a LIBOR Rate Loan). A Notice of Conversion/Continuation shall specify (i) the proposed conversion/continuation date (which shall be a Business Day), (ii) the amount and type of the Loan to be converted/continued, (iii) the nature of the proposed conversion/continuation, (iv) in the case of a conversion to, or a continuation of, a LIBOR Rate Loan, the requested Interest Period, and (v) in the case of a conversion to, or a continuation of, a LIBOR Rate Loan, that no Default or Event of Default has occurred and is continuing. In lieu of delivering the above-described Notice of Conversion/Continuation, the Borrower may give the Agent telephonic notice by the required time of any proposed conversion/continuation under this subsection 2.3(c); provided that such notice shall be promptly confirmed in writing by delivery of a Notice of Conversion/Continuation to the Agent on or before the proposed conversion/continuation date. Upon receipt of written or telephonic notice of any proposed conversion/continuation under this subsection 2.3(c), the Agent shall promptly transmit such notice by telefacsimile or telephone to each Bank.

Neither the Agent nor any Bank shall incur any liability to the Borrower in acting upon any telephonic notice referred to above that the Agent believes in good faith to have been given by a duly authorized officer or other person authorized to act on behalf of the Borrower or for otherwise acting in good faith under this subsection 2.3(c), and upon conversion or continuation of the applicable basis for determining the interest rate with respect to any Loans in accordance with this Agreement pursuant to any such telephonic notice the Borrower shall have effected a conversion or continuation, as the case may be, hereunder.

Except as otherwise provided in subsections 2.7(b), 2.7(c) and 2.7(f), a Notice of Conversion/Continuation for conversion to, or continuation of, a LIBOR Rate Loan (or telephonic notice in lieu thereof) shall be irrevocable on and after the related Interest Rate Determination Date, and the Borrower shall be bound to effect a conversion or continuation in accordance therewith.

(D) INTEREST PAYMENTS. Subject to subsection 2.3(e), interest shall be payable on the Loans in arrears on and to each Interest Payment Date applicable to that Loan, upon any prepayment of that Loan (to the extent accrued on the amount being prepaid) and at maturity.

(E) DEFAULT RATE. Upon the occurrence and during the continuation of any Event of Default, the outstanding principal amount of all Loans and, to the extent permitted by applicable law, any interest payments thereon not paid when due and any fees and other amounts then due and payable hereunder, shall thereafter bear interest (including post-petition interest in any proceeding under the Bankruptcy Code or other applicable bankruptcy laws) payable upon demand at a rate that is 2% per annum in excess of the interest rate otherwise payable under this Agreement with respect to the applicable Loans (or, in the case of any such fees and other amounts, at a rate which is 2% per annum in excess of the interest rate otherwise payable under this Agreement for Base Rate Loans); provided that, in the case of LIBOR Rate Loans, upon the expiration of the Interest Period in effect at the time any such increase in interest rate is effective such LIBOR Rate Loans shall thereupon become Base Rate Loans and shall thereafter bear interest payable upon demand at a rate which is 2% per annum in excess of the interest rate otherwise payable under this Agreement for Base Rate Loans. Payment or acceptance of the increased rates of interest provided for in this subsection 2.3(e) is not a permitted alternative to timely payment and shall not constitute a waiver of any Event of Default or an amendment to this Agreement otherwise prejudice or limit any rights or remedies of the Agent or any Bank.

(F) COMPUTATION OF INTEREST. Interest on the Loans shall be computed (i) in the case of Base Rate Loans, on the basis of a 365-day or 366-day year, as the case may be, and (ii) in the case of LIBOR Rate Loans, on the basis of a 360-day year, in each case for the actual number of days elapsed in the period during which it accrues. In computing interest on any Loan, the date of the making of such Loan or the first day of an Interest Period applicable to such Loan or, with respect to a Base Rate Loan being converted from a LIBOR Rate Loan, the date of conversion of such LIBOR Rate Loan to such Base Rate Loan, as the case may be, shall be included, and the date of payment of such Loan or the expiration date of an Interest Period applicable to such Loan or, with respect to a Base Rate Loan being converted to a LIBOR Rate Loan, the date of conversion of such Base Rate Loan to such LIBOR Rate Loan, as the case may be, shall be excluded; provided that if a Loan is repaid on the same day on which it is made, one day's interest shall be paid on that Loan.

2.4 ADJUSTMENTS FOR WITHHOLDING, INCREASED COSTS, CAPITAL ADEQUACY, ETC. In the event that any Bank, in its sole discretion, determines that the enactment, adoption or issuance of any applicable law, rule, regulation, order or decree or any change in any existing law or any existing interpretation or application thereof, or compliance by such Bank with any request or directive (whether or not having the force of law) from any governmental, fiscal, monetary or other authority:

(i) subjects such Bank to any tax, duty, charge or withholding on or from payments due from the Borrower not in effect or whose equivalent is not in effect on the date of this Agreement (excluding taxation on the overall net income of such Bank); or

(ii) imposes, modifies or holds applicable or changes any reserve requirement (including, without limitation, basic, supplemental, marginal, special or emergency reserves but not including reserve requirements already taken into account in calculating the interest rate hereunder), special deposit, compulsory deposit or similar requirement with respect to assets of, deposits with or for the account of advances or loans by, other credit extended by, or any other acquisition of funds by, such Bank (including, without limitation, all eurocurrency funding and all "Eurocurrency liabilities" as defined in Regulation D); or

(iii) affects the amount of capital required or expected to be maintained by such Bank in respect of the Loans made by such Bank to the Borrower hereunder; or

(iv) does or shall impose on such Bank any other condition or change therein;

and the result of any of the foregoing is to increase the cost to such Bank of making available to the Borrower, converting from or to, or maintaining, any Loans hereunder, then, and in any such event, such Bank shall notify the Borrower in writing of such occurrence setting forth in reasonable detail the basis for and amounts of such increased costs, and, if such Bank demands such a payment, the Borrower shall pay to such Bank, within five (5) Business Days after demand (but in no event prior to the date such Bank becomes liable for, suffers or incurs such increased cost), such amounts as will compensate such Bank for such increased costs. The certificate of such Bank as to any amounts payable pursuant to this subsection 2.4 shall, absent manifest error, be final, conclusive and binding on the Borrower. The obligations of the Borrower under this subsection 2.4 shall survive for six (6) months after the making and repayment of the Loans and the termination of the Commitments.

2.5 USE OF PROCEEDS.

(A) LOANS. The proceeds of the Loans shall be applied to make intercompany loans to Parent to be used by Parent to purchase publicly traded equity securities of Parent and for working capital and general corporate purposes.

(B) MARGIN REGULATIONS. No portion of the proceeds of any borrowing under this Agreement shall be used by the Borrower to purchase or carry any Margin Stock in any manner that might cause the borrowing or the application of such proceeds to violate Regulation U, Regulation T or Regulation X of the Board of Governors of the Federal Reserve System or any other regulation of the Board or to violate the Securities Exchange Act of 1934, in each case as in effect on the date or dates of such borrowing and such use of proceeds.

2.6 SPECIAL TAX PROVISIONS. Each Bank organized under the laws of a jurisdiction outside of the United States (referred to in this subsection 2.6 as a "Foreign Bank") as to which payments to be made hereunder or under the Notes are exempt from United States withholding tax or are subject to such tax at a reduced rate under an applicable statute or tax treaty shall provide to the Borrower and the Agent (x) a properly completed and executed Internal Revenue Service Form 4224 or Form 1001 or other applicable form, certificate or document prescribed by the Internal Revenue Service of the United States certifying as to such Foreign Bank's entitlement to such exemption or reduced rate with respect to payments to be made to such Foreign Bank hereunder and under the Notes (referred to in this subsection 2.6 as a "Certificate of Exemption") or (y) a letter from such Foreign Bank stating that it is not entitled to any such exemption or reduced rate (referred to in this subsection 2.6 as a "Letter of Non-Exemption"). Each Foreign Bank shall provide such a Certificate of Exemption or a Letter of Non-Exemption on or before the Closing Date; provided, however, that each Foreign Bank that becomes a Bank pursuant to the proviso in the definition of "Bank" shall provide a Certificate of Exemption or a Letter of Non-Exemption on the date such Foreign Bank becomes a Bank. Until the Borrower and the Agent have received from such Foreign Bank a Certificate of Exemption, the accuracy of which shall be reasonably satisfactory to the Borrower, the Borrower shall be entitled to withhold taxes from such payments to such Foreign Bank at the statutory rate applicable to amounts to be paid hereunder to such Foreign Bank.

2.7 SPECIAL PROVISIONS GOVERNING LIBOR RATE LOANS. Notwithstanding any other provision of this Agreement to the contrary, the following provisions shall govern with respect to LIBOR Rate Loans as to the matters covered:

(A) DETERMINATION OF APPLICABLE INTEREST RATE. As soon as practicable after 10:00 A.M. (New York time) on each Interest Rate Determination Date, the Agent shall determine (which determination shall, absent manifest error, be final, conclusive and binding upon all parties) the interest rate that shall apply to the LIBOR Rate Loans for which an interest rate is then being determined for the applicable Interest Period and shall promptly give notice thereof (in writing or by telephone confirmed in writing) to the Borrower and each Bank.

(B) INABILITY TO DETERMINE APPLICABLE INTEREST RATE. In the event that the Agent shall have determined (which determination shall be final and conclusive and binding upon all parties hereto), on any Interest Rate Determination Date with respect to any LIBOR Rate Loans, that by reason of circumstances affecting the London interbank

market adequate and fair means do not exist for ascertaining the interest rate applicable to such Loans on the basis provided for in the definition of Adjusted LIBOR Rate, the Agent shall on such date give notice (by telefacsimile or by telephone confirmed in writing) to the Borrower and each Bank of such determination, whereupon (i) no Loans may be made as, or converted to, LIBOR Rate Loans until such time as the Agent notifies the Borrower and Banks that the circumstances giving rise to such notice no longer exist and (ii) any Notice of Borrowing or Notice of Conversion/Continuation given by the Borrower with respect to the Loans in respect of which such determination was made shall be deemed to be rescinded by the Borrower.

(C) ILLEGALITY OR IMPRACTICABILITY OF LIBOR RATE LOANS.

In the event that on any date any Bank shall have determined (which determination shall be final and conclusive and binding upon all parties hereto but shall be made only after consultation with the Borrower and the Agent) that the making, maintaining or continuation of its LIBOR Rate Loans (i) has become unlawful as a result of compliance by such Bank in good faith with any law, treaty, governmental rule, regulation, guideline or order (or would conflict with any such treaty, governmental rule, regulation, guideline or order not having the force of law even though the failure to comply therewith would not be unlawful) or (ii) has become impracticable, or would cause such Bank material hardship, as a result of contingencies occurring after the date of this Agreement which materially and adversely affect the London interbank market or the position of such Bank in that market, then, and in any such event, such Bank shall be an "AFFECTED BANK" and it shall on that day give notice (by telefacsimile or by telephone confirmed in writing) to the Borrower and the Agent of such determination (which notice the Agent shall promptly transmit to each other Bank). Thereafter (a) the obligation of the Affected Bank to make Loans as, or to convert Loans to, LIBOR Rate Loans shall be suspended until such notice shall be withdrawn by the Affected Bank, (b) to the extent such determination by the Affected Bank relates to a LIBOR Rate Loan then being requested by the Borrower pursuant to a Notice of Borrowing or a Notice of Conversion/Continuation, the Affected Bank shall make such Loan as (or convert such Loan to, as the case may be) a Base Rate Loan, (c) the Affected Bank's obligation to maintain its outstanding LIBOR Rate Loans (the "AFFECTED LOANS") shall be terminated at the earlier to occur of the expiration of the Interest Period then in effect with respect to the Affected Loans or when required by law, and (d) the Affected Loans shall automatically convert into Base Rate Loans on the date of such termination. Notwithstanding the foregoing, to the extent a determination by an Affected Bank as described above relates to a LIBOR Rate Loan then being requested by the Borrower pursuant to a Notice of Borrowing or a Notice of Conversion/Continuation, the Borrower shall have the option, subject to the provisions of subsection 2.7(d), to rescind such Notice of Borrowing or Notice of Conversion/Continuation as to all Banks by giving notice (by telefacsimile or by telephone confirmed in writing) to the Agent of such rescission on the date on which the Affected Bank gives notice of its determination as described above (which notice of rescission the Agent shall promptly transmit to each other Bank). Except as provided in the immediately preceding sentence, nothing in this subsection 2.7(c) shall affect the obligation of any Bank other than an Affected Bank to

make or maintain Loans as, or to convert Loans to, LIBOR Rate Loans in accordance with the terms of this Agreement.

(D) COMPENSATION FOR BREAKAGE OR NON-COMMENCEMENT OF INTEREST PERIODS. The Borrower shall compensate each Bank, upon written request by that Bank (which request shall set forth the basis for requesting such amounts), for all reasonable losses, expenses and liabilities (including any interest paid by that Bank to lenders of funds borrowed by it to make or carry its LIBOR Rate Loans and any loss, expense or liability sustained by that Bank in connection with the liquidation or re-employment of such funds) which that Bank may sustain: (i) if for any reason (other than a default by that Bank) a borrowing of any LIBOR Rate Loan does not occur on a date specified therefor in a Notice of Borrowing or a telephonic request for borrowing, or a conversion to or continuation of any LIBOR Rate Loan does not occur on a date specified therefor in a Notice of Conversion/Continuation or a telephonic request for conversion or continuation, (ii) if any prepayment or other principal payment or any conversion of any of its LIBOR Rate Loans occurs on a date prior to the last day of an Interest Period applicable to that Loan, (iii) if any prepayment of any of its LIBOR Rate Loans is not made on any date specified in a notice of prepayment given by the Borrower, or (iv) as a consequence of any other default by the Borrower in the repayment of its LIBOR Rate Loans when required by the terms of this Agreement.

(E) ASSUMPTIONS CONCERNING FUNDING OF LIBOR RATE LOANS. Calculation of all amounts payable to a Bank under this subsection 2.7 and under subsection 2.4 shall be made as though that Bank had actually funded each of its relevant LIBOR Rate Loans through the purchase of a LIBOR deposit bearing interest at the rate obtained pursuant to clause (i) of the definition of Adjusted LIBOR Rate in an amount equal to the amount of such LIBOR Rate Loan and having a maturity comparable to the relevant Interest Period and through the transfer of such LIBOR deposit from an offshore office of that Bank to a domestic office of that Bank in the United States of America; provided, however, that each Bank may fund each of its LIBOR Rate Loans in any manner it sees fit and the foregoing assumptions shall be utilized only for the purposes of calculating amounts payable under this subsection 2.7 and under subsection 2.4.

(F) LIBOR RATE LOANS AFTER DEFAULT. After the occurrence of and during the continuation of a Default or an Event of Default, (i) the Borrower may not elect to have a Loan be made or maintained as, or converted to, a LIBOR Rate Loan after the expiration of any Interest Period then in effect for that Loan and (ii) subject to the provisions of subsection 2.7(d) any Notice of Borrowing or Notice of Conversion/Continuation given by the Borrower with respect to a requested borrowing or conversion/continuation that has not yet occurred shall be deemed to be rescinded by the Borrower.

ARTICLE III
FEES

3.1 FEES.

(A) UNDERWRITING FEES. On the Closing Date, the Borrower agrees to pay to BTCo such underwriting fees as have been mutually agreed upon.

(B) COMMITMENT FEES. The Borrower agrees to pay to the Agent, for distribution to each Bank in proportion to its Pro Rata Share, commitment fees for the period from and including the Closing Date to but excluding the Termination Date equal to the average of the daily unused portion of the Commitments multiplied by 1/8 of 1% per annum, such commitment fees to be calculated on the basis of a 360-day year and the actual number of days elapsed and to be payable monthly in arrears on and to the last day of each calendar month, commencing on the first such date occurring after the Closing Date, and upon the termination of the Commitments. Anything contained in this Agreement to the contrary notwithstanding, for the purposes of calculating the commitment fees payable by the Borrower pursuant to this subsection 3.1(b), the "unused portion of the Commitments", as of any date of determination, shall be an amount equal to the aggregate amount of Commitments as of such date minus the aggregate principal amount of all outstanding Loans on such date, and the unused portion of the Commitments shall not be reduced for the purposes of calculating commitment fees by reason of the Borrower's inability to satisfy the conditions precedent set forth in Article V and consequent inability to borrow Loans hereunder.

ARTICLE IV
PREPAYMENTS; PAYMENTS

4.1 PREPAYMENTS; MANDATORY REDUCTION OF COMMITMENT.

(A) OPTIONAL PREPAYMENTS. The Borrower shall have the right to prepay the Loans in the minimum amount of \$500,000 and integral multiples of \$100,000 in excess thereof (or such lesser amount as constitutes the remaining principal amount of the Loans outstanding), without premium or penalty, in whole or in part from time to time, upon at least one Business Days' prior written notice of its intent to prepay the Loans, which notice shall be delivered to the Agent at its Notice Office and shall specify the amount of such prepayment. The Agent shall promptly transmit a copy of each such notice to each of the Banks.

(B) MANDATORY PREPAYMENTS AND REDUCTIONS OF COMMITMENTS. The Borrowers shall make prepayments on the Loans necessary so that on any date, the Loan to Collateral Value Ratio shall be no less than 1.00:1.00. In the event of any termination, expiration or amendment of any components of the Collateral Transactions, (x) the Commitments shall be automatically reduced (such reduction to reduce the Commitment of each Bank proportionately to its Pro Rata Share) to the extent necessary so that the ratio of the Commitments to the notional value of the put options then effective and

included in the Collar Transactions (calculated as the option price multiplied by the number of shares covered by the option) shall not exceed 0.90:1.00, and (y) the Borrower shall make prepayments on the Loans to the extent necessary so that after giving effect to such reduction, the outstanding principal amount of the Loans shall not exceed the Commitments.

4.2 METHOD AND PLACE OF PAYMENT.

Except as otherwise specifically provided herein, all payments under this Agreement or any Note shall be made to the Agent for the account of the Bank or Banks entitled thereto not later than 2:00 P.M. (New York time) on the date when due and shall be made in Dollars in immediately available funds at the Payment Office of the Agent. Whenever any payment to be made hereunder or under any Note shall be stated to be due on a day which is not a Business Day, the due date thereof shall be extended to the next succeeding Business Day and such extension of time shall be included in the computation of the payment of interest hereunder or under any Note or of the commitment or other fees hereunder, as the case may be.

4.3 NET PAYMENTS.

All payments made by the Borrower hereunder or under any Note will be made without setoff, counterclaim or other defense.

4.4 APPLICATION OF PREPAYMENTS.

All prepayments shall include payment of accrued interest on the principal amount so prepaid other than with respect to any voluntary prepayment of the Loans and shall be applied to the payment of interest before application to principal. Any prepayment of Loans shall be applied first to Base Rate Loans to the full extent thereof before application to LIBOR Rate Loans, in a manner which minimizes the amount of any payments required to be made by the Borrower pursuant to subsection 2.7(d).

4.5 APPORTIONMENT OF PAYMENTS

Aggregate principal and interest payments shall be apportioned among all outstanding Loans to which such payments relate, and such payments shall be apportioned ratably to the Banks, proportionately to the Banks' respective Pro Rata Shares. The Agent shall promptly distribute to each Bank at its primary address set forth below its name on the appropriate signature page hereof or such other address as any Bank may request its share of all such payments received by the Agent and the commitment fees of such Bank when received by the Agent pursuant to subsection 3.1(b).

4.6 VOLUNTARY REDUCTION OF COMMITMENTS.

The Borrower shall have the right, at any time and from time to time, to terminate in whole or permanently reduce in part, without premium or penalty, the Commitments in an amount up to the amount by which the Commitments exceed the principal amount of outstanding Loans. The Borrower shall give not less than one Business Day's prior written notice to the Agent designating the date (which shall be a Business Day) of such termination or reduction and the amount of any partial reduction. Promptly after receipt of a notice of such termination or partial reduction, the Agent shall notify each Bank of the proposed termination or reduction. Such termination or partial reduction of the Commitments shall be effective on the date specified in the Borrower's notice and shall reduce the Commitment of each Bank proportionately to its Pro Rata Share. Any such partial reduction of the Commitments shall be in an aggregate minimum amount of \$500,000 and integral multiples of \$100,000 in excess of that amount unless the remaining amount of the Commitments is less than \$100,000 in which case such reduction shall be in the amount of the then remaining Commitments.

ARTICLE V
CONDITIONS PRECEDENT

The effectiveness of this Agreement and the obligations of the Banks to maintain and make Loans hereunder are subject to the satisfaction of the following conditions.

5.1 CONDITIONS TO EFFECTIVENESS.

This Agreement shall become effective only upon satisfaction of all of the following conditions:

(A) EXECUTION OF AGREEMENT, NOTES AND OTHER CREDIT DOCUMENTS. The Agent shall have received duly copies of each of the following, duly executed by each party thereto:

- (1) this Agreement;
- (2) Notes made to the order of each of the Banks; and
- (3) the Pledge and Security Agreement.

The Borrower shall also have delivered to the Agent all instruments (together with undated stock powers, duly endorsed in blank), if any, representing securities pledged pursuant to the Pledge and Security Agreement, and shall have executed and delivered UCC-1 financing statements and taken all such further action as the Agent may request in order to create a valid and perfected first priority Lien in favor of the Agent for the benefit of the Banks on the Collateral.

(b) NO DEFAULT; REPRESENTATION AND WARRANTIES. All representations and warranties of each Credit Party set forth in each of Credit Documents

to which such Credit Party is a party shall be true, correct and complete in all material respects on and as of the Closing Date after giving effect to the transactions contemplated to occur on such date, and the Borrower shall have delivered to the Agent an officer's certificate, dated as of the Closing Date, signed by the President or Vice President of the Borrower, and attested to by the Secretary or any Assistant Secretary of the Borrower, in form and substance satisfactory to the Agent, to the effect that on and as of the Closing Date and after giving effect to the transactions contemplated to occur on such date, (i) no Default or Event of Default shall have occurred and be continuing and (ii) all representations and warranties of the Credit Parties contained herein and in the other Credit Documents are true, correct and complete in all material respects.

(C) CORPORATE DOCUMENTS; PROCEEDINGS.

(1) On the Closing Date, the Agent shall have received a certificate, dated the Closing Date, signed by an authorized officer of the Borrower, in form and substance satisfactory to the Agent, certifying (i) resolutions of the Board of Directors of the Borrower authorizing and approving the execution and delivery by the Borrower of this Agreement and the Note and the other Credit Documents to which it is a party and the transactions contemplated hereby and thereby, (ii) the certificate or articles of incorporation of the Borrower, and (iii) the bylaws of the Borrower.

(2) On the Closing Date, the Agent shall have received, with respect to the Borrower, a good standing certificate from its jurisdiction of incorporation, dated a recent date prior to the Closing Date.

(3) All corporate and legal proceedings and all instruments and agreements in connection with the transactions contemplated by this Agreement and the other Credit Documents shall be satisfactory in form and substance to the Banks, and the Agent shall have received all information and copies of all documents and papers, including records of corporate proceedings and governmental approvals, if any, which any Bank reasonably may have requested in connection therewith, such documents and papers where appropriate to be certified by proper corporate or governmental authorities.

(D) PAYMENT OF FEES. The Borrower shall have paid the Fees required by subsection 3.1 to be paid on the Closing Date and the reasonable fees and expenses of O'Melveny & Myers LLP, counsel to the Agent, as of the Closing Date.

(E) PRO FORMA BALANCE SHEET. On or before the Closing Date, Banks shall have received from the Borrower a pro forma balance sheet as at the Closing Date, prepared in accordance with generally accepted accounting principles and reflecting the consummation of the transactions contemplated by the Credit Documents, which pro forma financial statements shall be in form and substance satisfactory to the Banks.

(F) OPINIONS OF COUNSEL. On the Closing Date, the Agent shall have received from internal counsel to the Borrower and Latham & Watkins, special New York counsel to the Borrower, opinions in form and substance satisfactory to the Agent,

addressed to each of the Banks and dated the date of delivery, covering such matters incident to the transactions contemplated herein as the Agent may reasonably request. The Borrower hereby acknowledges that it has requested such counsel to deliver such opinions to the Agent and the Banks.

(G) AMENDMENTS TO COLLAR DOCUMENTS. On or prior to the Closing Date, the Agent shall have received copies of fully executed amendments to the Collar Documents, in form and substance reasonably satisfactory to the Agent, providing for (i) BTCO's right to tender any unpaid portion of the Obligations as payment for the purchase price under any of the Collar Transactions and (ii) acknowledgment by the parties to the Collar Documents of the modification to the credit support annex thereunder which is effected by the Pledge and Security Agreement.

All the Notes, certificates, legal opinions and other documents and papers referred to in this Article V, unless otherwise specified, shall be delivered to the Agent at the Agent's Notice Office for the account of each of the Banks and, except for the Notes, in sufficient counterparts for each of the Banks and shall be satisfactory in form and substance to the Banks.

5.2 CONDITIONS TO ALL LOANS.

The obligations of the Banks to make Loans on each Funding Date are subject to the following further conditions precedent:

(A) The Agent shall have received, in accordance with the provisions of subsection 2.1(b), an originally executed Notice of Borrowing signed by a duly authorized officer of the Borrower.

(B) As of the Funding Date:

(1) The representations and warranties contained herein shall be true, correct and complete in all material respects on and as of that Funding Date to the same extent as though made on and as of that date;

(2) No event shall have occurred and be continuing or would result from the consummation of the borrowing contemplated by such Notice of Borrowing that would constitute a Default or an Event of Default;

(3) The Borrower shall have performed in all material respects all agreements and satisfied all conditions which this Agreement provides shall be performed by it on or before that Funding Date;

(4) No order, judgment or decree of any court, arbitrator or governmental authority shall purport to enjoin or restrain any Bank from making the Loans; and

(5) The making of the Loans requested on such Funding Date shall not (x) violate any law, including, without limitation, Regulation T, Regulation U or Regulation X of the Board of Governors of the Federal Reserve System or (y) cause the Loan to Collateral Value Ratio to be less than 1.00:1.00.

ARTICLE VI
REPRESENTATIONS, WARRANTIES AND AGREEMENTS

In order to induce the Banks to enter into this Agreement and to maintain and make the Loans, the Borrower makes the following representations, warranties and agreements, which shall survive the execution and delivery of this Agreement and the Notes and the making of Loans.

6.1 CORPORATE STATUS.

Each Credit Party (i) is a corporation duly incorporated and existing in good standing under the laws of its jurisdiction of incorporation, (ii) has the power and authority to own its property and assets and to transact the business in which it is engaged and (iii) is duly qualified as a foreign corporation and in good standing in each jurisdiction where the ownership, leasing or operation of property or the conduct of its business requires such qualification, except where the failure to be so qualified could not reasonably be expected to have a material adverse effect on the business, operations, property, assets, condition (financial or otherwise) or prospects of such Credit Party.

6.2 POWER AND AUTHORITY.

Each Credit Party has the corporate power to execute, deliver and perform the terms and provisions of each of the Credit Documents to which it is a party and has taken all necessary corporate action to authorize the execution, delivery and performance by it of each of such Credit Documents. Each Credit Party and has duly executed and delivered each of the Credit Documents to which it is party, and each of such Credit Documents constitutes the legal, valid and binding obligation of such Credit Party, enforceable against such Credit Party in accordance with its terms except as the enforceability thereof may be limited by applicable bankruptcy, insolvency, reorganization or other similar laws affecting creditors' rights generally and by general equitable principles (regardless of whether the issue of enforceability is considered in a proceeding in equity or at law).

6.3 NO VIOLATION.

Neither the execution, delivery or performance by any Credit Party of the Credit Documents to which it is a party, nor compliance by it with the terms and provisions of any such Credit Documents, (i) will contravene any provision of any law, statute, rule or regulation or any order, writ, injunction or decree of any court or governmental instrumentality, (ii) will conflict or be inconsistent with or result in any breach of any of the terms, covenants, conditions or provisions of, or constitute a default

under, or result in the creation or imposition of (or the obligation to create or impose) any Lien (other than Liens permitted under subsection 8.1) upon any of the property or assets of any Credit Party pursuant to the terms of any indenture, mortgage, deed of trust, credit agreement, loan agreement or any other agreement, contract or instrument to which such Credit Party is a party or by which it or any of its property or assets is bound or to which it may be subject or (iii) will violate any provision of the articles or certificate of incorporation or by-laws of any Credit Party.

6.4 GOVERNMENTAL APPROVALS.

No order, consent, approval, license, authorization or validation of, or filing, recording or registration with (except as have been obtained or made prior to the Closing Date), or exemption by, any governmental or public body or authority, or any subdivision thereof, is required to authorize, or is required in connection with, (i) the execution, delivery and performance by any Credit Party of any Credit Document to which it is a party, or (ii) the legality, validity, binding effect or enforceability of any such Credit Document.

6.5 FINANCIAL STATEMENTS; FINANCIAL CONDITION; UNDISCLOSED LIABILITIES; ETC.

(A) The audited consolidated balance sheet of Parent and its Subsidiaries as at December 31, 1997 heretofore furnished to the Banks is true and correct and presents fairly the financial condition (including without limitation total assets, total liabilities, (including contingent liabilities), shareholders' equity (defined as shareholder capital and not shareholder loans) and Net Worth of the Borrower) of the Parent and its Subsidiaries on a consolidated basis at the date of such balance sheet. Such balance sheet has been prepared in accordance with generally accepted accounting principles and practices consistently applied.

(B) Except as fully reflected in the financial statements described in subsection 6.5(a), there were as of the Closing Date no liabilities or obligations with respect to the Borrower of any nature whatsoever (whether absolute, accrued, contingent or otherwise and whether or not due) which, either individually or in aggregate, would be material to the Borrower. As of the Closing Date the Borrower does not know of any basis for the assertion against the Borrower of any liability or obligation of any nature whatsoever that is not fully reflected in the financial statements described in subsection 6.5(a) which, either individually or in the aggregate, would be material to the Borrower.

6.6 LITIGATION.

There is no action, suit or arbitration or other proceeding pending or, to the best knowledge of the Borrower, threatened with respect to (i) any Credit Document, (ii) any tax return, or (iii) any other matter that, if adversely determined, is reasonably

likely to materially and adversely affect the business, operations, property, assets, condition (financial or otherwise) or prospects of any Credit Party.

6.7 TRUE AND COMPLETE DISCLOSURE.

All factual information (taken as a whole) heretofore or contemporaneously furnished by or on behalf of the Borrower or any Credit Party in writing to any Bank (including, without limitation, all information contained in the Credit Documents) for purposes of or in connection with this Agreement or any transaction contemplated herein is, and all other such factual information (taken as a whole) hereafter furnished by or on behalf of the Borrower in writing to any Bank will be, true and accurate in all material respects on the date as of which such information is dated or certified and not incomplete by omitting to state any fact necessary to make such information (taken as a whole) not misleading at such time in light of the circumstances under which such information was provided.

6.8 USE OF PROCEEDS; MARGIN REGULATIONS.

All proceeds of the Loans have been and will be used by the Borrower for the purposes set forth in subsection 2.5. Neither the making of any Loan nor the use of the proceeds thereof will violate or be inconsistent with the provisions of Regulations T, U or X of the Board of Governors of the Federal Reserve System.

6.9 TAX RETURNS AND PAYMENTS.

Each of the Credit Parties has filed all tax returns required to be filed by it and has paid all income taxes payable by it which have become due pursuant to such tax returns and all other taxes and assessments payable by it which have become due, other than those not yet delinquent, those being contested in good faith.

6.10 SUBSIDIARIES.

The Borrower has no Subsidiaries. The Borrower is a Wholly-Owned Subsidiary of Parent.

6.11 COMPLIANCE WITH STATUTES, ETC.

The Borrower is in compliance with all applicable statutes, regulations and orders of, and all applicable restrictions imposed by, all governmental bodies, domestic or foreign, in respect of the conduct of its business and the ownership of its property (including applicable statutes, regulations, orders and restrictions relating to environmental standards and controls), except such noncompliances as would not, in the aggregate, have a material adverse effect on the business, operations, property, assets, condition (financial or otherwise) or prospects of the Borrower.

6.12 INVESTMENT COMPANY ACT.

Neither the Borrower nor Parent is an "investment company" within the meaning of the Investment Company Act of 1940, as amended.

6.13 PUBLIC UTILITY HOLDING COMPANY ACT.

Neither the Borrower nor Parent is a "holding company," or a "subsidiary company" of a "holding company," or an "affiliate" of a "holding company" or of a "subsidiary company" of a "holding company" within the meaning of the Public Utility Holding Company Act of 1935, as amended.

6.14 NO MATERIAL ADVERSE CHANGE.

Since December 31, 1997, there has been no material adverse change in the business, operations, properties, assets, condition (financial or otherwise) or prospects of the Borrower.

6.15 SOLVENCY.

The Borrower is not, and upon the incurrence of any obligations hereunder on any date will not be, insolvent, and the pledge of the Collateral pursuant to the Pledge and Security Agreement shall not result in the insolvency of the Borrower.

6.16 YEAR 2000.

All Information Systems and Equipment are either Year 2000 Compliant or any reprogramming, remediation, or any other corrective action, including the internal testing of all such Information Systems and Equipment, will be completed prior to any material adverse effect on the business, operations, properties, assets, condition (financial or otherwise) or prospects of the Borrower which could reasonably be expected to result from failure to take such action. Further, to the extent that such reprogramming/remediation and testing action is required, the cost thereof, as well as the cost of the reasonably foreseeable consequences of failure to become Year 2000 Compliant, to Parent and its Subsidiaries (including, without limitation, reprogramming errors and the failure of other systems or equipment) will not result in an Event of Default or a material adverse effect on the business, operations, properties, assets, condition (financial or otherwise) or prospects of the Borrower. As used in this subsection, "Year 2000 Compliant" means that all Information Systems and Equipment accurately process date data (including, but not limited to, calculating, comparing and sequencing) before, during and after the year 2000, as well as same and multi-century dates, or between the years 1999 and 2000, taking into account all leap years, including the fact that the year 2000 is a leap year, and further, that when used in combination with, or interfacing with, other Information Systems and Equipment, shall accurately accept, release and exchange date data, and shall in all material respects continue to function in the same manner as it performs today and shall not otherwise impair the accuracy or functionality of

Information Systems and Equipment; and "Information Systems and Equipment" means all computer hardware, firmware and software, as well as other information processing systems, or any equipment containing embedded microchips, whether directly owned, licensed, leased, operated or otherwise controlled by Borrower or any of its Subsidiaries, including through third-party service providers, and which, in whole or in part, are used, operated, relied upon, or integral to, Borrower's or any of its Subsidiaries' conduct of their business.

ARTICLE VII
AFFIRMATIVE COVENANTS

The Borrower covenants and agrees that on and after the Closing Date and until the Loans and the Notes, together with interest, Fees and all other obligations incurred hereunder and thereunder, are paid in full and the Commitments have terminated:

7.1 INFORMATION COVENANTS.

The Borrower will furnish to each Bank:

(A) INTERIM FINANCIAL STATEMENTS. As soon as available and in any event within ten days after the end of the Borrower's first three fiscal quarters, copies of the balance sheets of the Borrower as of the end of such fiscal quarter in reasonable detail, prepared in accordance with generally accepted accounting principles, containing the certification of and signed on behalf of the Borrower by the chief operating officer, president, chief financial officer or other executive officer reasonably acceptable to the Agent. All such balance sheets shall set forth in comparative form figures from the preceding year end.

(B) ANNUAL FINANCIAL STATEMENTS. As soon as available and in any event within thirty days after the end of each fiscal year of the Borrower, copies of the balance sheets of the Borrower as of the end of such fiscal year setting forth in comparative form the figures for the preceding fiscal year of the Borrower, all in reasonable detail and prepared in accordance with generally accepted accounting principles, accompanied by an unqualified opinion rendered by the Parent's regularly retained nationally recognized independent certified public accountants satisfactory to the Agent and containing the certification of and signed by on behalf of the Borrower by its chief operating officer, president, chief financial officer or other executive officer reasonably acceptable to the Agent.

(C) OFFICER'S CERTIFICATES. At the time of the delivery of the financial statements provided for in subsections 7.1(a) and 7.1(b), a certificate of the chief executive officer or the chief financial officer of the Borrower, to the effect that, to the best of his knowledge, no Default or Event of Default has occurred and is continuing or, if any Default or Event of Default has occurred and is continuing, specifying the nature and extent thereof, which certificate shall set forth the calculations required to establish

whether the Borrower was in compliance with the provisions of subsection 8.7 at the end of such fiscal quarter or year, as the case may be.

(D) NOTICE OF DEFAULT OR LITIGATION. Promptly, and in any event within three Business Days after any officer of the Borrower obtains knowledge thereof, notice of (i) the occurrence of any event which constitutes a Default or an Event of Default, (ii) any litigation or governmental or arbitration proceeding pending (x) against any Credit Party which could materially and adversely affect the business, operations, property, assets, condition (financial or otherwise) or prospects of the Borrower or the ability of any Credit Party to perform its obligations under any Credit Document to which it is a party or (y) with respect to any Credit Document, (iii) any material changes in the status of any litigation or other proceeding reported by the Borrower pursuant to subsection 6.6 or subsection 7.1(d)(ii), and (iv) any other event which could materially and adversely affect the business, operations, property, assets, condition (financial or otherwise) or prospects of the Borrower or the ability of any Credit Party to perform its obligations under any Credit Document to which it is a party.

(E) REPORTS OF PARENT. Promptly upon their becoming available, copies of (i) all financial statements, reports, notices and proxy statements sent or made available generally by Parent to its security holders, (ii) all regular and periodic reports and all registration statements and prospectuses, if any, filed by Parent or any of its Subsidiaries with the Securities and Exchange Commission (including, without limitation, any Form 10-K or 10-Q), and (iii) all other press releases and other statements made available generally by Parent or any of its Subsidiaries to the public concerning material developments in the business of Parent or any of its Subsidiaries.

(F) OTHER INFORMATION. From time to time, such other information or documents (financial or otherwise) as any Bank may reasonably request.

7.2 BOOKS, RECORDS AND INSPECTIONS.

The Borrower will keep proper books of record and account in which full, true and correct entries in conformity with generally accepted accounting principles and all requirements of law shall be made of all dealings and transactions in relation to its business and activities. The Borrower will permit officers and designated representatives of the Agent or any Bank to visit and inspect, under guidance of officers of the Borrower, any of the properties of the Borrower, and to examine the books of record and account of the Borrower and discuss the affairs, finances and accounts of the Borrower with, and be advised as to the same by, its and their officers and independent accountants, all at such reasonable times and intervals and to such reasonable extent as the Agent or such Bank may request.

7.3 FRANCHISES.

The Borrower will do or cause to be done all things necessary to preserve and keep in full force and effect its existence and its material rights, licenses and permits.

7.4 COMPLIANCE WITH STATUTES, ETC.

The Borrower will comply with all applicable statutes, regulations and orders of, and all applicable restrictions imposed by, all governmental bodies in respect of the conduct of its business and the ownership of its property, except such noncompliances as could not, in the aggregate, reasonably be expected to have a material adverse effect on the business, operations, property, assets, condition (financial or otherwise) or prospects of the Borrower.

7.5 PAYMENT OF TAXES AND CLAIMS.

The Borrower will pay or cause to be paid all taxes, assessments and other governmental charges imposed upon it or any of its properties or assets or in respect of any of its franchises, business, income or property before any material penalty accrues thereon, and all claims (including, without limitation, claims for labor, services, materials and supplies) for sums that have become due and payable and that by law have or may become a material Lien upon any of its properties or assets, prior to the time when any material penalty or fine shall be incurred with respect thereto; provided that so long as no property or assets (other than money for such charge or claim and the interest or penalty accruing thereof) of the Borrower are in danger of being lost or forfeited as a result thereof, no such charge or claim need be paid if it is being contested in good faith by appropriate proceedings promptly instituted and diligently conducted and if such reserve or other appropriate provision, if any, as shall be required in conformity with generally accepted accounting principles shall have been made therefor.

7.6 YEAR 2000 COMPLIANCE.

The Borrower will ensure that its Information Systems and Equipment are at all times Year 2000 Compliant, except insofar as the failure to do so will not result in a material adverse effect on the business, operations, properties, assets, condition (financial or otherwise) or prospects of the Borrower, and shall notify the Agent and any Bank promptly upon detecting any failure of the Information Systems and Equipment to be Year 2000 Compliant. In addition, the Borrower shall provide the Agent and any Bank with such information about its year 2000 computer readiness (including, without limitation, information as to contingency plans, budgets and testing results) as the Agent or such Bank shall reasonably request.

7.7 FURTHER ASSURANCES.

At any time and from time to time upon the request of the Agent, the Borrower shall execute and deliver such further documents and do such other acts and things as the Agent may reasonably request in order to effect fully the purposes of this Agreement and the other Credit Documents and to provide for payment of the Obligations in accordance with the terms of this Agreement and the other Credit Documents.

ARTICLE VIII
NEGATIVE COVENANTS

The Borrower covenants and agrees that on and after the Closing Date and until the Loans and the Notes, together with interest, Fees and all other obligations incurred hereunder and thereunder, are paid in full and the Commitments have terminated:

8.1 LIENS.

The Borrower will not create, incur, assume or permit to exist any Lien upon or with respect to any property or assets (real or personal, tangible or intangible) of the Borrower, whether now owned or hereafter acquired; provided that the provisions of this subsection 8.1 shall not prevent the creation, incurrence, assumption or existence of:

(i) Liens for taxes not yet due, or Liens for taxes being contested in good faith and by appropriate proceedings for which adequate reserves have been established;

(ii) Liens in respect of property or assets of the Borrower or any of its Subsidiaries imposed by law, which were incurred in the ordinary course of business, such as carriers', warehousemen's and mechanics' liens and other similar Liens arising in the ordinary course of business and (x) which do not in the aggregate materially detract from the value of such property or assets or materially impair the use thereof in the operation of the business of the Borrower or any of its Subsidiaries or (y) which are being contested in good faith by appropriate proceedings, which proceedings have the effect of preventing the forfeiture or sale of the property or assets subject to any such Lien;

(iii) Easements, rights-of-way, restrictions, minor defects or irregularities of title and other similar charges or encumbrances not interfering in any material respect with the ordinary conduct of the business of the Borrower or any of its Subsidiaries; and

(iv) Liens in favor of the Agent and Banks.

8.2 CONSOLIDATION, MERGER, SALE OF ASSETS, ETC.

The Borrower will not wind up, liquidate or dissolve its affairs or enter into any transaction of merger or consolidation, or convey, sell, lease or otherwise dispose of (or agree to do any of the foregoing at any future time) all or any part of its property or assets, or purchase or otherwise acquire (in one or a series of related transactions) any part of the property or assets of any Person or make any capital expenditure, except that the Borrower may enter into transactions permitted under subsection 8.9.

8.3 INDEBTEDNESS, CONTINGENT OBLIGATIONS AND LEASES.

The Borrower will not contract, create, incur, assume or suffer to exist any Indebtedness, Contingent Obligation, obligation with respect to any lease or any other obligation of any nature whatsoever, except obligations of the Borrower incurred under the Credit Documents and the Collar Documents.

8.4 TRANSACTIONS WITH AFFILIATES.

The Borrower will not enter into any transaction or series of related transactions, whether or not in the ordinary course of business, with any Affiliate of the Borrower, other than on terms and conditions substantially as favorable to the Borrower as would be obtainable by the Borrower at the time in a comparable arm's-length transaction with a Person other than an Affiliate.

8.5 NET WORTH. The Borrower shall not permit its Net Worth at any time to be less than \$80,000,000.

8.6 MODIFICATIONS OF CERTIFICATE OF INCORPORATION AND COLLAR DOCUMENTS.

The Borrower will not (i) amend, modify or change any of its organizational documents in any manner which would adversely affect the Agent or the Banks or (ii) amend or modify the Collar Documents or the Collar Transactions or enter into or modify any "Transaction" (as defined in the Collar Documents) unless consented to by the Agent and Required Banks in their sole discretion, nor exercise any right under the Collar Documents which would adversely affect the value thereof or the Agent's Lien thereon.

8.7 ADVANCES, INVESTMENTS AND LOANS. The Borrower will not lend money or credit or make advances to any Person, or purchase or acquire any stock, obligations or securities of, or any other interest in, or make any capital contribution to, any other Person, except that (i) the Borrower may purchase and hold publicly traded equity securities and (ii) the Borrower may make intercompany Loans to Parent with the proceeds of Loans, to be used to purchase publicly traded equity securities of Parent and for working capital and general corporate purposes of Parent.

8.8 DISTRIBUTIONS. The Borrower will not authorize, declare, make or pay any distribution or payment (whether in cash or property and whether as compensation for services, management fees, return of capital, distributions from income or retained earnings or otherwise) to its shareholders.

8.9 BUSINESS.

The Borrower will not engage (directly or indirectly) in any business activity except purchasing and holding the capital stock of Parent and other publicly

traded equity securities and such activities which are incidental to entering into the Credit Documents and the Collar Documents and performing its obligations thereunder.

ARTICLE IX
EVENTS OF DEFAULT

Upon the occurrence of any of the following specified events (each an "Event of Default");

9.1 PAYMENTS.

The Borrower shall (i) default in the payment when due of any principal of any Loan or any Note or (ii) default, and such default shall continue unremedied for five Business Days, in the payment when due of interest on any Loan, any Fees or any other amounts owing hereunder or under any Note; or

9.2 REPRESENTATIONS, ETC.

Any representation, warranty or statement made by the Borrower herein or in any other Credit Document or in any certificate delivered pursuant hereto or thereto shall prove to be untrue in any material respect on the date as of which made or deemed made; or

9.3 COVENANTS.

The Borrower shall (i) default in the due performance or observance by it of any term, covenant or agreement contained in subsection 7.1(d)(i) or Article VIII or (ii) default in the due performance or observance by it of any term, covenant or agreement (other than those referred to in subsections 9.1 and 9.2 and clause (i) of this subsection 9.3) contained in this Agreement and such default shall continue unremedied for a period of 30 days after written notice to the Borrower by the Agent or after the Borrower otherwise becomes aware of such default; or

9.4 DEFAULT UNDER OTHER AGREEMENTS.

Any of the Borrower or Parent shall (i) default in any payment of any Indebtedness (other than the Notes) beyond the period of grace (not to exceed 30 days), if any, provided in the instrument or agreement under which such Indebtedness was created or (ii) default in the observance or performance of any agreement or condition relating to any Indebtedness (other than the Notes) or contained in any instrument or agreement evidencing, securing or relating thereto, or any other event shall occur or condition exist, the effect of which default or other event or condition is to cause, or to permit the holder or holders of such Indebtedness (or a trustee or agent on behalf of such holder or holders) to cause, any such Indebtedness to become due prior to its stated maturity; or any Indebtedness of any of the Borrower or Parent shall be declared to be due and payable, or

required to be prepaid other than by a regularly scheduled required prepayment, prior to the stated maturity thereof; or

9.5 BANKRUPTCY, ETC.

Either the Borrower or Parent shall commence a voluntary case concerning itself under Title 11 of the United States Code entitled "Bankruptcy," as now or hereafter in effect, or any successor thereto (the "Bankruptcy Code"); or an involuntary case is commenced against any of the Borrower or Parent, and the petition is not controverted within 10 days, or is not dismissed within 60 days, after commencement of the case (provided that the Borrower expressly authorizes the Agent and each Bank to appear in any court conducting any such proceeding during such 60 day period to preserve, protect and defend their rights under this Agreement and the other Credit Documents); or a custodian (as defined in the Bankruptcy Code) is appointed for, or takes charge of, all or substantially all of the property of any of the Borrower or Parent; or any of the Borrower or Parent commences any other proceeding under any reorganization, arrangement, adjustment of debt, relief of debtors, dissolution, insolvency or liquidation or similar law of any jurisdiction whether now or hereafter in effect relating to any of the Borrower or Parent; or there is commenced against any of the Borrower or Parent any such proceeding which remains undismissed for a period of 60 days; or any of the Borrower or Parent is adjudicated insolvent or bankrupt, or any order of relief or other order approving any such case or proceeding is entered; or any of the Borrower or Parent suffers any appointment of any custodian or the like for it or any substantial part of its property to continue undischarged or unstayed for a period of 60 days; or of the Borrower or Parent makes a general assignment for the benefit of creditors; or any action is taken by any of the Borrower or Parent for the purpose of effecting any of the foregoing; or

9.6 ERISA.

Any Plan shall fail to maintain the minimum funding standard required for any plan year or part thereof or a waiver of such standard or extension of any amortization period is sought or granted under Section 412 of the Code; any Plan is, shall have been or is likely to be terminated or the subject of a termination proceeding under ERISA; any Plan shall have an Unfunded Current Liability, or the Borrower or any ERISA Affiliates has incurred or is likely to incur a liability to or on account of a Plan under Sections 502(c), (i) or (l), 515, 4062, 4063, 4064, 4071, 4201 or 4204 of ERISA or Chapter 43 of the Code; and there shall result from any such event or events the imposition of a Lien upon or the granting of a security interest in the assets of the Borrower, or a liability or a material risk of incurring a liability to the PBGC or a Plan or a trustee appointed under ERISA, which will have a material adverse effect upon the business, operations, property, assets, condition (financial or otherwise) or prospects of the Borrower; or

9.7 FAILURE OF CREDIT DOCUMENTS.

The Pledge and Security Agreement or any provision thereof shall cease to be in full force and effect for any reason other than the satisfaction in full of all Obligations and the termination of this Agreement, or is declared to be null and void, or shall cease to give the Agent for the benefit of the Banks the Liens, rights, powers and privileges purported to be created thereby; or any Credit Party party to the Pledge and Security Agreement shall default in the due performance or observance of any term, covenant or agreement on its part to be performed or observed pursuant thereto; or any Credit Party party to the Pledge and Security Agreement denies that it has any further liability or obligations thereunder or gives notice to such effect; or there shall not exist in favor of the Agent for the benefit of the Banks a first priority Lien in any of the rights or property of the Borrower purported to be encumbered under the Pledge and Security Agreement; or

9.8 CHANGE OF CONTROL. .

The Borrower shall cease to be Wholly-Owned Subsidiary of Parent; or

9.9 JUDGMENTS.

One or more judgments, decrees or arbitration awards shall be entered against the Borrower involving in the aggregate for the Borrower a liability (not paid or fully covered by insurance) of \$250,000 or more, and all such judgments, decrees or awards shall not have been vacated, discharged or stayed or bonded pending appeal within 60 days after the entry thereof; or

9.10 SWAP DEFAULT.

A Collar Event of Default shall have occurred or the Borrower shall have otherwise defaulted beyond the applicable cure period, if any, under the Collar Documents:

then, and in any such event, and at any time thereafter, if any Event of Default shall then be continuing, the Agent, upon the written request of Required Banks, shall by written notice to the Borrower (provided, that, if an Event of Default specified in subsection 9.5 shall occur with respect to the Borrower, the result which would occur upon the giving of written notice by the Agent to the Borrower as hereafter shall occur automatically without the giving of any such notice) declare the principal of and any accrued interest in respect of all Loans and the Notes and all obligations owing hereunder and thereunder to be, whereupon the same shall become, forthwith due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Borrower, and the obligation of each Bank to make any Loan shall thereupon terminate.

ARTICLE X
THE AGENT

10.1 APPOINTMENT.

The Banks hereby designate BCo as the Agent (for purposes of this Article X, the term "Agent" shall include BCo in its capacity as the Agent pursuant to any Credit Document) to act as specified herein and in the other Credit Documents. Each Bank hereby irrevocably authorizes, and each holder of any Note by the acceptance of such Note shall be deemed irrevocably to authorize, the Agent to take such action on its behalf under the provisions of this Agreement, the other Credit Documents and any other instruments and agreements referred to herein or therein and to exercise such powers and to perform such duties hereunder and thereunder as are specifically delegated to or required of the Agent by the terms hereof and thereof and such other powers as are reasonably incidental thereto. The Agent may perform any of its duties hereunder by or through its officers, directors, agents or employees.

10.2 NATURE OF DUTIES.

The Agent shall have no duties or responsibilities except those expressly set forth in this Agreement and the other Credit Documents. Neither the Agent nor any of its officers, directors, agents or employees shall be liable for any action taken or omitted by it or them hereunder or under any other Credit Document or in connection herewith or therewith, unless caused by its or their gross negligence or willful misconduct. The duties of the Agent shall be mechanical and administrative in nature; the Agent shall not have by reason of this Agreement or any other Credit Document a fiduciary relationship in respect of any Bank or the holder of any Note; and nothing in this Agreement or any other Credit Document, expressed or implied, is intended to or shall be so construed as to impose upon the Agent any obligations in respect of this Agreement or any other Credit Document except as expressly set forth herein.

10.3 LACK OF RELIANCE ON THE AGENT.

Independently and without reliance upon the Agent, each Bank and the holder of each Note, to the extent it deems appropriate, has made and shall continue to make (i) its own independent investigation of the financial condition and affairs of the Borrower and the other Credit Parties in connection with the making and the continuance of the Loans and the taking or not taking of any action in connection herewith and (ii) its own appraisal of the creditworthiness of the Borrower and the other Credit Parties and, except as expressly provided in this Agreement, the Agent shall have no duty or responsibility, either initially or on a continuing basis, to provide any Bank or the holder of any Note with any credit or other information with respect thereto, whether coming into its possession before the making of the Loans or at any time or times thereafter. The Agent shall not be responsible to any Bank or the holder of any Note for any recitals, statements, information, representations or warranties herein or in any document, certificate or other writing delivered in connection herewith or for the execution,

effectiveness, genuineness, validity, enforceability, perfection, collectibility, priority or sufficiency of this Agreement or any other Credit Document or the financial condition of the Borrower or be required to make any inquiry concerning either the performance or observance of any of the terms, provisions or conditions of this Agreement or any other Credit Document, or the financial condition of the Borrower or the existence or possible existence of any Default or Event of Default.

10.4 CERTAIN RIGHTS OF THE AGENT.

If the Agent shall request instructions from Required Banks with respect to any act or action (including failure to act) in connection with this Agreement or any other Credit Document, the Agent shall be entitled to refrain from such act or taking such action unless and until the Agent shall have received instructions from Required Banks; and the Agent shall not incur liability to any Person by reason of so refraining. Without limiting the foregoing, no Bank or the holder of any Note shall have any right of action whatsoever against the Agent as a result of the Agent acting or refraining from acting hereunder or under any other Credit Document in accordance with the instructions of Required Banks.

10.5 RELIANCE.

The Agent shall be entitled to rely, and shall be fully protected in relying, upon any note, writing, resolution, notice, statement, certificate, telex, teletype or telecopier message, cablegram, radiogram, order or other document or telephone message signed, sent or made by any Person that the Agent believed to be the proper Person, and, with respect to all legal matters pertaining to this Agreement and any other Credit Document and its duties hereunder and thereunder, upon advice of counsel selected by it.

10.6 INDEMNIFICATION.

To the extent the Agent is not reimbursed and indemnified by the Borrower, the Banks will reimburse and indemnify the Agent, in proportion to their respective proportionate shares of the aggregate amount of the Commitments as of the date of determination, for and against any and all liabilities, obligations, losses, damages, penalties, claims, actions, judgments, suits, costs, expenses or disbursements of whatsoever kind or nature which may be imposed on, asserted against or incurred by the Agent in performing its duties hereunder or under any other Credit Document, or in any way relating to or arising out of this Agreement or any other Credit Document; provided that no Bank shall be liable for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgment, suits, costs, expenses or disbursements resulting from the Agent's gross negligence or willful misconduct.

10.7 THE AGENT IN ITS INDIVIDUAL CAPACITY.

With respect to its obligation to maintain and make Loans under this Agreement, the Agent shall have the rights and powers specified herein for a "Bank" and

may exercise the same rights and powers as though it were not performing the duties specified herein; and the term "Banks," "Required Banks," "holders of Notes" or any similar terms shall, unless the context clearly otherwise indicates, include the Agent in its individual capacity. The Agent may accept deposits from, lend money to, and generally engage in any kind of banking, trust or other business with the Borrower, any Credit Party or any other Affiliate of the Borrower as if it were not performing the duties specified herein, and may accept fees and other consideration from the Borrower and the other Credit Parties for services in connection with this Agreement and the other Credit Documents and otherwise without having to account for the same to the Banks.

10.8 HOLDERS.

The Agent may deem and treat the payee of any Note as the owner thereof for all purposes hereof unless and until a written notice of the assignment, transfer or endorsement thereof, as the case may be, shall have been filed with the Agent. Any request, authority or consent of any Person who, at the time of making such request or giving such authority or consent, is the holder of any Note shall be conclusive and binding on any subsequent holder, transferee, assignee or indorsee, as the case may be, of such Note or of any Note or Notes issued in exchange therefor.

10.9 RESIGNATION BY THE AGENT.

(A) The Agent may resign from the performance of all its functions and duties hereunder and/or under the other Credit Documents at any time by giving 15 Business Days prior written notice to the Borrower and the Banks. Such resignation shall take effect upon the appointment of a successor Agent pursuant to clauses (b) and (c) below or as otherwise provided below.

(B) Upon any such notice of resignation, the Banks shall appoint a successor Agent hereunder or thereunder who shall be a commercial bank or trust company reasonably acceptable to the Borrower.

(C) If no successor Agent has been appointed pursuant to clause (b) above by the 20th Business Day after the date such notice of resignation was given by the Agent, the Agent's resignation shall become effective and the Banks shall thereafter perform all the duties of the Agent hereunder and/or under any other Credit Documents until such time, if any, as the Banks appoint a successor Agent as provided above.

10.10 CREDIT DOCUMENTS.

Each Bank hereby authorizes the Agent to enter into the Pledge and Security Agreement on behalf of and for the benefit of that Bank. Each Bank hereby acknowledges and consents to and agrees to be bound by the terms of the Pledge and Security Agreement and hereby authorizes and empowers the Agent to take all actions under, and to act on behalf of and for the benefit of that Bank for all purposes under, the Pledge and Security Agreement; provided, however, that the Agent shall not enter into

or consent to any amendment, modification, termination or waiver of any provisions contained in the Pledge and Security Agreement without the prior consent of the Banks. Each Bank agrees that no Bank shall have any right individually to enforce or realize on the security granted by the Pledge and Security Agreement, it being understood and agreed that such rights and remedies may be exercised by the Agent for the benefit of the Banks and the Agent upon the terms and conditions set forth in the Pledge and Security Agreement.

ARTICLE XI
MISCELLANEOUS

11.1 PAYMENT OF EXPENSES, ETC.

The Borrower shall: (i) whether or not the transactions herein contemplated are consummated, pay all reasonable out-of-pocket costs and expenses (x) of the Agent (including, without limitation, the reasonable fees and disbursements of O'Melveny & Myers LLP, special counsel to the Agent) in connection with the preparation, execution and delivery of this Agreement and the other Credit Documents and the documents and instruments referred to herein and therein and any amendment, waiver or consent relating hereto or thereto and (y) of the Agent and each of the Banks in connection with the enforcement of this Agreement and the other Credit Documents and the documents and instruments referred to herein and therein (including, without limitation, the reasonable fees and disbursements of O'Melveny & Myers LLP, special counsel to the Agent, and for each of the Banks) and (z) of any consultants or accountants chosen by Required Banks, to investigate, test or review such matters relating to the Borrower and its Subsidiaries as the Agent shall designate; provided that the fees of such consultants or accountants shall be subject to the prior approval of the Borrower, which approval shall not be unreasonably withheld; (ii) pay and hold each of the Banks harmless from and against any and all present and future stamp and other similar taxes with respect to the foregoing matters and save each of the Banks harmless from and against any and all liabilities with respect to or resulting from any delay or omission (other than to the extent attributable to such Bank) to pay such taxes; and (iii) indemnify the Agent and each Bank, its officers, directors, employees, representatives and agents from and hold each of them harmless against any and all liabilities, obligations, losses, damages, penalties, claims, actions, judgments, suits, costs, expenses and disbursements incurred by any of them as a result of, or arising out of, or in any way related to, or by reason of, any investigation, litigation or other proceeding (whether or not the Agent or any Bank is a party thereto) related to the entering into and/or performance of this Agreement or any other Credit Document or the use of the proceeds of any Loans hereunder or the consummation of any transactions contemplated herein or in any other Credit Document, including, without limitation, the reasonable fees and disbursements of counsel incurred in connection with any such investigation, litigation or other proceeding (but excluding any such liabilities, obligations, losses, etc., to the extent incurred by reason of the gross negligence or willful misconduct of the Person to be indemnified).

11.2 RIGHT OF SETOFF.

In addition to any rights now or hereafter granted under applicable law or otherwise, and not by way of limitation of any such rights, upon the occurrence of an Event of Default, each Bank is hereby authorized at any time or from time to time, without presentment, demand, protest or other notice of any kind to the Borrower or to any other Person, any such notice being hereby expressly waived, to set off and to appropriate and apply (x) any and all deposits (general or special) of the Borrower, (y) any other Indebtedness at any time held or owing by such Bank (including without limitation, by branches and agencies of such Bank wherever located) to or for the credit or the account of the Borrower and (z) any marketable securities owned by the Borrower and held by such Bank and, in the case of BTCo, any obligations of BTCo to the Borrower under the Collar Documents, against and on account of the Obligations and liabilities of the Borrower to such Bank under this Agreement or under any of the other Credit Documents, including, without limitation, all interests in Obligations purchased by such Bank pursuant to subsection 11.6(b), and all other claims of any nature or description arising out of or connected with this Agreement or any other Credit Document, irrespective of whether or not such Bank shall have made any demand hereunder and although said Obligations, liabilities or claims, or any of them, shall be contingent or unmatured.

11.3 NOTICES.

Except as otherwise expressly provided herein, all notices and other communications provided for hereunder shall be in writing (including telegraphic, telex, telecopier or cable communication) and mailed, telegraphed, telexed, telecopied, cabled or delivered: if to the Borrower, at its address specified opposite its signature below; if to any Bank, at its office specified opposite its signature below; and if to the Agent, at its Notice Office; or, as to the Borrower or the Agent, at such other address as shall be designated by such party in a written notice to the other parties hereto and, as to each other party, at such other address as shall be designated by such party in a written notice to the Borrower and the Agent. All such notices and communications shall, when mailed, telegraphed, telexed, telecopied, or cabled or sent by overnight courier, be effective when deposited in the mails, delivered to the telegraph company, cable company or overnight courier, as the case may be, or sent by telex or telecopier, except that notices and communications to the Agent shall not be effective until received by the Agent.

11.4 BENEFIT OF AGREEMENT.

(A) This Agreement shall be binding upon and inure to the benefit of and be enforceable by the respective successors and assigns of the parties hereto; provided, however, that the Borrower may not assign or transfer any of its rights or obligations hereunder without the prior written consent of each Bank.

(B) BTCo may assign its rights and delegate its obligations under this Agreement, and each of such assignees shall be deemed to be a "Bank" and may further

assign its rights and delegate its obligations under this Agreement upon the prior written consent of the Agent and the Borrower (which consents shall not be unreasonably withheld). Each Bank further may sell participations in all or any part of any Loan made by it or any other interest herein or in its Note to another bank or other entity. Thereupon (i) in the case of an assignment, upon notice thereof by such Bank to the Borrower and the Agent, the assignee shall have, to the extent of such assignment (unless otherwise provided thereby), the same rights and benefits as it would have if it were a Bank hereunder and the holder of a Note and, if the assignee has expressly assumed, for the benefit of the Borrower, the assignor Bank's obligations hereunder, such assignor Bank shall be relieved of its obligations hereunder to the extent of such assignment and assumption, and (ii) in the case of a participation, (A) the participant shall not have any rights under this Agreement or any Note or any other document delivered in connection herewith and all amounts payable by the Borrower under subsections 2.4, 2.6, 2.7(g) and 4.3 hereof shall be determined as if the Bank had not sold such participation and (B) the participant, other than an Affiliate of such Bank, shall not be entitled to require such Bank to take or omit to take any action hereunder except action directly affecting the extension of the final maturity of the principal amount of a Loan or the Commitments or a reduction of the principal amount of or the decrease in the rate of interest payable on the Loans or any fees related thereto. At the time any Bank makes an assignment of any of its rights hereunder, such assignor Bank shall pay to the Agent for its own account an administrative transfer fee of \$3,500. Any Bank may furnish any information concerning the Borrower in the possession of such Bank from time to time to Affiliates of such Bank and to assignees and participants (including prospective assignees and participants); provided, however, that the furnishing of such information (and the nature, manner and extent thereof) by any Bank to its Affiliates and such assignees and participants shall be governed by the relevant agreement, assignment or participation agreement relating to such arrangement, assignment or participation, as the case may be. Notwithstanding the foregoing provisions of this subsection 11.4 to the contrary, each Bank may at any time pledge or assign any portion of its rights under this Agreement and its Note to any Federal Reserve Bank without notice to or consent of the Borrower or the Agent and without the payment of any fee to the Agent; provided that no such pledge or assignment shall otherwise release such Bank from its obligations hereunder.

11.5 NO WAIVER; REMEDIES CUMULATIVE.

No failure or delay on the part of the Agent or any Bank or the holder of any Note in exercising any right, power or privilege hereunder or under any other Credit Document and no course of dealing between the Borrower and the Agent or any Bank or the holder of any Note shall operate as a waiver thereof; nor shall any single or partial exercise of any right, power or privilege hereunder or under any other Credit Document preclude any other or further exercise thereof or the exercise of any other right, power or privilege hereunder or thereunder. The rights, powers and remedies herein or in any other Credit Document expressly provided are cumulative and not exclusive of any rights, powers or remedies which the Agent or any Bank or the holder of any Note would otherwise have. No notice to or demand on the Borrower in any case shall entitle the

Borrower to any other or further notice or demand in similar or other circumstances or constitute a waiver of the rights of the Agent or any Bank or the holder of any Note to any other or further action in any circumstances without notice or demand.

11.6 PAYMENTS PRO RATA.

(a) The Agent agrees that promptly after its receipt of each payment from or on behalf of the Borrower in respect of any Obligations of the Borrower hereunder, it shall distribute such payment to the Banks pro rata based upon their respective shares, if any, of the Obligations with respect to which such payment was received.

(b) Each of the Banks agrees that, if it should receive any amount hereunder (whether by voluntary payment, by realization upon security, by the exercise of the right of setoff or banker's lien, by counterclaim or cross action, by the enforcement of any right under the Credit Documents, or otherwise), which is applicable to the payment of the principal of, or interest on, the Loans, of a sum which with respect to the related sum or sums received by other Banks is in a greater proportion than the total amount of such Obligation then owed and due to such Bank bears to the total amount of such Obligation then owed and due to all of the Banks immediately prior to such receipt, then such Bank receiving such excess payment shall purchase for cash without recourse or warranty from the other Banks an interest in the Obligations of the Borrower to such Banks in such amount as shall result in a proportional participation by all the Banks in such amount; provided, however, that if all or any portion of such excess amount is thereafter recovered from such Bank, such purchase shall be rescinded and the purchase price restored to the extent of such recovery, but without interest.

11.7 CALCULATIONS; COMPUTATIONS.

The financial statements to be furnished to the Banks pursuant hereto shall be made and prepared in accordance with generally accepted accounting principles in the United States consistently applied throughout the periods involved (except as set forth in the notes thereto or as otherwise disclosed in writing by the Borrower to the Banks); provided that, except as otherwise specifically provided herein, all computations determining compliance with Article VIII shall utilize accounting principles and policies in conformity with those used to prepare the historical financial statements delivered to the Banks pursuant to subsection 6.5.

11.8 CONSENT TO JURISDICTION AND SERVICE OF PROCESS; GOVERNING LAW; WAIVER OF JURY TRIAL.

ALL JUDICIAL PROCEEDINGS BROUGHT AGAINST THE BORROWER ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER CREDIT DOCUMENT, OR ANY OBLIGATIONS THEREUNDER, MAY BE BROUGHT IN ANY STATE OR FEDERAL COURT OF COMPETENT JURISDICTION IN THE STATE, COUNTY AND CITY OF NEW YORK. BY

EXECUTING AND DELIVERING THIS AGREEMENT, THE BORROWER, FOR ITSELF AND IN CONNECTION WITH ITS PROPERTIES, IRREVOCABLY (I) ACCEPTS GENERALLY AND UNCONDITIONALLY THE NONEXCLUSIVE JURISDICTION AND VENUE OF SUCH COURTS; (II) WAIVES ANY DEFENSE OF FORUM NON CONVENIENS; (III) AGREES THAT SERVICE OF ALL PROCESS IN ANY SUCH PROCEEDING IN ANY SUCH COURT MAY BE MADE BY REGISTERED OR CERTIFIED MAIL, RETURN RECEIPT REQUESTED, TO AT ITS ADDRESS PROVIDED IN ACCORDANCE WITH SUBSECTION 11.3; (IV) AGREES THAT SERVICE AS PROVIDED IN CLAUSE (III) ABOVE IS SUFFICIENT TO CONFER PERSONAL JURISDICTION OVER THE BORROWER IN ANY SUCH PROCEEDING IN ANY SUCH COURT, AND OTHERWISE CONSTITUTES EFFECTIVE AND BINDING SERVICE IN EVERY RESPECT; (V) AGREES THAT THE BANKS RETAIN THE RIGHT TO SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY LAW OR TO BRING PROCEEDINGS AGAINST THE BORROWER IN THE COURTS OF ANY OTHER JURISDICTION; AND (VI) AGREES THAT THE PROVISIONS OF THIS SUBSECTION 11.8 RELATING TO JURISDICTION AND VENUE SHALL BE BINDING AND ENFORCEABLE TO THE FULLEST EXTENT PERMISSIBLE UNDER NEW YORK GENERAL OBLIGATIONS LAW SECTION 5-1402 OR OTHERWISE. EACH OF THE PARTIES TO THIS AGREEMENT HEREBY AGREES TO WAIVE ITS RESPECTIVE RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF THIS AGREEMENT OR ANY OF THE OTHER CREDIT DOCUMENTS OR ANY DEALINGS BETWEEN THEM RELATING TO THE SUBJECT MATTER OF THIS LOAN TRANSACTION OR THE LENDER/BORROWER RELATIONSHIP THAT IS BEING ESTABLISHED. The scope of this waiver is intended to be all-encompassing of any and all disputes that may be filed in any court and that relate to the subject matter of this transaction, including contract claims, tort claims, breach of duty claims and all other common law and statutory claims. Each party hereto acknowledges that this waiver is a material inducement to enter into a business relationship, that each has already relied on this waiver in entering into this Agreement, and that each will continue to rely on this waiver in their related future dealings. Each party hereto further warrants and represents that it has reviewed this waiver with its legal counsel and that it knowingly and voluntarily waives its jury trial rights following consultation with legal counsel. THIS WAIVER IS IRREVOCABLE, MEANING THAT IT MAY NOT BE MODIFIED EITHER ORALLY OR IN WRITING (OTHER THAN BY A MUTUAL WRITTEN WAIVER SPECIFICALLY REFERRING TO THIS SUBSECTION 11.9 AND EXECUTED BY EACH OF THE PARTIES HERETO), AND THIS WAIVER SHALL APPLY TO ANY SUBSEQUENT AMENDMENTS, RENEWALS, SUPPLEMENTS OR MODIFICATIONS TO THIS AGREEMENT OR ANY OF THE OTHER CREDIT DOCUMENTS OR TO ANY OTHER DOCUMENTS OR AGREEMENTS RELATING TO THE LOANS MADE HEREUNDER. In the event of litigation, this Agreement may be filed as a written consent to a trial by the court.

11.9 COUNTERPARTS.

This Agreement may be executed in any number of counterparts and by the different parties hereto on separate counterparts by facsimile or otherwise, each of which when so executed and delivered shall be an original, but all of which shall together constitute one and the same instrument. A set of counterparts executed by all the parties hereto shall be lodged with the Borrower and the Agent.

11.10 HEADINGS DESCRIPTIVE.

The headings of the several sections and subsections of this Agreement are inserted for convenience only and shall not in any way affect the meaning or construction of any provision of this Agreement.

11.11 AMENDMENT OR WAIVER.

No approval, consent, amendment or waiver of this Agreement or any of the Credit Documents shall be effective unless it is in writing signed by the Agent and Required Banks; provided, however, that any such approval, consent, amendment or waiver, which (a) reduces the amount of any interest, principal or fees owing to any Bank hereunder, including, without limitation, amounts payable under subsection 3.1; (b) extends the date on which any sum is due hereunder; (c) releases any Person from all or any portion of its liabilities under any Credit Document; (d) amends any provisions of this subsection 11.11; (e) changes the definition of the term "Required Banks"; or (f) by the terms of any provision of this Agreement requires the approval of all the Banks shall be effective only if it is in writing signed by all the Banks.

11.12 SURVIVAL.

All indemnities set forth herein including, without limitation, in subsections 2.4, 10.6 and 11.1 shall survive the execution and delivery of this Agreement and the Notes and the making and repayment of the Loans.

11.13 DOMICILE OF LOANS.

Each Bank may transfer and carry its Loans at, to or for the account of any office, Subsidiary or Affiliate of such Bank.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the parties hereto have caused their duly authorized officers to execute and deliver this Agreement as of the date first above written.

ST. JOE CAPITAL I, INC.

By

Name: David F. Childers III
Title: President

Notice Address:

St. Joe Capital I, Inc.
c/o
Griffin Corporate Services
300 Delaware Avenue
9th Floor
Wilmington, Delaware 19801
Attention: Kurt Krahnke
Facsimile: (302) 552-3128

With a copy to:

DuPont Center
1650 Prudential Drive, Suite 400
Jacksonville, Florida 32207
Attention: David F. Childers III
Facsimile: (904) 396-4042
Telephone: (904) 858-5209

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BANKERS TRUST COMPANY,
Individually and as Agent

By

Name:
Title:

Notice Address:

One Bankers Trust Plaza
25th Floor
New York, New York 10006
Attention: Howard Guja
Facsimile: (212) 669-0752

With a copy to:

Lending Office:
Bankers Trust Co.
One Bankers Trust Plaza
25th Floor
New York, New York 10006
Attention: Credit Officer
Facsimile: (212) 669-0752

AMENDED AND RESTATED BY-LAWS

OF

THE ST. JOE COMPANY

ARTICLE I - SHARES

1. Certificates for Shares. The shares of the Company shall be certificated. Certificates shall be signed by the Chairman or the President and the Secretary of the Company and may be sealed with the seal of the Company or a facsimile thereof. The signatures of the officers of the Company upon a certificate may be facsimiles if the certificate is countersigned by the transfer agent and registrar, provided that the Company is not the transfer agent and registrar.

2. Transfer of Shares. Transfers of shares of stock shall be made only on the books of the Company, in person or by attorney, upon surrender of the certificate evidencing the shares sought to be transferred, properly endorsed or accompanied by proper evidence of succession, assignment or authority to transfer. The certificate so surrendered shall be canceled as and when the new certificate or certificates are issued.

ARTICLE II - SHAREHOLDERS

1. Annual Meeting.

(a) The Annual Meeting of the Shareholders of this Company shall be held on the second Tuesday in May of each year. The Annual Meeting shall be held in Jacksonville, Florida, unless the Board of Directors designates another place in or out of the State of Florida.

(b) The only business that may be brought before the Annual Meeting is (i) business described in the Notice of Annual Meeting; (ii) other business that the

Board brings before the meeting; and (iii) business that an eligible Shareholder brings before the meeting in compliance with this Section.

(c) A Shareholder may bring business before an Annual Meeting only if the Shareholder (i) gives the notice required by this Section; and (ii) is a Shareholder of record both on the date the notice is given and on the record date for determining Shareholders entitled to vote at the Annual Meeting at which the Shareholder intends to bring the business before the Shareholders.

(d) An eligible Shareholder may bring business before an Annual Meeting only if the Shareholder gives notice of intent to bring the business before the meeting to the Secretary. The notice must be (i) in writing; (ii) delivered or mailed to the Secretary at the principal executive office of the Company; (iii) timely; and (iv) in proper form.

(e) A notice of intent is timely if it is actually received at the Secretary's office not less than 120 days nor more than 150 days before the anniversary of the date of the Notice of Annual Meeting and Proxy Statement for the immediately preceding year. If an Annual Meeting is called for a date that is more than 30 days before or after the anniversary date of the previous Annual Meeting, the notice of intent must be received not more than 10 business days after (i) the date of the Company's Notice of the Annual Meeting; or (ii) the date the Company publicly discloses the date of that Annual Meeting, whichever is first.

(f) A notice of intent is in proper form only if it states, with respect to each item of business that the Shareholder proposes to bring before the meeting:

- (i) the Shareholder's name and address of record;

(ii) the number of shares of the Company's stock the Shareholder owns beneficially and of record as of the date of the notice; and

(iii) all other information relating to the Shareholder that the Company would be required to disclose pursuant to Section 14 of the Exchange Act and the rules and regulations promulgated under it.

(g) The Chairman may declare any item of business a Shareholder seeks to bring before an Annual Meeting out of order if the Shareholder has not complied with the provisions of this Section, or applicable law.

2. Special Meetings. Special meetings of the Shareholders may be called at any time by resolution of the Board of Directors. Special meetings shall be called for any purpose upon written request by holders of record of at least 30% of the Company's issued and outstanding stock both on the date the Special Meeting is requested and on the record date for determining Shareholders entitled to vote at a Special Meeting. Special Meetings may be held at any place in or out of the State of Florida. The only business that may be conducted at a Special Meeting of Shareholders is business described in the notice of the meeting.

3. Notice of Meeting. Notice of Shareholders' meetings of the Company shall be in writing and signed by the Chairman, the President or a Senior Vice President or a Vice President or the Secretary or an Assistant Secretary of the Company. Such notice shall state the purpose or purposes for which the meeting is called; and the time and place where it is to be held. A copy of such notice shall be served upon or mailed to each Shareholder of record entitled to vote at such meeting not less than ten (10) nor more than sixty (60) days before such meeting. If mailed, it shall be directed to the

Shareholder at his or her address as it appears upon the records of the Company. Notice duly served upon or mailed to a Shareholder in accordance with the provisions of this by-law shall be deemed sufficient, and in the event of the transfer of his or her stock after such service and prior to the holding of the meeting, it shall not be necessary to serve notice of the meeting upon the transferee. Any meeting of Shareholders may be held either within or without the State of Florida. Any Shareholder may waive notice of any meeting either before, at or after the meeting.

4. Quorum. A quorum at any meeting of the Shareholders shall consist of a majority of the stock of the Company represented in person or by proxy, and a majority of such quorum shall decide any question that may properly come before the meeting.

5. Action Without a Meeting. Any action required or permitted to be taken at any meeting of the shareholders may be taken without a meeting, without prior notice, and without a vote if the action is taken by the holders of a majority of the Company's issued and outstanding stock or such other percentage as may be required by applicable law. In order to be effective, the action must be evidenced by one or more written consents describing the action taken, dated and signed by approving shareholders having the requisite number of votes, and delivered to the Secretary at the Company's principal office in Florida. No written consent shall be effective to take corporate action unless, within sixty (60) days of the date of the earliest dated consent delivered in the manner required by this section, written consents signed by the number of holders required to take action are delivered to the Company. Any written consent may be revoked before the date that the Company receives the required number of consents to authorize the proposed action. Within ten (10) days after obtaining authorization by written consent,

notice must be given to those shareholders who have not consented in writing or who are not entitled to vote on the action. The notice shall fairly summarize the material features of the authorized action.

ARTICLE III - DIRECTORS

1. General Powers; Number. The business and property of the Company shall be managed under the direction of a Board of not less than nine nor more than fifteen Directors, the number to be determined by the Board of Directors of the Company. The Board of Directors shall have full control over the affairs of the Company and shall be authorized to exercise all of its corporate powers unless otherwise provided in these by-laws. The Directors shall be elected at the Annual Meeting of the Shareholders by a plurality of the votes cast at such election, for the term of one year, and shall serve until the election and acceptance of their duly qualified successors.

2. Vacancies. Vacancies in the Board of Directors shall be filled by majority vote of the remaining Directors. A majority of the full Board between Annual Meetings may increase the number of Directors and elect Directors to the Board. Any additional service by a Director elected in this manner shall be subject to election at the next annual meeting of Shareholders.

3. Chairman of the Board. A Chairman of the Board of Directors shall be selected, who shall be considered an officer of the Company.

4. Regular Meeting. A regular meeting of the Board of Directors shall be held immediately upon adjournment of the Annual Meeting of the Shareholders each year at the place where the Annual Meeting of the Shareholders is held that year.

5. Special Meetings. Special meetings of the Board of Directors may be held in or out of the State of Florida, and can be called at any time or place by the Chairman of the Board of Directors or by any three members of the Board. Notice of the meeting, stating a place, date, and hour, shall be given to each Director by mail not less than three days before the date of the meeting. Alternatively, notice may be given personally to each Director or by telephone, telegram, facsimile, telecopy, fax, or similar means of communication not less than twenty-four hours before the date of the meeting. Emergency meetings may be convened on such shorter notice as the Chairman or Board members calling the meeting deem necessary and appropriate under the circumstances. A special meeting may be held at any time or place without notice by unanimous written consent of all Directors or the presence of all Directors at such meeting.

6. Committees of the Board. The Board of Directors, by resolution adopted by a majority of the full Board, may establish from among its members one or more committees. As allowed by general law and as provided in the resolution establishing the committee, each committee shall have and may exercise the powers and authority delegated to it by the Board of Directors to manage the business affairs of the Company.

Each committee must have three or more members who will serve at the pleasure of the Board of Directors. The Board, by resolution, may also designate one or more Directors as alternate members of any committee.

The Board of Directors shall prescribe the manner in which committee proceedings shall be conducted. Unless the Board otherwise provides, regular and special meetings and other actions of any committee shall be governed by the provisions of these by-laws applicable to meetings and actions of the Board of Directors. Each

committee shall keep minutes of meetings, copies of which shall be furnished to all Directors. Each committee shall report all actions to the Board of Directors.

7. Quorum. A quorum at any meeting shall consist of a majority of the Board. A majority of such quorum shall decide any questions that may come before the meeting. If at any meeting less than a quorum is present, the Directors present, or a majority of them, may adjourn the meeting to another time and/or place.

8. Indemnification of Directors and Officers. The Company shall indemnify and reimburse and advance expenses for each Director and officer, whether or not then in office, and his or her executor, administrator and heirs, and may indemnify and reimburse and advance expenses to employees and agents of the Company, against all reasonable expenses actually and necessarily incurred, including but not limited to, judgments, costs and counsel fees in connection with the defense of any litigation, civil or administrative action, suit or proceeding, to which he or she may have been made a party because he or she is or was a Director, officer, employee or agent of the Company or that he or she was serving at the request of the Company as a director or officer of another corporation, partnership, joint venture, trust or other enterprise.

9. Meetings by Means of Conference Telephone Call or Similar Communications Equipment. Meetings of the Board of Directors or committees of the Board may be held by means of a telephone conference call or similar communications equipment if all persons participating in the meeting can hear each other at the same time. Participation by such means constitutes presence by such person at a meeting.

10. Nomination of Directors.

(a) A person is eligible to be elected to the Board of Directors only if the person is nominated as provided in this Section.

(b) A person may be nominated at any Annual Meeting of Shareholders, or at any Special Meeting of Shareholders called for the purpose of electing directors.

(c) A person may only be nominated (i) by the Board of Directors; or (ii) by a Shareholder (A) who has given the notice required by this Section; and (B) who is a shareholder of record both on the date the notice is given and on the record date for determining Shareholders entitled to vote at the meeting at which the Shareholder will make the nomination.

(d) A Shareholder may make a nomination only if the Shareholder gives notice of intent to make a nomination to the Secretary. The notice must be (i) in writing; (ii) delivered or mailed to the Secretary at the principal executive office of the Company; (iii) timely; and (iv) in proper form.

(e) A notice of intent is timely only if it is actually received at the Secretary's office within the applicable time specified below:

(i) If the Shareholder intends to make a nomination at an Annual Meeting of Shareholders, the notice of intent must be received not less than 90 days before the anniversary of the date of the Notice of the Annual Meeting and Proxy Statement for the immediately preceding year. If an Annual Meeting is called for a date that is more than 30 days before

or after the anniversary date of the previous Annual Meeting, the notice of intent must be received not more than 10 business days after (A) the date of the Notice of the Annual Meeting, or (B) the date the Company publicly discloses the date of that Annual Meeting, whichever is first.

(ii) If the Shareholder intends to make a nomination at a Special Meeting of Shareholders called for the purpose of electing directors, the notice of intent must be received not more than 10 days after the date on which the Company mails notice of the Special Meeting to Shareholders or the date the Company publicly discloses the date of the Special Meeting of Shareholders, whichever is first.

(f) A notice of intent is in proper form only if it

(i) states as to the Shareholder giving the notice:

(A) the Shareholder's name and address of record;

(B) the number of shares of the Company's stock the Shareholder owns beneficially and of record as of the date of the notice;

(C) a description of all arrangements or understandings between the Shareholder and each proposed nominee and with any other person or persons (including their names) under which the Shareholder is acting in making the nomination;

(D) a representation that the Shareholder intends to appear in person at the meeting to nominate the persons named in the notice; and

(E) all other information relating to the Shareholder that the Company would be required to disclose in a proxy statement or other filing required in soliciting proxies for election of directors under Section 14 of the Exchange Act and the rules and regulations promulgated under it; and

(ii) states as to each person whom the Shareholder proposes to nominate for election as a director:

(A) the person's name, age, business address and residence address;

(B) the person's principal occupation or employment;

(C) the number of shares of the Company's stock the person owns beneficially and of record on the date of the notice; and

(D) all other information about the person that the Company would be required to disclose in a proxy statement or other filing in soliciting proxies for election of directors under Section 14 of the Exchange Act, and the rules and regulations promulgated under it.

(g) A nomination is not valid unless it is made in accordance with the foregoing procedures.

ARTICLE IV - OFFICERS

1. Officers. The officers of the Company shall be a Chairman of the Board of Directors and Chief Executive Officer, a President and Chief Operating Officer, one or

more Senior Vice Presidents and Vice Presidents, a Secretary and one or more Assistant Secretaries, a Treasurer and one or more Assistant Treasurers, and a Controller. Any person may hold two or more offices except that the Chairman of the Board of Directors shall not be also the Secretary or an Assistant Secretary of the Company. The Board of Directors shall appoint all officers of the Company, and shall approve the compensation of the Chairman and Chief Executive Officer, President and Senior Vice Presidents of the Company. The Chairman and Chief Executive Officer shall have the authority to appoint all officers of the Company's subsidiaries.

2. Chairman and Chief Executive Officer. The Chairman of the Board of Directors shall be the Chief Executive Officer of the Company, and subject to the control of the Board of Directors, shall supervise, control and manage all the business affairs of the Company. The Chairman shall preside at all meetings of the Shareholders and the Board of Directors. In addition, the Chairman shall possess and may exercise the powers and authority, and perform the duties that are assigned to him or her by the Board of Directors. The Chairman may delegate any of his or her powers to any other officer of the Company, subject to the Chairman's overall supervision and responsibility.

3. President. The President shall report and be responsible to the Chairman of the Board of Directors. The President shall have the powers and perform the duties that are assigned or delegated to him or her by the Board of Directors or the Chairman.

During the absence or disability of the Chairman, or at the request of the Chairman, the President shall perform the duties and exercise the powers of the Chairman. In the absence or disability of both the Chairman and the President, the Senior Vice President or Vice President designated by the Chairman, or if no one is designated

by the Chairman, the Senior Vice President or Vice President designated by the Board of Directors shall perform the duties and exercise the powers of the Chairman.

4. Senior Vice President and Vice Presidents. Senior Vice Presidents and Vice Presidents shall have the powers and perform the duties that are assigned or delegated to them by the Board of Directors or the Chairman.

5. Secretary. The Secretary shall keep the minutes of all meetings; shall have charge of the seal and the corporate books; shall execute with the President, Senior Vice President or Vice President such instruments as require such signatures; and shall make such reports and perform such other duties as are incident to his or her office, or are properly required of him or her by the Board of Directors. The Chairman may appoint one or more Assistant Secretaries, and in the absence, disqualification or disability of the Secretary, any such Assistant Secretary shall exercise the functions of the Secretary.

6. Treasurer. The Treasurer shall have the custody of all moneys and securities of the Company and shall keep regular books of account under the direction of the Board of Directors or the Chairman. He or she shall deposit all funds and moneys of the Company in banks to be designated by the Board of Directors or the Chairman, and shall perform such other duties as may be required of him or her by the Board of Directors or the Chairman. The Board of Directors may appoint one or more Assistant Treasurers, and in the absence, disqualification or disability of the Treasurer, or at his or her direction, any such Assistant Treasurer shall exercise the functions of the Treasurer.

7. Controller. The Controller shall maintain adequate records of all assets, liabilities, and transactions of the Company, shall see that adequate audits thereof are currently and regularly made, and, in conjunction with other officers and department

heads, shall initiate and enforce measures and procedures whereby the business of the Company shall be conducted with the maximum safety, efficiency, and economy. He or she shall attend such meetings of the Directors and Shareholders of the Company and shall make such reports to the Chairman, the President and the Board of Directors as the Chairman, the President or the Board of Directors may prescribe, and shall perform such other duties as may be required of him or her by the Board of Directors or Chairman.

8. Removal of Officers. Any officer of the Company may be removed from his or her respective office or position at any time, with or without cause, by the Chairman or the Board of Directors. The Chairman may be removed, with or without cause, by the Board of Directors.

9. Other Officers and Employees. Each officer and employee of the Company shall possess and may exercise authority, and shall perform duties that are assigned to him or her by the Board of Directors or the Chairman and Chief Executive Officer.

ARTICLE V - GENERAL PROVISIONS

1. Dividends. Dividends shall be declared only at such times and in such amounts as the Board of Directors shall direct.

2. Seal. The corporate seal of the Company shall consist of two concentric circles, between which is the following: "THE ST. JOE COMPANY", and in the center shall be inscribed "Seal - Incorporated 1936."

ARTICLE VI - AMENDMENTS

1. Amendments. These by-laws may be amended or repealed and new by-laws adopted at any meeting of the Board of Directors by a majority vote. The fact that the power to amend or repeal the by-laws has been conferred upon the Board of Directors shall not divest the Shareholders of the same power.

Adopted by the Board of Directors this 23rd day of February, 1999.

THE ST. JOE COMPANY
1650 Prudential Drive, Suite 400
Jacksonville, Florida 32201-1380

January 27, 1999

Mr. Kevin M. Twomey
1601 Emerald Bay
Laguna Beach, CA 91108

PERSONAL & CONFIDENTIAL

Dear Kevin:

The St. Joe Company (the "Company") is pleased to offer you employment on the following terms.

1. Position. You will serve in a full-time capacity as President and Chief Financial Officer for St. Joe and its wholly owned subsidiaries. You will report directly to Peter S. Rummell. Your duties will include those as assigned by the Chief Executive Officer.
2. Salary. You will be paid a salary at the annual rate of \$450,000 (the "Base Salary"), payable in accordance with the Company's standard payroll practices for salaried employees. This salary will be subject to reevaluation on each April 1, commencing April 1, 2000. It may be increased but not reduced during your employment, pursuant to the Company's employee compensation policies in effect from time to time. You will also receive a car allowance of \$1,000 per month (gross) in addition to your base salary. This allowance constitutes the full and complete reimbursement of all car expenses by the Company. This allowance will not be included as wages in the calculation of any benefits or compensation plans.
3. Bonus. You will be eligible to participate in the Company's annual discretionary bonus plan,

which is based on overall Company performance, Division performance and individual performance for the calendar year with an award range of 0% to 75% of your Base Salary. This award range will not be reduced during your employment with the Company.

4. Stock Options. Subject to the approval of the Company's Board of Directors, you will be granted a nonstatutory option to purchase 500,000 shares of the Company's Common Stock. The exercise price per share will be equal to the closing price on the date previous to the date the Committee grants the option. Twenty percent of the option shares vest on the first anniversary of the vesting commencement date (February 12, 1999) and an additional twenty percent will vest on each subsequent anniversary of the vesting commencement date. The option will have a 10-year term.
5. Restricted Stock. Subject to the approval of the Company's Board of Directors, you will be granted 100,000 shares of restricted common stock. Forty percent of the restricted shares vest on the second anniversary of the vesting commencement date (February 12, 1999) and an additional twenty percent of the restricted shares will vest on each subsequent anniversary of the vesting commencement date. Except as provided below, any non-vested Restricted Shares automatically revert to the Company (without any payment) when your service as an employee of the Company or a subsidiary of the Company terminates.
6. Effect of Change in Control, Termination, Disability or Death. In the event of a change in

control of the Company as defined in Exhibit A (attached) or a termination of Employee's employment without cause, or disability, or upon Employee's death, subject to Section 13 and 14 herein, the vesting of the nonstatutory stock option and restricted stock will accelerate, and Employee will be owner and holder of such stock option and restricted stock without restrictions. In the event of the involuntary termination of Employee's employment for cause as set forth in Section 12 herein, or the Employee's voluntary termination of his employment, all of the nonstatutory stock options and restricted stock that had not vested in Employee at that time will lapse, and Employee will have no right in same. All of the option shares will be registered under the Securities Act of 1933 on or before the date when the first installment of the option vests.

7. Stock Options Plans. The terms of the St. Joe Company 1997 and/or 1998 Stock Incentive Plans shall apply to this Agreement, and shall control in all instances except where specifically in conflict with the language of this Agreement in which case the language of this Agreement shall control.
8. Benefits. You and your family will be eligible for all benefit programs and perquisites that are offered from time to time to similarly situated officers of the Company.
9. Expense Reimbursement. You will be eligible for reimbursement of necessary and reasonable business expenses subject to Company policy.

10. Relocation Benefits. Your relocation package will include packing and shipment of your office and household goods from Laguana Beach, California to Jacksonville and storage for up to 180 days, reimbursement of all reasonable and customary expenses associated with the sale of your primary residence in Laguana Beach and the purchase of a primary residence in Jacksonville. This includes up to two mortgage points to "buy down" your mortgage and up to one point in origination fees. In the event that you purchase a home in Jacksonville prior to the sale of your home in Laguana Beach the Company will provide you with an interest free "bridge loan" equivalent to the down payment on the purchase of your new home. This loan is to be reimbursed upon the sale of your home in Laguana Beach. You will receive temporary housing (not including meals and incidentals) in a Company apartment in Jacksonville through April 30, 1999. This date may be extended by the Company. Prior to shipment of your primary household goods, we will ship two automobiles from Laguana Beach and a partial shipment of household goods to Jacksonville. We will provide a rental automobile in Jacksonville until these cars arrive. You will be entitled to receive from the Company a gross-up payment equal to all federal and state taxes imposed on the reimbursement of nondeductible relocation costs and on the gross-up payment itself. The intent of the preceding sentence is to hold you harmless, in an after-tax basis, from the tax impact of all reimbursements of nondeductible relocation costs.
11. Period of Employment. Your employment with the Company will be "at will," meaning that

either you or the Company will be entitled to terminate your employment at any time and for any reason, with or without cause, upon 30 days' written notice. Any contrary representations which may have been made to you are superseded by this offer. Except for other specific provisions of this Agreement relating to termination, this is the full and complete Agreement between you and the Company on this term. The "at will" nature of your employment may only be changed in an express written agreement signed by you and a duly authorized officer of the Company.

12. Severance Pay. Notwithstanding Paragraph 11, in the event that the Company terminates your employment without your consent for any reason other than cause or disability, you will receive severance pay in a lump sum in an amount equal to 150% of your Base Salary at the rate in effect at the time of your termination, plus 50% of the amount of any bonus awarded you the prior year (in the event that you are terminated under this paragraph prior to receiving any bonus payment, you will be entitled to a payment equivalent to 30% of your then current base salary); less any severance payments under the Company's standard severance program, provided; however, if you receive or are entitled to receive payment under a severance agreement with the Company that provides payments or benefits under a Change in Control then no payments shall be made to you under this Paragraph 9.

If termination of your employment is subject to this paragraph, the Company will provide you and your family health insurance coverage, including, if applicable, COBRA

reimbursement and disability insurance coverage under the applicable Company plans for a period of 12 months following termination or until you start other full time employment, whichever is earlier. For purposes of this Agreement, "cause" means gross negligence, misconduct, non-feasance, a material breach of this Agreement, conviction following final disposition of any available appeal of a felony, or pleading guilty or no contest to a felony.

13. Termination Upon Death. In the event of your death during your employment, this Agreement shall terminate and the Company shall only be obligated to pay your estate or legal representative the Base Salary provided for herein to the extent earned by you prior to such event.

However, the Company may pay your estate or legal representative a bonus which you may have earned prior to your death.

14. Disability. If you are unable to perform the services required of you as a result of any disability and such disability continues for a period of 120 or more consecutive days or an aggregate of 180 or more days during any 12-month period during your employment, the Company shall have the right, at its option, to terminate your employment. Unless and until so terminated, during any period of disability during which you are unable to perform the services required of you, your salary shall be payable to the extent of, and subject to, Company's policies and practices then in effect with regard to sick leave and

disability benefits.

15. Insurance and Indemnification. The Company will indemnify you for your actions as a Company employee or officer pursuant to Company policy and, prior to commencement of your service, will confirm it has in place adequate insurance coverage acceptable to you for your actions as a Company employee or officer.
16. Outside Activities. While employed by the Company, you will not engage in any other employment, or business activity for compensation without the written consent of the Company. While employed by the Company, you also will not compete with or assist any person or organization in competing with the Company, in preparing to compete with the Company, or in hiring any employees of the Company.
17. Withholding Taxes. All forms of compensation referred to in this Agreement are subject to reduction to reflect applicable withhold and payroll taxes.
18. Entire Agreement. This Agreement contains all of the terms of your employment with the Company and supersedes any prior understandings or agreements, whether oral or written, between you and the Company.
19. Amendment and Governing Law. This Agreement may only be amended or modified by

an express written agreement signed by you and a duly authorized officer of the Company. The terms of this Agreement and the resolution of any disputes will be governed by Florida law.

We hope that you find the foregoing terms acceptable. You may indicate your agreement with these terms and accept this offer by signing and dating the enclosed duplicate original of this letter and returning it to me. As required by law, your employment with the Company is also contingent upon your providing legal proof of your identity and authorization to work in the United States. This offer, if not accepted, will expire at the close of business on Monday, February 1, 1999.

Very truly yours,

THE ST. JOE COMPANY

By:

Michael F. Bayer
Vice President - HR and Administration

I have read and accept this employment offer:

Signature of Kevin M. Twomey
Dated: _____, 1999

The St. Joe Company
Subsidiaries Listing

The St. Joe Company

Florida East Coast Industries, Inc.
Gran Central Corporation
Florida East Coast Railway Company
Advantis Real Estate Services Company
St. Joe Timberland Company
Apalachicola Northern Railroad Company
Talisman Sugar Corporation
St. Joe/Arvida Company, Inc.
St. Joe Real Estate Services, Inc.
St. Joe Capital I (Incorporated in Delaware)
St. Joe Capital II (Incorporated in Delaware)

- - All subsidiaries unless otherwise noted are incorporated in the State of Florida

Independent Auditors' Consent

The Board of Directors
The St. Joe Company:

We consent to the incorporation by reference in the registration statements (No. 333-23571 and 333-43007) on Form S-8 of The St. Joe Company of our reports dated February 23, 1999, relating to the consolidated balance sheet of St. Joe Company and subsidiaries as of December 31, 1998 and 1997, and the related consolidated statements of income, changes in stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 1998, and related schedules, which reports appear in the December 31, 1998 annual report on Form 10-K of The St. Joe Company.

KPMG LLP

Jacksonville, Florida
March 24, 1999

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE FINANCIAL STATEMENTS OF ST. JOE CORPORATION FOR THE YEAR ENDED DECEMBER 31, 1998 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

1,000

YEAR		
	DEC-31-1998	
	JAN-01-1998	
	DEC-31-1998	
		39,108
		201,002
		38,691
		0
		11,006
	167,324	
		626,658
	(261,802)	
	1,604,269	
93,411		
		0
0		
		0
		13,054
1,604,269		870,243
		392,181
	392,181	
		332,434
		0
	0	
	10,238	
	0	
	81,429	
	36,179	
26,132		
	2,706	
	0	
		0
		28,838
		0.317
		0.312

The St. Joe Company
 Supplemental Calculation of Selected Consolidated Financial Data

The following table calculates EBITDA (Gross) and EBITDA (Net) as set forth in Note (9) to Item 6. Selected Consolidated Financial Data.

	1998	1997	1996	1995	1994
	----	----	----	----	----
Income from continuing and discontinued operations before income taxes and minority interest	85,834	94,374	181,715	136,664	91,873
Add back:					
Depreciation and amortization	40,340	30,233	28,758	28,551	27,612
Interest expense	804	389	600	2,235	1,982
Less:					
Gain on sales of other assets	(788)	(4,417)	(3,423)	(2,674)	(13,895)
Impairment losses	10,238				
Condemnation sales			(97,391)		
EBITDA - Gross	136,428	120,578	110,259	164,776	107,572
Less minority interest % of FECI					
Income before income taxes	(31,261)	(28,911)	(22,134)	(19,574)	(25,609)
Depreciation and amortization	(13,225)	(10,243)	(10,813)	(10,254)	(10,004)
Interest expense	(163)	(179)	(276)	(1,028)	(912)
Gain on sales of other assets	181	795	1,346	589	1,857
EBITDA - Net	91,960	81,149	78,382	134,508	72,905