

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

AMENDMENT NO. 1
TO
FORM 10-Q

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

For the quarterly period ended September 30, 1996

Commission file number 1-10466

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

Florida 59-0432511

(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

Suite 400, 1650 Prudential Drive, Jacksonville, Florida 32207
(Address of principal executive offices) (Zip Code)

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

None
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES X NO

APPLICABLE ONLY TO CORPORATE ISSUERS:

As of September 30, 1996 there were 30,498,650 shares of common stock, no par value, outstanding.

ST. JOE CORPORATION
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ST. JOE CORPORATION
CONSOLIDATED BALANCE SHEET
(Dollars in thousands)

| | September 30 1996 (Unaudited) | December 31 1995 |
|--|-------------------------------------|---------------------|
| ASSETS | | |
| Current Assets: | | |
| Cash and cash equivalents | \$ 491,992 | \$ 16,802 |
| Short-term investments | 103,308 | 96,923 |
| Accounts receivable | 44,767 | 44,390 |
| Income taxes refundable | --- | 4,314 |
| Inventories | 17,133 | 20,592 |
| Other assets | 27,453 | 18,162 |
| Net assets of discontinued operations | --- | 296,001 |
| | ----- | ----- |
| Total Current Assets | 684,653 | 497,184 |
| Investment and Other Assets: | | |
| Marketable securities | 253,336 | 189,865 |
| Other assets | 53,801 | 38,971 |
| | ----- | ----- |
| Total Investments and Other Assets | 307,137 | 228,836 |
| Property, Plant and Equipment, Net | 825,816 | 804,974 |
| | ----- | ----- |
| Total Assets | \$1,817,606 | \$1,530,994 |
| | ===== | ===== |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current Liabilities: | | |
| Accounts payable | \$ 25,854 | \$ 26,024 |
| Accrued liabilities | 43,302 | 18,445 |
| Income taxes payable | 21,223 | --- |
| | ----- | ----- |
| Total Current Liabilities | 90,379 | 44,469 |
| Accrued casualty reserves and other liabilities | 14,115 | 11,681 |
| Deferred income taxes | 252,723 | 192,036 |
| Minority interest in consolidated subsidiaries | 275,225 | 266,741 |
| Stockholders' Equity: | | |
| Common stock, no par value; 60,000,000 shares authorized; 30,498,650 shares issued and outstanding | 8,714 | 8,714 |
| Retained earnings | 1,118,698 | 955,239 |
| Net unrealized gains on debt and marketable equity securities | 57,752 | 52,114 |
| | ----- | ----- |
| Total Stockholders' Equity | 1,185,164 | 1,016,067 |
| | ----- | ----- |
| Total Liabilities and Stockholders' Equity | \$1,817,606 | \$1,530,994 |
| | ===== | ===== |

See accompanying notes.

ST. JOE CORPORATION
CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS
(Unaudited)
(Dollars in thousands except per share amounts)

| | Three Months ended September 30 | | Nine Months ended September 30 | |
|--|------------------------------------|-----------|-----------------------------------|------------|
| | 1996 | 1995 | 1996 | 1995 |
| Net sales | \$ 39,787 | \$ 36,232 | \$ 198,501 | \$ 106,579 |
| Operating revenues | 44,769 | 46,645 | 137,207 | 138,581 |
| | ----- | ----- | ----- | ----- |
| Net sales and operating revenues | 84,556 | 82,877 | 335,708 | 245,160 |
| Cost of sales | 30,795 | 28,116 | 81,765 | 83,669 |
| Operating expenses | 34,959 | 34,910 | 104,824 | 103,334 |
| Selling, general and administrative expenses | 9,207 | 8,106 | 23,373 | 22,727 |
| | ----- | ----- | ----- | ----- |
| Operating profit | 9,595 | 11,745 | 126,046 | 35,430 |
| Other income (expense): | | | | |
| Dividends | 481 | 611 | 2,196 | 1,944 |
| Interest income | 10,334 | 534 | 20,887 | 7,601 |
| Interest expense | (102) | (547) | (426) | (2,440) |
| Gain on sales and other dispositions of property | 2,809 | (151) | 5,745 | 1,938 |
| Other, net | 998 | (44) | 3,603 | 2,628 |
| | ----- | ----- | ----- | ----- |
| | 14,520 | 403 | 32,005 | 11,671 |
| | ----- | ----- | ----- | ----- |
| Income before income taxes and minority interest | 24,115 | 12,148 | 158,051 | 47,101 |
| Provision for income taxes | 9,139 | 2,499 | 71,211 | 16,805 |
| | ----- | ----- | ----- | ----- |
| Income before minority interest | 14,976 | 9,649 | 86,840 | 30,296 |
| Income applicable to minority interest in consolidated subsidiaries | 3,527 | 3,287 | 9,922 | 8,943 |
| | ----- | ----- | ----- | ----- |
| Income from continuing operations | 11,449 | 6,362 | 76,918 | 21,353 |
| Earnings from discontinued operations net of income taxes of \$0, \$5,801, \$527 and \$22,713 respectively | --- | 4,797 | 746 | 37,656 |
| Gain on sale of discontinued operations, net of income taxes of \$0, \$0, \$61,638 and \$0, respectively | --- | --- | 90,370 | --- |
| | ----- | ----- | ----- | ----- |
| | --- | 4,797 | 91,116 | 37,656 |
| | ----- | ----- | ----- | ----- |
| Net income | \$ 11,449 | \$ 11,159 | \$ 168,034 | \$ 59,009 |
| Retained earnings at beginning of period | 1,108,774 | 932,320 | 955,239 | 887,520 |
| Dividends | 1,525 | 1,525 | 4,575 | 4,575 |
| | ----- | ----- | ----- | ----- |
| Retained earnings at end of period | \$1,118,698 | \$941,954 | \$1,118,698 | \$941,954 |
| Per share data: | | | | |
| Dividends | \$ 0.05 | \$ 0.05 | \$ 0.15 | \$ 0.15 |
| | ===== | ===== | ===== | ===== |
| Income from continuing operations | \$ 0.38 | \$ 0.21 | \$ 2.53 | \$ 0.70 |
| Earnings of discontinued operations | --- | 0.16 | 2.98 | 1.23 |
| | ----- | ----- | ----- | ----- |
| Net income | \$ 0.38 | \$ 0.37 | \$ 5.51 | \$ 1.93 |
| | ===== | ===== | ===== | ===== |

See accompanying notes.

ST. JOE CORPORATION
CONSOLIDATED STATEMENT OF CASH FLOWS
(Unaudited)
(Dollars in thousands except per share amounts)

Nine Months
ended September 30
1996 1995

Cash flows from operating activities:

| | | |
|--|-----------|----------|
| Net income | \$168,034 | \$59,009 |
| Adjustments to reconcile net income to cash provided by operating activities: | | |
| Depreciation and depletion | 21,232 | 20,747 |
| Minority interest in income | 9,922 | 8,943 |
| Gain on sale of property | (5,745) | (1,938) |
| Gain on sale of discontinued operations | (90,370) | --- |
| Increase in deferred income taxes | 60,687 | 3,884 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | (377) | 6,487 |
| Inventories | 3,459 | 5,708 |
| Other assets | (24,151) | (9,121) |
| Accounts payable, accrued liabilities and casualty reserves | 42,009 | 8,592 |
| Income taxes payable | 25,537 | (6,028) |
| Discontinued operations - noncash charges, working capital changes and income taxes paid | (87,991) | 20,880 |
| | ----- | ----- |
| Cash provided by operating activities | 122,246 | 117,163 |

Cash flows from investing activities:

| | | |
|---|-----------|-----------|
| Purchases of property, plant and equipment | (41,135) | (54,245) |
| Investing activities of discontinued operations | --- | (16,668) |
| Purchases of investments: | | |
| Available for sale | (18,698) | (26,493) |
| Held to maturity | (216,570) | (104,719) |
| Proceeds from dispositions of assets | 4,806 | 4,457 |
| Proceeds from sale of discontinued operations | 464,949 | --- |
| Maturity and redemption of investments: | | |
| Available for sale | 12,218 | 24,215 |
| Held to maturity | 153,194 | 71,271 |
| | ----- | ----- |
| Cash provided by (used in) investing activities | 358,764 | (102,182) |

Cash flows from financing activities:

| | | |
|---|---------|----------|
| Financing activities of discontinued operations | --- | (16,877) |
| Dividends paid to stockholders | (4,575) | (4,575) |
| Dividends paid to minority interest | (1,245) | (1,239) |
| | ----- | ----- |
| Cash used in financing activities | (5,820) | (22,691) |

Net increase (decrease) in cash and cash equivalents

| | | |
|--|-----------|-----------|
| Net increase (decrease) in cash and cash equivalents | 475,190 | (7,710) |
| Cash and cash equivalents at beginning of period | 16,802 | 49,132 |
| | ----- | ----- |
| Cash and cash equivalents at end of period | \$491,992 | \$ 41,422 |
| | ===== | ===== |

Supplemental disclosure of cash flow information:

| | | |
|--------------------------------|-----------|-----------|
| Cash paid during the year for: | | |
| Interest | \$ 835 | \$ 2,878 |
| Income taxes | \$ 93,172 | \$ 42,853 |

See accompanying notes

ST. JOE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
(Dollars in thousands)

1. In the opinion of the Company, the accompanying unaudited consolidated financial statements contain all adjustments (consisting of only normal recurring accruals) necessary to present fairly the financial position as of September 30, 1996 and December 31, 1995 and the results of operations and cash flows for the three and nine month periods ended September 30, 1996 and 1995. The 1995 statements have been restated to reflect the reclassification of the Communications segment and linerboard mill and container plants as discontinued operations.
2. The results of operations for the three and nine month periods ended September 30, 1996 and 1995 are not necessarily indicative of the results that may be expected for the full year.
3. 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. as previously discussed. SJCI also sold its interest in four cellular partnerships. These sales represent the Company's entire Communication segment. On May 30, 1996, the Company sold its linerboard mill and container plants. The Company retains its timberlands and will continue to operate in this segment.

Operating revenues for the three month periods ended September 30, 1996 and 1995 for the Communications segment were \$0 and \$8,400, respectively and for the nine month periods ended September 30, 1996 and 1995 were \$8,435 and \$24,259 respectively and net sales for the linerboard mill and container plants for the three month periods ended September 30, 1996 and 1995 were \$0 and \$127,958, respectively and for the nine month periods ended September 30, 1996 and 1995 were \$153,406 and \$430,062, respectively. These amounts are not included in net sales and operating revenues in the accompanying statement of income and retained earnings. The gain on the sale of these operations was \$90.4 million after income taxes of \$61.6 million. The gain is subject to final postclosing working capital adjustments.

Net operating results of the Communications segment and for the linerboard mill and container plants for the three and nine month periods ended September 30, 1996 and 1995 are shown separately as earnings from discontinued operations in the accompanying statement of income and retained earnings.

Net assets to be disposed of have been separately classified in the accompanying balance sheets at December 31, 1995. At September 30, there were no specific assets or liabilities classified as discontinued operations.

4. As a result of the sale of the Communications segment and the linerboard mill and container plants and the attendant reduction in employees covered by the Company's pension plans, an estimated gain from curtailment of the pension plans of \$1,200, net of tax, was recorded as part of the gain on sale of discontinued operations.

In addition, the Company's pension plans remain in an overfunded position and, with the reduction in employees resulting from the sales, it is unlikely that the overfunding will be realized other than by a plan termination and reversion of excess assets. Accordingly, the Company has recorded the 50% excise tax applicable to plan terminations as additional deferred taxes which amounted to approximately \$11,000. The Company has no immediate plans to terminate the pension plans and is in the process of evaluating other alternatives.

5. Inventories at September 30, 1996 and December 31, 1995:

| | September 30 1996 ----- | December 31 1995 ----- |
|------------------------|-------------------------------|------------------------------|
| Materials and supplies | \$ 14,148 | \$ 12,875 |
| Sugar | 2,985 | 7,717 |
| | \$ 17,133 | \$ 20,592 |

6. Accrued liabilities at September 30, 1996 consisted of real estate and personal property taxes of \$16,879, accrued casualty and other reserves of \$18,125 and other accrued liabilities of \$8,298.

7. 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 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. 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.

The Company is currently a party to, or involved in, legal proceedings directed at the cleanup of four Superfund sites. The Company has accrued its allocated share of the total estimated cleanup costs for these four 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, liquidity, or results of operation of the Company. As of September 30, 1996 and December 31, 1995, the aggregate environmental related accruals were \$6.2 million. Environmental liabilities are paid over an extended period and the timing of such payments cannot be predicted with any confidence.

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

OVERVIEW

During the second quarter, the Company sold its Communication segment and its linerboard mill and container plants. Sale of the Communications segment occurred on April 11, 1996 and the linerboard mill and container plants on May 30, 1996. Operating revenues for the three month periods ended September 30, 1996 and 1995 for the Communications segment were \$0 and \$8,400, respectively and for the nine month periods ended September 30, 1996 and 1995 were \$8,435 and \$24,259 respectively. Net sales for the linerboard mill and container plants for the three month periods ended September 30, 1996 and 1995 were \$0 and \$127,958 respectively and for the nine month periods ended September 30, 1996 and 1995 were \$153,406 and \$430,062, respectively. These amounts are not included in net sales and operating revenues in the accompanying statement of income and retained earnings.

The gain on the sale of these operations was \$90.4 million after income taxes of \$61.6 million. The gain is subject to final postclosing working capital adjustments.

Because the completion of these sales, revenues of the Company will be materially lower than historical levels. Net income, earnings per share and cash flows may also be materially different than previous periods.

Quarter ended September 30, 1996

Net sales and operating revenues for the quarter were \$84.6 million, a \$1.7 million increase from the same period in 1995 and a \$4.4 million increase from the second quarter of 1996. Forestry net sales increased by \$5.5 million over 1995 and \$7.3 million over the second quarter. Cost of sales and operating expenses were \$65.8 million, up from \$63.0 million in 1995 and \$51.6 million in the second quarter of 1996. These costs were 77.8% of net sales and operating revenues in 1996 compared to 76.0% in 1995 and 64.4% in the second quarter 1996. Selling, general and administrative expenses were \$9.2 million in the third quarter of 1996 compared to \$8.1 million in the third quarter of 1995 and \$5.5 million in the second quarter 1996. As a result of these changes, operating profit was \$9.6 million compared to \$11.7 million in the same quarter of 1995 and \$23.1 million in the second quarter of 1996.

Nine Months ended September 30, 1996

Net sales and operating revenues were \$335.7 million for the first three quarters of 1996, an increase of \$90.5 million over the same period in 1995. The increase was primarily due to land sales to the State of Florida of \$97.8 million offset somewhat by a decline in sales by the sugar segment of \$8.6 million. Cost of sales and operating expenses stayed fairly constant at \$186.5 million compared to 1995 at \$187.0 million. Selling, general and administrative expenses rose slightly to \$23.4 million in 1996 as compared to \$22.7 million in 1995. Operating profit increased to \$126.0 million compared to 1995's \$35.4 million. An analysis of operating results by segment follows:

Forestry

Quarter ended September 30, 1996

| | 1996 | 1995 | % Increase |
|--|-------|-------|------------|
| Net Sales | 18.9 | 13.4 | 41.0 |
| Cost of Sales | 17.2 | 12.8 | 34.4 |
| Selling, General and Administrative Expenses | 2.6 | 1.5 | 73.3 |
| Operating Profit (Loss) | (0.9) | (0.9) | 0 |

This quarter represents the first full quarter the forestry unit has operated completely independent of the Company's formerly owned linerboard mill which was sold on May 30, 1996. Sales to the linerboard mill are governed by the Fiber Supply Agreement

("Agreement") executed by the parties at the time of sale. Delivered prices to the mill dropped by 1.89% on August 1, 1996 reflecting the lagging market price mechanism negotiated as part of the Agreement. Sales revenues are booked based on the negotiated market price mechanism adjusted on a quarterly basis. The Agreement continues for fifteen years with two five-year extensions. Annual wood fiber tonnage supplied from Company's lands will not exceed that previously provided to the linerboard mill. During the third quarter approximately 557,000 tons were shipped to the mill under the Agreement compared to approximately 389,000 tons shipped in the same period of 1995. Approximately 54% of the 1996 tonnage was cut from Company lands versus 52% in 1995, the remainder was acquired from private purchases.

Nine Months ended September 30, 1996

| | 1996 | 1995 | % Increase |
|--|-------|-------|------------|
| (Decrease) | | | |
| Net Sales | 44.6 | 45.3 | (1.6) |
| Cost of Sales | 42.3 | 43.1 | (2.0) |
| Selling, General and Administrative Expenses | 3.2 | 3.6 | (10.2) |
| Operating Profit (Loss) | (0.9) | (1.4) | 36.3 |

Reduced production at the Company's linerboard mill prior to its sale resulted in sales to the mill decreasing during the second quarter. Cost of sales decreased from 95.1% of sales in the first nine months of 1995 to 94.7% in the same period of 1996.

Transportation

Quarter ended September 30, 1996

| | 1996 | 1995 | % Increase |
|--|------|------|------------|
| (Decrease) | | | |
| Operating Revenues | 44.8 | 46.7 | (4.1) |
| Operating Expenses | 35.0 | 34.9 | 0.3 |
| Selling, General and Administrative Expenses | 4.7 | 4.7 | (0.0) |
| Operating Profit | 5.1 | 7.1 | (28.2) |

Rail traffic continued to decline on both the Company's rail subsidiaries. The lower operating revenues are primarily attributable to a decline in rail traffic of 0.5% on FEC and 3.7% on ANRR.

Nine Months ended September 30, 1996

| | 1996 | 1995 | % Increase |
|--|-------|-------|------------|
| (Decrease) | | | |
| Operating Revenues | 137.2 | 138.6 | (1.0) |
| Operating Expenses | 104.8 | 103.3 | 1.5 |
| Selling, General and Administrative Expenses | 14.5 | 14.0 | 3.6 |
| Operating Profit | 17.9 | 21.3 | (16.0) |

A decline in rail shipments by for the first nine months togetherwith the revenue reduction due to the haulage agreement, were the main contributors to the fall in operating profit.

Sugar

Quarter ended September 30, 1996

| | 1996 | 1995 | % (Decrease) |
|--|------|------|--------------|
| Net Sales | 11.0 | 14.4 | (23.6) |
| Cost of Sales | 7.8 | 10.5 | (25.7) |
| Selling, General and Administrative Expenses | 0.6 | 0.8 | (25.0) |
| Operating Profit (Loss) | 2.6 | 3.1 | (16.1) |

The contract with the segment's customer calls for specific shipment levels throughout the year, but, at the request of the customer, the Company shipped in the first quarter of 1996, in advance of the contract, an amount equal to approximately four months additional shipments. Normal shipments resumed in August but no sugar was shipped in July. Approximately 6,700 less tons (21%) at a reduced net margin of \$12 per ton were shipped in the third quarter of 1996 as compared to 1995.

Nine Months ended September 30, 1996

| | 1996 | 1995 | % Decrease |
|--|------|------|------------|
| Net Sales | 29.7 | 38.3 | (22.5) |
| Cost of Sales | 20.9 | 26.7 | (21.7) |
| Selling, General and Administrative Expenses | 2.5 | 2.8 | (10.7) |
| Operating Profit | 6.3 | 8.8 | (28.4) |

Shipments in 1996 dropped 16,200 tons or 19.2% from 1995 levels. Prices also declined \$19 per ton or 4.2%. The cost of production declined by \$5 or 1.5% in 1996 from \$316 in 1995.

Real Estate

Quarter ended September 30, 1996

| | 1996 | 1995 | % |
|--|------|------|------|
| Increase | | | |
| Net Sales | 9.9 | 8.4 | 17.9 |
| Cost of Sales | 5.8 | 4.8 | 20.8 |
| Selling, General and Administrative Expenses | 1.3 | 0.9 | 44.4 |
| Operating Profit | 2.8 | 2.7 | 3.7 |

Rent and other income increased by \$1.5 million in the second quarter of 1996 compared to the same period in 1995. Selling, general and administrative expenses increased by \$0.4 million.

Nine Months ended September 30, 1996

| | 1996 | 1995 | % Increase |
|--|-------|------|------------|
| Net Sales | 124.2 | 23.0 | 440.0 |
| Cost of Sales | 18.4 | 13.9 | 32.4 |
| Selling, General and Administrative Expenses | 3.1 | 2.1 | 47.6 |
| Operating Profit | 102.7 | 7.0 | 1,367.1 |

In 1996, realty property sales of \$97.8 million were made to the State of Florida which did not occur in 1995. Rent and other income increased by \$4.6 million in 1996 compared to the same period in 1995 as a result of an increase in normal tenant billings and the addition of .6 million square feet of leaseable square feet. Cost of sales increased principally due to cost associated with the sale of the property to the State of Florida combined with an increase in normal operating costs associated with the additional square footage added. Selling, general and administrative expenses increased by \$1.0 million.

Other Income increased \$14.1 million in the third quarter of 1996 compared to 1995. Interest income increased by \$9.8 million reflecting investment of the proceeds from the sale of discontinued operations while awaiting their distribution to shareholders. Gain on sales and other dispositions of property, plant and equipment increased \$3.0 million, primarily due to the installment sale of fiber optic conduits by FEC. Other income, net rose by \$1.0 million.

Income from Continuing Operations increased \$5.5 million (47%) during the third quarter of 1996 from the same period in 1995.

As a result of the sale of the Communications segment and the linerboard mill and container plants and the attendant reduction in employees covered by the Company's pension plans, an estimated gain from curtailment of the pension plans of \$1.2 million, net of tax, was recorded as part of the gain on sale of discontinued operations.

In addition, the Company's pension plans are in an overfunded position and, with the reduction in employees resulting from the sales, it is unlikely that the overfunding will be realized other than by a plan termination and reversion of excess assets. Accordingly, the Company has recorded the 50% excise tax applicable to plan terminations as additional deferred taxes which amounted to approximately \$11.0 million. The Company has no immediate plans to

terminate the pension plans and is in the process of evaluating other alternatives.

Net income for the quarter was 2.5% above the same period in 1995. Net income per share increased \$.01 to \$0.38. Income from continuing operations was \$0.38 per share as compared to \$.21 per share in the same period of 1995.

Financial Position

The Company's financial position remains strong. Current assets rose to \$684.6 million, an \$187.4 million increase from year end, principally due to the proceeds from the sale of discontinued operations which are awaiting distribution to shareholders. Current liabilities increased by \$40.3 million, reflecting liabilities arising from the sale of discontinued operations, causing the current ratio to drop from 11.2 to 1 at year end to 8.1 to 1 at the end of the second quarter.

Because of the completion of these sales, revenues of the Company will be materially lower than historical levels. Net income, earnings per share and cash flows may also be materially different than previous periods.

The Company increased its investment in marketable securities by \$63.5 million over year end. Net property, plant and equipment increased by \$20.8 million, largely in FECl. Deferred income taxes grew by \$60.7 million, due primarily to deferred taxes on the proceeds of the condemnation sale to the State of Florida.

Stockholders' equity at September 30, 1996 was \$38.86 per share, an increase of \$5.54 from December 31, 1995.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

The Company has been contacted by the United States Environmental Protection Agency regarding the remediation of a designated Superfund site near Sharonville, Ohio. The Company has denied any liability and intends to vigorously oppose any attempt to impose any liability upon it for the remediation of the site.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

10 Promissory Note
27 Financial Data Schedule

(b) Reports on Form 8-K

None.

SIGNATURES

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

St. Joe Corporation
(Registrant)

/S/ J.M. Jones, Jr.

J. M. Jones, Jr.
Vice President and CFO

/S/ D. M. Groos

D. M. Groos
Comptroller

Exhibit Index

| | |
|----|-------------------------|
| 10 | Promissory Note |
| 27 | Financial Data Schedule |

PROMISSORY NOTE

\$10,000,000 subject to
adjustment

May 30, 1996

For value received, the undersigned, FLORIDA COAST PAPER COMPANY, L.L.C., a Delaware limited liability company ("Maker"), promises to pay to St. Joe Forest Products Company, a Florida corporation ("Payee"), or order, the principal amount of TEN MILLION DOLLARS (\$10,000,000.00), plus all amounts added to the principal amount hereof pursuant to the proviso at the end of this sentence, and to pay interest on such principal amount from the date hereof until but not including the date of payment at the rate of thirteen and one-quarter percent (13 1/4%) per annum, such interest to be payable quarterly in arrears on the 1st day of March, June, September and December of each year, commencing September 1, 1996 (each, an "Interest Payment Date"); provided, that the interest due on any Interest Payment Date may, at the option of Maker, be added to the outstanding principal amount of this Promissory Note and shall accrue interest thereon from and after such Interest Payment Date. Maker shall be deemed to have exercised such option unless Maker shall give written notice to Payee at least five but no more than 30 days in advance of an Interest Payment Date of Maker's intention to pay interest due on such Interest Payment Date in cash. This Promissory Note shall mature on June 1, 2007, at which time all principal and interest shall be due and payable. Interest shall be calculated on the basis of a 360 day year. Maker shall pay interest (including post-petition interest in any proceeding under any applicable Bankruptcy Law) on overdue principal at the rate equal to 1% per annum in excess of the rate set forth above to the extent lawful.

Maker shall make each cash payment hereunder not later than 12:00 noon (Eastern time) on the day when due (or if such day is a Saturday, Sunday or other day on which commercial banks in New York City are authorized or required by law to close, on the next succeeding day which is not such a day) in lawful money of the United States of America and in immediately available funds, by wire transfer to such account as Payee may designate from time to time.

If any of the following events ("Events of Default") shall have occurred and be continuing:

(a) default for thirty (30) days in the payment, when due, of any installment of interest on this Promissory Note;

(b) default in the payment, when due, of the principal of this Promissory Note;

(c) failure of the Maker for 30 days after notice to comply with any of the covenants under the heading "Special Covenants" below; provided such notice requirement shall not apply to paragraphs (e), (f) or (g) thereunder;

(d) failure by Maker for thirty (30) days after notice from Payee to comply with any of Maker's other covenants and agreements set forth in this Promissory Note;

(e) the occurrence of any "Event of Default" as defined in the Indenture of even date herewith among Maker and Norwest Bank Minnesota, N.A., trustee, as in effect on the date hereof (the "Indenture");

(f) Maker or any Significant Subsidiary or any group of Subsidiaries that, taken as a whole, would constitute a Significant Subsidiary (i) commences a voluntary case under Title 11, U.S. Code or any similar federal or state law for the relief of debtors (a "Bankruptcy Law"), (ii) consents to the entry of an order for relief against it in a involuntary case under a Bankruptcy Law, (iii) consents to the appointment of a custodian of it or for all or substantially all of its property, (iv) makes a general assignment for the benefit of its creditors, or (v) generally is not paying its debts as they become due; or

(g) a court of competent jurisdiction enters an order or decree under Bankruptcy Law that (i) is for relief against Maker or any Significant Subsidiary, or group of Subsidiaries that, taken as a whole, would constitute a Significant Subsidiary, in an involuntary case, (ii) appoints a custodian of Maker or any

Significant Subsidiary, or group of Subsidiaries that, taken as a whole, would constitute a Significant Subsidiary, or for all or substantially all of its property, or (iii) orders the liquidation of Maker or any Significant Subsidiary, or group of Subsidiaries that, taken as a whole, would constitute a Significant Subsidiary, and the order or decree remains unstayed and in effect for sixty (60) consecutive days,

then Payee may declare the unpaid principal amount of this Promissory Note, together with all interest accrued thereon, to be immediately due and payable. Notwithstanding the foregoing, in the case of an Event of Default specified in clause (f) or clause (g) above, this Promissory Note will become immediately due and payable without further action by or notice from Payee. The ability of Payee to enforce this Promissory Note is subject to the terms and provisions of this Promissory Note, including, without limitation, the terms and provisions of the immediately following paragraphs.

Maker may not make any cash payment upon or in respect of this Promissory Note if (i) a default in the payment of the principal of, premium, if any, or interest on any indebtedness of Maker with respect to the Senior Secured Notes (including any refinancing thereof, provided that the amount of such refinancing shall not exceed the principal amount of the Senior Secured Notes that is refinanced plus applicable fees charged or incurred in connection with such refinancing) ("Senior Debt") occurs and is continuing beyond any applicable period of grace; or (ii) any other default occurs and is continuing with respect to any Senior Debt that permits, or that with the giving of notice or the passage of time would permit, holders of such Senior Debt to accelerate its maturity; or (iii) such payment would constitute a default with respect to any Senior Debt that permits, or that with the giving of notice or the passage of time would permit, holders of such Senior Debt to accelerate its maturity. Payments on this Promissory Note may and shall be resumed upon the date on which such default is cured or waived, unless the maturity of any Senior Debt has been accelerated.

Upon (i) any acceleration of the principal amount of this Promissory Note because of an Event of Default, or (ii) any distribution of assets of Maker upon any dissolution, winding up, or liquidation of Maker:

- (1) the holders of all Senior Debt shall first be entitled to receive in full all amounts (including interest) due thereon before the holder of this Promissory Note is entitled to receive payment on account of the principal of or interest on this Promissory Note;
- (2) any payment or distribution of assets of Maker of any kind or character, whether in cash, property or securities (other than securities of Maker or of any other corporation or limited liability company provided for by a plan or reorganization or readjustment, the payment of which is subordinated, at least to the same extent as provided in this Promissory Note, to the payment in full without diminution or modification by such plan of all Senior Debt) to which the holder of this Promissory Note would be entitled except for the provisions of this Promissory Note shall be paid by the liquidating trustee, agent or other person making such payment or distribution directly to the holders of Senior Debt to the extent necessary to pay in full all Senior Debt remaining unpaid after giving effect to any concurrent payment or distribution to the holders of such Senior Debt; and
- (3) in the event that, notwithstanding the foregoing, any payment or distribution of assets of Maker of any kind or character (other than securities of Maker or of any other corporation or limited liability company provided for by a plan of reorganization or readjustment, the payment of which is subordinated, at least to the same extent as provided in this Promissory Note, to the payment in full without diminution or modification by such plan of all Senior Debt) shall be received by the holder of this Promissory Note with actual knowledge that such payment is prohibited hereby or is required to be paid over to the holders of

Senior Debt before all Senior Debt is paid in full, such payment or distribution shall be held in trust for the benefit of, and shall be paid over to, the holders of Senior Debt remaining unpaid (or to the representatives or trustees acting on their behalf) until all such Senior Debt shall have been paid in full, after giving effect to any concurrent payment or distribution to the holders of such Senior Debt.

Subject to the payment in full of all Senior Debt, the holder of this Promissory Note shall be subrogated to the rights of the holders of Senior Debt to receive payments or distributions of cash, property or securities of Maker applicable to the Senior Debt until the principal of and all interest accrued on this Promissory Note shall be paid in full. For purposes of such subrogation, no payments or distributions to the holders of Senior Debt which otherwise would have been payable or distributable to the holder of this Promissory Note shall, as between Maker, its creditors other than the holders of Senior Debt, and the holder of this Promissory Note, be deemed to be a payment by Maker to or on account of the Senior Debt, it being understood that the provisions of this Promissory Note dealing with subordination are and are intended solely for the purpose of defining the relative rights of the holder of this Promissory Note, on the one hand, and the holders of Senior Debt, on the other hand and shall not impair, as between the Maker and the Payee, the obligations of Maker, which are absolute and unconditional, to pay principal and interest in accordance with the terms hereof.

Special Covenants

Maker hereby covenants and agrees with Payee that, so long as any principal of or accrued interest on this Promissory Note remains unpaid, Maker will comply with the following covenants:

(a) Simultaneously with the delivery thereof to the Holders of Senior Secured Notes, but in any event within 10 days of the filing thereof with the SEC, Maker shall deliver to Payee one copy of all financial information and other reports required to be delivered to the Holders of Senior Secured Notes pursuant to section 4.03 of the Indenture.

(b) Simultaneously with the delivery thereof to the Holders of Senior Secured Notes, Maker shall deliver to Payee one copy of all certificates and statements required to be delivered pursuant to Section 4.04 of the Indenture.

(c) Neither Maker nor any of its Subsidiaries shall, directly or indirectly, create, incur, assume or suffer to exist any Lien on any asset acquired by Maker or any of its Subsidiaries pursuant to that certain Asset Purchase Agreement dated as of November 1, 1995 among Maker, Payee and certain other parties, or any income or profits therefrom or assign or convey any right to receive income therefrom, except Liens referred to in clauses (i), (ii), (ix) and (x) of the definition of Permitted Liens.

(d) Maker will permit any authorized representatives designated by Payee, at the sole cost and expense of Payee, to visit and inspect any of the properties and records of Maker, including its financial records, and to discuss Maker's affairs and finances with its officers and employees, all upon reasonable notice and as often as may be reasonably requested.

(e) Maker and its Restricted Subsidiaries shall comply with Section 4.07 of the Indenture provided that, for purposes hereof, the definition of Disqualified Stock shall be amended to change the words "the Senior Secured Notes mature" at the end thereof to read "this Promissory Note matures".

(f) Neither Maker nor any of its Subsidiaries will permit any assets securing the Senior Secured Notes to secure any other Indebtedness unless this Promissory Note is paid in full; provided that the foregoing shall not prohibit Maker and its Subsidiaries from permitting such assets to secure any Indebtedness incurred to refinance the Senior Secured Notes provided that the amount of such Indebtedness so secured shall not exceed the principal amount of the Senior Secured Notes that is refinanced plus any applicable fees charged or incurred in connection with such refinancing.

(g) In the event that the Company shall be required to commence an offer to all Holders to repurchase the Senior Secured Notes pursuant to Section 4.10 of the Indenture, the Company, to the extent not prohibited by the Indenture, shall make a similar

offer to repurchase this Promissory Note to the Payee in substantially the manner provided in Section 3.09 of the Indenture with respect to a Repurchase Offer; provided that the offer to repurchase this Promissory Note shall be at the amount of the then outstanding principal plus accrued interest to the date of such repurchase, and provided that any such offer to repurchase shall be limited to the amount by which the Excess Proceeds exceed the aggregate amount required to be paid to the Holders of Senior Secured Notes who accept the Repurchase Offer pursuant to Section 4.10.

For purposes hereof this Promissory Note, the terms "Bankruptcy Laws," "Excess Proceeds," "Excess Proceeds Offer," "Holders," "Disqualified Stock," "Indebtedness," "Permitted Liens," "Restricted Subsidiary," "SEC," "Senior Secured Notes," "Significant Subsidiary," and "Subsidiary" shall have the respective meanings set forth in the Indenture.

This Promissory Note may be repaid by Maker, in whole or in part, at any time and from time to time, without penalty or premium, upon at least one (1) day's prior written notice to Payee.

Maker waives presentment, demand, protest and, except as expressly set forth in this Promissory Note, notice thereof or of dishonor.

Maker agrees to pay all costs and expenses, including without limitation reasonable attorney's fees, incurred in connection with the interpretation or enforcement of this Promissory Note. None of the provisions hereof and none of Payee's rights or remedies hereunder on account of any past or future defaults shall be deemed to have been waived by Payee's acceptance of any past due installments or by any indulgence granted by Payee to Maker.

This Promissory Note has been executed and delivered in and shall be construed and interpreted in accordance with and governed by the laws of the State of Florida.

IN WITNESS WHEREOF, Maker has caused this Promissory Note to be duly executed the day and year first above written.

FLORIDA COAST PAPER COMPANY, L.L.C.
(a Delaware limited liability company)

By: /s/ Mary B. Dopsloff
Name: Mary B. Dopsloff
Title: Vice President

| 9-MOS | YEAR | |
|-----------|-------------|-------------|
| | DEC-31-1996 | DEC-31-1995 |
| | SEP-30-1996 | DEC-31-1995 |
| | 491,992 | 16,802 |
| | 103,308 | 189,865 |
| | 44,767 | 44,390 |
| | 0 | 0 |
| | 17,133 | 20,592 |
| | 684,653 | 497,184 |
| | 1,145,941 | 804,974 |
| | 320,125 | 0 |
| | 1,817,606 | 1,530,994 |
| | 90,379 | 44,469 |
| | 0 | 0 |
| | 8,714 | 8,714 |
| | 0 | 0 |
| | 0 | 0 |
| 1,817,606 | 1,176,450 | 0 |
| | 1,530,994 | 0 |
| | 198,501 | 0 |
| | 335,707 | 0 |
| | 81,465 | 0 |
| | 209,663 | 0 |
| | 0 | 0 |
| | 0 | 0 |
| | 426 | 0 |
| | 158,050 | 0 |
| | 71,211 | 0 |
| | 76,917 | 0 |
| | 1,274 | 0 |
| | 0 | 0 |
| | 0 | 0 |
| | 168,034 | 0 |
| | 5.51 | 0 |
| | 5.51 | 0 |