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**
For the fiscal year ended December 31, 2003

or

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to

Commission File No. 1-10466

The St. Joe Company

(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.)*
245 Riverside Avenue, Suite 500 **Jacksonville, Florida** *(Address of principal executive offices)*	**32202** *(Zip Code)*

Registrant's telephone number, including area code: (904) 301-4200

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

Indicate by check mark if 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 or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o

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

The aggregate market value of the registrant's Common Stock held by non-affiliates based on the closing price on June 30, 2003 was approximately $1.52 billion.

As of March 10, 2004, there were 101,170,081 shares of Common Stock, no par value, issued and 75,930,545 shares outstanding with 25,239,536 shares of treasury stock.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's definitive Proxy Statement for the Annual Meeting of Shareholders to be held on May 18, 2004 (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.

Item 1. ***Business***

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

JOE is one of Florida's largest real estate operating companies and the largest private landowner in the State of Florida. The majority of our land is located in Northwest Florida. We own approximately 850,000 acres, which is approximately 2.4% of the land area of the State of Florida. Our acreage includes hundreds of miles of frontage on the Gulf of Mexico, bays, rivers and waterways, with nearly 40 miles of Gulf of Mexico coastline, including 5 miles of beachfront. Approximately 387,000 acres of our land are within ten miles of the coast.

We are engaged in community and resort development, commercial and industrial land sales, and commercial real estate services. We also have significant interests in timber. We believe we are one of the few real estate operating companies to have assembled the range of real estate, financial, marketing and regulatory expertise necessary to take a large-scale approach to real estate development and services.

Our four operating segments are:

- Community Development
- Commercial Real Estate Development and Services
- Land Sales
- Forestry

In order to optimize the value of our core real estate assets in Northwest Florida, our strategic plan calls for us to continue to reposition our timberland holdings for higher and better uses. We believe we have a number of key business strengths and competitive advantages, including one of the largest inventories of private land suitable for development in the State of Florida, a very low cost basis in our land and a strong financial condition, which allow us the financial flexibility to pursue development opportunities.

Recent Developments

In 2003, our business experienced the following developments:

- Beginning in September, we converted to quarterly dividend distributions of $.12 per share. We paid a total of $0.32 per share in dividends for the year. We paid an annual dividend of $0.08 per share in 2000, 2001 and 2002.
- We acquired 3,367,976 shares of our common stock for a total of $102.9 million.
- The Alfred I. duPont Testamentary Trust (the "Trust") sold an aggregate of 11 million shares to the public, decreasing the ownership of our common stock by the Trust and its beneficiary, The Nemours Foundation, to 31.5% on December 31, 2003.
- We acquired the 26% minority interest in St. Joe/ Arvida Company, L.P., and resolved claims regarding our ownership of the "Arvida" trademark.

In February 2004:

- Our board of directors authorized an additional $150 million for stock repurchases. At December 31, 2003, $43.2 million remained of our prior stock repurchase authorization.
- The Trust sold an additional 6 million shares to the public, further decreasing the ownership of our common stock by the Trust and The Nemours Foundation to 23.6% at the closing of the offering on February 13, 2004.

Community Development

Our Community Development segment develops large-scale, mixed-use communities primarily on land that we have owned for a long period of time. We own large tracts of land in Northwest Florida, including large tracts near Tallahassee, the state capital, and significant Gulf of Mexico beach frontage and waterfront properties, which we believe are suited for primary housing, resort and second-home communities. We believe this large, established land inventory, with a low cost basis, provides us an advantage over our competitors who must purchase real estate at current market prices before beginning projects. We manage the conceptual design, planning and permitting process for each of our new communities. We then construct or contract for the construction of the infrastructure for the community. Developed homesites and finished housing units are then marketed and sold.

In addition, we own all of the outstanding stock of Saussy Burbank, a homebuilder located in Charlotte, North Carolina. In 2003, Saussy Burbank closed sales of 555 homes it constructed in North and South Carolina.

The following table describes the primary residential or resort communities we are currently planning and developing in Florida. The expected build-out period for these communities ranges from 2004 to 2017 and the total acreage encompassed by these communities is approximately 17,700 acres. Most of the communities are on lands we own. We expect some of the communities to be developed through ventures with unrelated third parties. In addition to the properties listed in the table, we are developing in Florida the communities of Paseos, located in Palm Beach County, and Rivercrest, located in Hillsborough County, through joint ventures. These communities encompass approximately 207 and 413 acres, respectively, with build-out expected in 2006 and 2008, respectively.

Residential or Resort Communities Under Development

December 31, 2003

Name of Community	Year Sales Begin*	Planned Sales End Date	Estimated Total Units Planned	Unit*** Sales as of December 31, 2003	Contracts on Hand (not closed)	Approximate Acres in Community	Company-Built House Pricing	Lot Pricing
							(In thousands)	(In thousands)
Walton County:								
WaterColor	2000	2007	1140	717	85	499	$ 400-1000+	$ 150-1000+
WaterSound Beach	2001	2007	499	293	62	256	$ 500-1000+	$ 200-1000+
WaterSound	2005	2012	1060	0	0	1443	$ 325-600+	$ 100-265+
East Lake Powell	2007	2010	360 entitled	0	0	181	$ 400-600+	$ 100-200+
Camp Creek Golf Club	TBD**	TBD**	50	0	0	1028	TBD**	TBD**
Bay County:								
Hammocks	2000	2007	459	232	44	143	$ 100-180+	$ 30-40+
Palmetto Trace	2001	2008	523	192	61	138	$ 105-200+	—
Wavecrest	2005	2007	88	0	0	6	TBD**	TBD**
Gulf County:								
WindMark Beach, phase 1	2001	2006	110	100	0	80	$ 950	$ 90-900+
WindMark Beach, phase 2	2005	2015	1550	0	0	2000	$315-1,000+	$200-1,000+
Capital Region:								
SouthWood	2000	2017*	4770 per DRI	588	116	3770	$ 115-400+	$ 40-150+
SummerCamp	2004	2012	499	0	0	782	$ 450-900+	$ 150-800+

Name of Community	Year Sales Begin*	Planned Sales End Date	Estimated Total Units Planned	Unit*** Sales as of December 31, 2003	Contracts on Hand (not closed)	Approximate Acres in Community	Company-Built House Pricing	Lot Pricing
							(In thousands)	(In thousands)
Jacksonville:								
James Island	1999	2004	365	359	7	194	$220-400+	
St. Johns Golf and County Club	2001	2006	799	519	88	820	$180-400+	$ 30-125+
RiverTown	2000	2015	4500	23	0	4200	$125-400+	$ 55-400+
Hampton Park	2001	2005	158	130	44	150	$235-400+	—
Central Florida:								
Victoria Park	2001	2012+	Over 4000 per DRI	359	87	1859	$140-300+	$ 45-100+
Artisan Park, Celebration	2003	2008	616	57	47	160	$225-400+	$100-140+
Total						17,709		

* Includes estimated future dates.

** To be determined.

*** Units are comprised of lots and single-family and multi-family residences.

The following is a more detailed description of some of the above communities:

WaterColor is situated on approximately 499 acres on the beaches of the Gulf of Mexico in south Walton County, Florida. All three phases of WaterColor have been approved under Florida's Development of Regional Impact ("DRI") permitting process as well as state and federal environmental permits. We are building homes and condominiums and selling developed homesites in WaterColor. At full build-out, the community is planned to include approximately 1,140 units, a beach club, tennis center, boat house, restaurant on an inland freshwater lake, and a 60-room inn and restaurant, commercial space and parks. Among the amenities now open are the beach club and several community pools, the boat house, a fitness center, the Fresh Daily Market, the tennis facility, the WaterColor Inn and Fish Out of Water restaurant. Infrastructure construction in phase three began in 2003 and is planned to include a community pool and a community center.

WaterSound Beach is located approximately four miles east of WaterColor. Situated on approximately 256 acres, WaterSound Beach includes over one mile of beachfront on the Gulf of Mexico. This community is currently planned to include approximately 499 units. Eighty-one beachfront multi-family units were substantially completed in 2003.

WaterSound is located east of WaterSound Beach with frontage on Lake Powell. This project is situated on approximately 1,440 acres. On October 7, 2003, the Walton County Board of Commissioners approved the Application for Planned Unit Development enabling development of 478 residential units along with 35,000 square feet of commercial space. Including the amount above, the plan for WaterSound calls for approximately 1,060 residential units, 470,000 square feet of commercial space and a golf course. The DRI process for that project commenced in early 2003 and is expected to continue through 2004.

Camp Creek Golf Club is located approximately four miles east of WaterColor and within one-half mile of WaterSound. Plans include 36 holes of golf. The first 18-hole golf course, designed by Tom Fazio, was opened for play in May 2001.

East Lake Powell is situated on approximately 181 acres in Bay County, Florida. Preliminary design for the first phase of East Lake Powell calls for approximately 200 residential units.

WindMark Beach is situated on approximately 2,000 acres in Gulf County, Florida, and includes approximately 15,000 feet of beachfront that we own. Phase I of WindMark Beach, situated on approximately 80 acres, includes approximately 110 homesites, many of which are located on the beachfront. Future phases are planned to include approximately 1,550 units. Significant progress on the

DRI process is expected by mid-2004. Plans also include the realignment of approximately four miles of US Highway 98. Field survey work and project engineering and design of the relocated road are ongoing.

SouthWood is situated on approximately 3,770 acres in southeast Tallahassee, Florida. Plans for SouthWood include approximately 4,250 residential units and a traditional town center with restaurants, entertainment facilities, retail shops and offices. Over 35% of the land is designated for greenspaces, including a 123-acre central park. Certain regulatory approvals are required prior to commencing development on phases of construction that begin in the 2006-2007 timeframe. Two schools opened in SouthWood in the fall of 2001: Florida State Development Research School, a university laboratory school for grades K-12, and the Pope John Paul II Catholic Academy, a private parochial school for grades 9-12. In November 2002, the new Fred Couples designed 18 hole golf course opened for play.

SummerCamp, in Franklin County, Florida, is situated on approximately 782 acres. Current plans include approximately 499 units, a beach club, a community dock and nature trails. Several regulatory steps remain before construction can commence.

St. Johns Golf and Country Club is situated on approximately 820 acres acquired by the Company in St. Johns County, Florida, in 2001. The community is planned to include a total of approximately 799 housing units and an 18-hole golf course. Most homes will be adjacent to golf, conservation land, lakes, or natural wooded areas.

RiverTown is situated on approximately 4,200 acres located in St. Johns County, Florida, south of Jacksonville along the St. Johns River. A Comprehensive Plan Amendment and DRI were approved for RiverTown by the St. Johns County Board of Commissioners in February 2004; a number of regulatory steps remain before construction can commence.

Victoria Park is located in Volusia County in central Florida. Victoria Park is situated on approximately 1,859 acres being acquired by the Company near Interstate 4 in Deland, Florida between Daytona Beach and Orlando, Florida. Plans for Victoria Park include approximately 4,000 single and multi-family units with a traditional town center and an 18-hole golf course which is open for play.

Artisan Park is located in Celebration, Florida near Orlando and is being developed through a joint venture in which we own 74%. The phase of the project we are developing is situated on approximately 160 acres which we acquired in 2002. Current plans include approximately 267 single-family units, 47 townhomes, and 302 condominiums as well as parks, trails, and a community clubhouse with a pool and educational and recreational programming.

Several of our planned developments are in the midst of the entitlement process or are in the planning stage. We cannot assure you that:

- the necessary entitlements for development will be secured;
- any of our projects can be successfully developed, if at all; or
- our projects can be developed in a timely manner.

It is not feasible to estimate project development costs until entitlements have been obtained. Large-scale development projects can require significant infrastructure development costs and may raise environmental issues that require mitigation.

We own approximately 26% of the outstanding limited partnership interests in Arvida/ JMB Partners, L.P. (“Arvida/ JMB”). The partnership developed the master-planned community known as Weston located in Broward County, Florida. The final home in this project was delivered in the first half of 2003. The winding-up of the affairs of the partnership is expected to take two or more years. Based on current expectations, we do not anticipate any material future income or losses from our investment in Arvida/JMB.

Commercial Real Estate Development and Services

Our Commercial Real Estate Development and Services segment develops and sells real estate for commercial purposes. We also own and manage office, industrial and retail properties throughout the southeastern United States. Through the Advantis business unit, we provide commercial real estate services, including brokerage, property management and construction management.

Development & Sales. We focus on development in Northwest Florida because of our large land holdings along roadways and near or within business districts in the region. We also develop parcels within or near existing Community Development projects. For each new development, we direct the conceptual design, planning and permitting process and then contract for the construction of the horizontal infrastructure and any vertical building.

We develop and sell properties focused on the following products:

- Retail properties
- Mutifamily parcels
- Office parks
- Commerce or small business parks

Many of our projects are mixed-use in nature due to the large size of the land parcels that we own. The following table shows our mixed-use projects in the Northwest Florida region.

Mixed-Use Projects

December 31, 2003

Project	Product Type	Market	Year Sales Commence*	Net Saleable Acres	Acres Sold/Under Contract
Beckrich Office Park	Office	Bay County	2002	24	8
Southwood Village	Retail (grocery)	Leon County	2002	22	14
East Lake Creek	Retail/ Multifamily	Bay County	2003	159	45
Highland Commons	Retail/ Multifamily	Bay County	2003	111	14
Pier Park	Retail (mixed-use)	Bay County	2003	127	24
Southwood Business Park	Retail/ Office	Leon County	2003	16	3
WaterColor Crossing	Retail (grocery)	Walton County	2003	9	7
Southwood Town Center	Retail/ Office	Leon County	2005	5	0
Topsail	Retail/ Multifamily	Walton County	2005	105	0
Total				578	115

* Includes estimated future dates.

The table below summarizes the status of JOE commerce parks throughout Northwest Florida at December 31, 2003.

Commerce Parks

December 31, 2003

Commerce Parks	County	Net Saleable Acres	Acres Sold/Under Contract	Current Asking Price Per Acre
Existing				
Beach Commerce	Bay	161	69	$ 65,000 - 435,000
Port St. Joe	Gulf	58	43	$ 45,000 - 50,000
Airport Commerce	Leon	40	—	$ 75,000 - 260,000
Nautilus Business Park	Bay	12	1	$300,000 - 375,000
Hammock Creek	Gadsden	114	24	$ 40,000 - 150,000
Predevelopment				
South Walton County	Walton	42	—	$125,000 - 435,000
Beach Commerce II	Bay	140	—	$ 75,000 - 80,000
Cedar Grove	Bay	150	—	$ 35,000 - 45,000
Port St. Joe II	Gulf	45	—	$ 35,000 - 45,000
Apalachicola Commerce	Franklin	50	—	$ 30,000 - 35,000
Total		812	137	

Investment/Development Portfolios. Our commercial development operations, combined with our tax deferral strategy of reinvesting qualifying asset sale proceeds into like-kind properties, have enabled us to create a portfolio of rental properties totaling 2.9 million square feet. As the table below shows, our portfolios of investment and development properties were 86% and 70% leased, respectively, based on net rentable square feet, as of December 31, 2003.

Commercial Rental Properties

December 31, 2003

Investment Property Portfolio*	Dated Acquired	Market	Ownership Percentage	Number of Buildings	Net Rentable Sq. Ft.	Leased Percentage
Prestige Place	December-99	Clearwater, FL	100	2	144,000	86
Harbourside	December-99	Clearwater, FL	100	1	147,000	92
Lakeview	May-00	Tampa, FL	100	1	125,000	77
Palm Court	July-00	Tampa, FL	100	1	60,000	68
Westside Corporate Center	October-00	Plantation, FL	100	1	100,000	86
280 Interstate North	January-01	Atlanta, GA	100	1	126,000	71
Southhall Center	April-01	Orlando, FL	100	1	155,000	88
1133 20th Street, N.W.	September-01	Washington, D.C.	100	1	119,000	99
1750 K Street	December-01	Washington, D.C.	100	1	152,000	90
Millenia Park One	December-99	Orlando, FL	100	1	158,000	68
Beckrich Office One	October-02	Panama City Beach, FL	100	1	34,000	96
5660 New Northside	December-02	Atlanta, GA	100	1	272,000	91
SouthWood Office One	June-03	Tallahassee, FL	100	1	88,000	73
Crescent Ridge One	August-03	Charlotte, NC	100	1	158,000	100
Windward Plaza	November-03	Atlanta, GA	100	3	465,000	89
Total				18	2,303,000	86%

Development Property Portfolio*	Date Completed	Market	Ownership Percentage	Number Of Buildings	Net Rentable Sq. Ft.	Leased Percentage
TNT Logistics	February-02	Jacksonville, FL	100	1	99,000	83
245 Riverside	April-03	Jacksonville, FL	100	1	134,000	39
Alliance Bank Building	N/A	Orlando, FL	50	1	71,000	61
Deerfield Commons One	April-00	Atlanta, GA	40	1	122,000	77
Westchase Corporate Center	August-99	Houston, TX	93	1	184,000	94
Beckrich Office Two	November-03	Panama City Beach, FL	100	1	34,000	20
Total				6	644,000	70%

* Investment properties are completed office buildings that we have acquired. Development properties are office buildings we have developed.

Other Assets. We have investments in certain other assets including land positions that are held for investment and investments in real estate ventures. It is generally our intent to sell these assets over time

at market prices. The land positions total approximately 111 acres and are located in Florida, Georgia, Northern Virginia and Texas. Our investments in real estate ventures include investments in land and buildings located in Florida, Georgia and Texas and an investment in a full-service real estate company located in South Florida.

Services. We provide commercial real estate services in the southeastern United States through Advantis. Advantis provides our clients with a complete array of services, including:

- brokerage;
- property management; and
- construction management.

We provide property management services for projects owned by us and others. We generally receive a property management fee based on the gross rental revenues of a managed project or building or on a fixed-fee basis. The table below summarizes, by state and by type of property, the approximately 26.6 million rentable square feet of property we manage.

Properties Managed

December 31, 2003

State	Rentable Square Feet
Georgia	1,768,485
Washington, D.C	271,086
Virginia	8,974,239
Maryland	2,936,832
North Carolina	3,238,393
Florida	9,419,296

Type of Property	Rentable Square Feet
Office property	13,699,735
Industrial property	5,538,336
Retail property	3,602,025
Facilities management	2,186,374
Asset management	1,416,439
Residential property	165,422

Land Sales

Our Land Sales segment markets parcels typically between one and 5,000 acres from a portion of our long-held timberlands in Northwest Florida. This land includes forests and meadowlands, some with frontage on rivers, lakes and bays. These parcels are being marketed as large secluded home sites as well as for plantations, ranches, farms, hunting and fishing preserves or for other recreational uses.

In 2003, our Land Sales segment closed 166 transactions totaling 29,904 acres.

We believe there is an opportunity to create additional value on more than 500,000 acres of our original timberland that is not included in our current development plans. This value creation results from market analysis, land use/zoning changes, and parceling of our land holdings. We have embarked upon a five-year program seeking additional entitlements and zoning improvements throughout our land holdings. These entitlements are intended to facilitate alternative uses of our property and to increase its per acre value. The vast majority of the holdings marketed by our Land Sales segment will continue to be managed as timberland until sold.

RiverCamps

We recently introduced a new product called RiverCamps. These are planned developments in rustic settings, supplemented with amenities that may include docks, pools, tennis courts and community river houses. Most of the lots in these developments are expected to be located on or near waterfront property. The RiverCamps concept envisions homesites and high-quality finished cabins in low-density settings with access to various outdoor activities such as fishing, boating, hiking and horseback riding.

The first of potentially several RiverCamp developments is RiverCamps on Crooked Creek, situated on approximately 1,490 acres of our timberland in western Bay County, Florida and bounded by West Bay, the Intracoastal Waterway and Crooked Creek. In the fourth quarter of 2003, contracts for all 23 home sites of the first release at RiverCamps on Crooked Creek closed at an average price of $150,000. Future releases of home sites for sale are expected in 2004.

Planning and evaluation of a 7,200-acre parcel located on Sandy Creek in Bay County, Florida is underway. The HGTV 2003 Dream Home, a RiverCamp concept home, is located across the bay from this parcel.

Additional RiverCamps locations are actively being reviewed in other parts of Northwest Florida.

Ranches

Work continued in 2003 on the launch of St. Joe Ranches, a new real estate product designed to transform what were once timberlands to higher and better uses. Ranches are for customers who want to own 10 to 150 acres, with controls on how the property around them is used. This product is initially being planned in rural settings in Leon, Wakulla and Gadsden Counties. These sites will benefit from proximity to Tallahassee and the agricultural and recreational nature of adjoining properties.

Project improvements may generally include clearing, fencing, road stabilization and entry features. Each ranch product is to be sold with common restrictions designed to promote a sense of community as each owner finishes their property. Additional land management services will be available to ranch owners on a separate fee basis. Prices of individual tracts are expected to vary depending on the physical attributes of each site, including timber stands, topography and proximity to rivers, creeks and bays.

Conservation Lands

Our Land Sales segment also sells land to conservation groups and governmental agencies. These sales commenced in 1999 and are expected to be completed in 2007. In 2003, we closed seven conservation land transactions, totaling 34,999 acres.

Forestry

Our Forestry segment focuses on the management and harvesting of our extensive timberland holdings. We grow, harvest and sell timber and wood fiber. We are the largest private holder of timberlands in Florida, owning:

- Approximately 529,250 acres of planted pine forests, primarily in Northwest Florida.

- Approximately 306,462 acres of mixed timberland, wetlands, lake and canal properties.

Our principal forestry product is softwood pulpwood. We also grow and sell softwood and hardwood sawtimber. On December 31, 2003, our standing pine inventory totaled 23 million tons and our hardwood inventory totaled 6.75 million tons. Our timberlands are harvested by local independent contractors under agreements that are generally renewed annually. Our timberlands are located near key transportation links, including roads, waterways and railroads.

Our strategy is to actively manage, with the best available silviculture practices, portions of our timberlands that produce adequate amounts of timber to meet our pulpwood supply agreement obligation with Smurfit-Stone Container Corporation, which expires June 30, 2012. We also harvest and sell

additional timber to regional sawmills that produce products other than pulpwood. In addition, our forestry operation is focused on selective harvesting, thinning, and site preparation of timberlands that may later be sold or developed by other JOE divisions.

As part of our strategy to maximize the cash flows from our forestry operations, we engage in several business activities complementary to our land holdings. In particular, we lease approximately 675,000 acres of our timberlands to private clubs and state agencies for hunting.

Risk Factors

Our business faces numerous risks, including those set forth below. If any of the following risks and uncertainties develop into actual events, our business, financial condition or results of operations could be materially adversely affected. The risks described below are not the only ones we face. Additional risks not presently known to us or that we currently deem immaterial may also impair our business operations.

A downturn in economic conditions could adversely affect our business.

Our ability to generate revenues is directly related to the real estate market, primarily in Florida, and to the national and local economy in general. Considerable economic and political uncertainties currently exist that could have adverse effects on consumer buying habits, construction costs, availability of labor and materials and other factors affecting us and the real estate industry in general.

Significant expenditures associated with investment in real estate, such as real estate taxes, maintenance costs and debt payments, cannot generally be reduced if changes in Florida's or the nation's economy cause a decrease in revenues from our properties. In particular, if the growth rate for the Florida economy declines or if a recession in the Florida economy occurs, our profitability could be materially adversely affected.

While real estate market conditions have generally remained healthy in our regions of development, particularly in Northwest Florida, continued demand for our services and products is dependent on long term prospects for job growth and strong in-migration population expansion in our regions of development.

Over the last several years, investors have increasingly utilized real estate as an investment. Florida resort real estate has particularly benefited from this trend, creating demand, in addition to that described above, for our products. If this trend were to lessen, the demand for our products could decline, potentially impacting selling prices and/or absorption rates.

Our businesses are primarily concentrated in the State of Florida. As a result, our financial results are dependent on the economic growth and health of Florida, particularly Northwest Florida. The occurrence of natural disasters in Florida could also adversely affect our business.

The economic growth and health of the State of Florida, particularly Northwest Florida where the majority of our land is located, are important factors in sustaining demand for our products and services. As a result, any adverse change to the economic growth and health of Florida, particularly Northwest Florida, could materially adversely affect our financial results. The future economic growth in certain portions of Northwest Florida may be adversely affected if its infrastructure, such as roads, airports, medical facilities and schools, are not improved to meet increased demand. There can be no assurance that these improvements will occur.

The occurrence of natural disasters in Florida, such as fires, hurricanes, floods, unusually heavy or prolonged rain and droughts, could have a material adverse effect on our ability to develop and sell properties or realize income from our projects.

Increases in interest rates could reduce demand for our products.

An increase in interest rates could reduce the demand for homes we build, particularly primary housing, lots we develop, commercial properties we develop or sell, and land we sell. A reduction in demand could materially adversely affect our profitability.

Our real estate operations are cyclical.

Our business is affected by demographic and economic trends and the supply and rate of absorption of lot sales and new construction. As a result, our real estate operations are cyclical which may cause our quarterly revenues and operating results to fluctuate significantly from quarter to quarter and to differ from the expectations of public market analysts and investors. If this occurs, our stock's trading price could also fluctuate significantly.

We are exposed to risks associated with real estate sales and development.

Our real estate development activities entail risks that include:

- construction delays or cost overruns, which may increase project development costs;
- compliance with building codes and other local regulations;
- evolving liability theories affecting the construction industry;
- an inability to obtain required governmental permits and authorizations;
- an inability to secure tenants or anchors necessary to support commercial projects;
- failure to achieve anticipated occupancy levels or rents; and
- an inability to sell our constructed inventory.

In addition, our real estate development activities require significant capital expenditures. We obtain funds for our capital expenditures through cash flow from operations, property sales or financings. We cannot be sure that the funds available from these sources will be sufficient to fund our required or desired capital expenditures for development. If we are unable to obtain sufficient funds, we may have to defer or otherwise limit our development activities. Our residential projects require significant capital expenditures for infrastructure development before we can begin our selling efforts. If we are unsuccessful in our selling efforts, we may not be able to recover these capital expenditures. Also, our ability to continue to make conservation land sales to government agencies depends on the agencies having sufficient funds available to purchase the lands.

Our business is subject to extensive regulation which makes it difficult and expensive for us to conduct our operations.

Development of real estate entails a lengthy, uncertain and costly approval process.

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, or DRI, application. Compliance with the Growth Management Act and the DRI process is usually lengthy and costly and can be expected to materially affect our 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 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 waste disposal. 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 our ability to develop our real estate projects.

The DRI review process includes an evaluation of a project’s impact on the environment, infrastructure and government services, and requires the involvement of numerous state and local environmental, zoning and community development agencies. 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 conditions, standards or requirements may be imposed on a developer with respect to a particular project, which may materially increase the cost of the project. The DRI approval process is expected to have a material impact on our real estate development activities in the future.

Environmental and other regulations may have an adverse effect on our business.

A substantial portion of our development properties in Florida is subject to federal, state and local regulations and restrictions that may impose significant limitations on our ability to develop them. Much of our property is raw land located in areas where development may affect the natural habitats of various endangered or protected wildlife species or in sensitive environmental areas such as wetlands and coastal areas.

In addition, our current or past ownership, operation and leasing of real property, and our current or past transportation and other operations are subject to extensive and evolving federal, state and local environmental laws and other regulations. The provisions and enforcement of these environmental laws and regulations may become more stringent in the future. Violations of these laws and regulations can result in:

- civil penalties;
- remediation expenses;
- natural resource damages;
- personal injury damages;
- potential injunctions;
- cease and desist orders; and
- criminal penalties.

In addition, some of these environmental laws impose strict liability, which means that we may be held liable for any environmental damages on our property regardless of fault.

Some of our past and present real property, particularly properties used in connection with our previous transportation and papermill operations, involve the storage, use or disposal of hazardous substances that have contaminated and may in the future contaminate the environment. We may bear liability for this contamination and for the costs of cleaning up a site at which we have disposed of or to

which we have transported hazardous substances. The presence of hazardous substances on a property may also adversely affect our ability to sell or develop the property or to borrow using the property as collateral.

Changes in laws or the interpretation thereof, new enforcement of laws, the identification of new facts or the failure of other parties to perform remediation at our current or former facilities could all lead to new or greater liabilities that could materially adversely affect our business, profitability, or financial condition.

Our joint venture partners may have interests that differ from ours and may take actions that adversely affect us.

We are involved in joint venture relationships and may initiate future joint venture projects as part of our overall development strategy. A joint venture involves special risks such as:

- we may not have voting control over the joint venture;
- the venture partner at any time may have economic or business interests or goals that are inconsistent with ours;
- the venture partner may take actions contrary to our instructions or requests, or contrary to our policies or objectives with respect to the real estate investments; and
- the venture partner could experience financial difficulties.

Actions by our venture partners may subject property owned by the joint venture to liabilities greater than those contemplated by the joint venture agreement or have other adverse consequences.

Changes in our income tax estimates could affect our profitability.

In preparing our consolidated financial statements, significant management judgment is required to estimate our income taxes. Our estimates are based on our interpretation of federal and state tax laws. We estimate our actual current tax due and assess temporary differences resulting from differing treatment of items for tax and accounting purposes. The temporary differences result in deferred tax assets and liabilities, which are included in our consolidated balance sheet. Adjustments may be required by a change in assessment of our deferred tax assets and liabilities, changes due to audit adjustments by federal and state tax authorities, and changes in tax laws. To the extent adjustments are required in any given period, we would include the adjustments in the tax provision in our statement of operations and/or balance sheet. These adjustments could materially impact our financial position and results of operation.

Significant competition could have an adverse effect on our business.

The real estate industry is generally characterized by significant competition.

A number of residential and commercial developers and real estate services companies, some with greater financial and other resources, compete with us in seeking properties for acquisition, resources for development and prospective purchasers and tenants. Competition from other real estate developers and real estate services companies may adversely affect our ability to:

- sell homes and homesites;
- attract purchasers;
- attract and retain tenants;
- sell undeveloped rural land; and
- sell our commercial services.

The forest products industry is highly competitive.

Many of our competitors in the forest products industry are fully integrated companies with substantially greater financial and operating resources. Our products are also subject to increasing competition from a variety of non-wood and engineered wood products. In addition, we are subject to 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 our forestry operations.

We are highly dependent on our senior management.

Our senior management has been responsible for our transformation from an industrial conglomerate to a successful real estate operating company. Our future success is highly dependent upon the continued employment of our senior management. The loss of one or more of our senior managers could have a material adverse effect on our business. In August 2003, we entered into five-year employment agreements with Peter Rummell, our Chairman and Chief Executive Officer, and Kevin Twomey, our President, Chief Operating Officer and Chief Financial Officer. We do not have key-person life insurance on any of our senior managers.

Decline in rental income could adversely affect our financial results.

We own a large portfolio of commercial real estate rental properties. Our profitability could be adversely affected if:

- a significant number of our tenants are unable to meet their obligations to us;
- we are unable to lease space at our properties when the space becomes available; and
- the rental rates upon a renewal or a new lease are significantly lower than expected.

The Trust and The Nemours Foundation own a large percentage of our stock and their interests may not always be identical to those of our public shareholders.

As of March 1, 2004, the Alfred I. duPont Testamentary Trust and its beneficiary, The Nemours Foundation, together owned 17,870,965 shares, or approximately 24%, of our outstanding common stock. In addition, three of our current directors are trustees of the Trust. Under the terms of our registration rights agreement with the Trust, the Trust is entitled to nominate two members of our board of directors so long as the Trust beneficially owns at least 20% of our common stock. If the Trust beneficially owns less than 20% but at least 5% of our outstanding shares of common stock, the Trust will be entitled to nominate one member of our board. Accordingly, the Trust will continue to be able to have significant influence over our corporate and management policies, including decisions relating to mergers, acquisitions, the sale of all or substantially all of our assets and other significant transactions. The interests of the Trust may not be aligned with our interests or the interests of other shareholders.

Future sales or the perception of future sales by the Trust may affect the price of our common stock.

We cannot predict the effect, if any, that future sales of shares by the Trust, or the availability of shares for future sale, will have on the market price of our common stock. Sales of substantial amounts of our common stock in the public market or the perception that such sales may occur could adversely affect the market price of our common stock.

Forward-looking Statements

This Form 10-K includes forward-looking statements, which are statements that are not historical facts. We have based these forward-looking statements on our current expectations and projections about future events. These forward-looking statements are subject to risks, uncertainties and assumptions about

our business, including the risk factors identified above, those described from time to time in our filings with the Securities and Exchange Commission, and the following:

- economic conditions, particularly in Florida and key southeastern United States areas that serve as feeder markets to our Northwest Florida operations;
- acts of war or terrorism and other geopolitical events;
- local conditions such as an oversupply of homes and homesites, residential or resort properties, or a reduction in demand for real estate in the area;
- timing and costs associated with property developments and rentals;
- competition from other real estate developers;
- whether potential residents or tenants consider our properties attractive;
- increases in operating costs, including increases in real estate taxes;
- changes in the amount or timing of federal and state income tax liabilities resulting from either a change in our application of tax laws, an adverse determination by a taxing authority or court, or legislative changes to existing laws;
- how well we manage our properties;
- changes in interest rates and the performance of the financial markets;
- decreases in market rental rates for our commercial and resort properties;
- the pace of development of infrastructure in Northwest Florida;
- potential liability under environmental laws or other laws or regulations;
- adverse changes in laws or regulations affecting the development of real estate;
- decreases in prices of wood products;
- the availability of funding from governmental agencies and others to purchase conservation lands;
- fluctuations in the size and number of transactions from period to period; and
- adverse weather conditions or natural disasters.

We have no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or risks. New information, future events or risks may cause the forward-looking events we discuss in this Form 10-K not to occur.

Employees

We had approximately 1,478 full-time employees and 115 part-time employees at December 31, 2003. We consider our relations with our employees to be good. These employees work in the following segments:

Community development	920
Commercial real estate development and services	528
Land sales	41
Forestry	32
Other — including corporate	72

Website Access to Reports

We will make available, free of charge, access to our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and all amendments to those reports as soon as

reasonably practicable after such reports are electronically filed with or furnished to the SEC, through our home page at www.JOE.com.

Item 2. ***Properties***

We own our principal executive office located in Jacksonville, Florida. The majority of our other administrative offices are leased.

We own approximately 850,000 acres, the majority of which are located in Northwest Florida, including substantial gulf, lake and riverfront acreage. Most of our raw land assets are managed as timberland until designated for development. For more information on our real estate assets, see Item 1. Business.

Item 3. ***Legal Proceedings***

We 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 our consolidated financial position, results of operations or liquidity. However, the aggregate amount being sought by the claimants in these matters is presently estimated to be several million dollars.

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

We are 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 our policy to accrue and charge against earnings environmental cleanup costs when it is probable that a liability has been incurred and an amount can be reasonably estimated. As assessments and cleanups proceed, these accruals are reviewed and adjusted, if necessary, as additional information becomes available.

Pursuant to the terms of various agreements by which we disposed of our sugar assets in 1999, we are obligated to complete certain defined environmental remediation. Approximately $5.0 million of the sales proceeds are being held in escrow pending the completion of the remediation. We have separately funded the costs of remediation. Remediation was substantially completed in 2003. We expect the amounts held in escrow to be released to us during the second half of 2004.

During the fourth quarter of 2000, management became aware of an investigation being conducted by the Florida Department of Environmental Protection ("DEP") of our former paper mill site and some adjacent real property north of the paper mill site in Gulf County, Florida (the "Mill Site"). The real property on which our former paper mill is located was sold to the Smurfit-Stone Container Corporation ("Smurfit") and we retained ownership of the adjacent real property. In January 2004, we entered into a joint venture with Smurfit; this joint venture now owns the site of our former paper mill.

The DEP submitted a Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA") Site Discovery/ Prescreening Evaluation to Region IV of the United States Environmental Protection Agency ("USEPA") in Atlanta in September 2000. Based on this submission, the USEPA included the Mill Site on the CERCLIS List. The CERCLIS List is a list of sites which are to be evaluated to determine whether there is a potential presence of actionable contaminants.

Based on its assessment of data obtained from voluntary testing performed by us and Smurfit, the DEP submitted a proposed Consent Order that we and Smurfit have executed. It obligates us to conduct further assessment of that portion of the Mill Site owned by us at that time and, if necessary, to rehabilitate that portion of the Mill Site. Smurfit has a corresponding obligation with respect to its portion of the Mill Site.

Through incorporation of the data and findings which resulted from our voluntary testing, the DEP has completed and submitted a preliminary assessment/site investigation report to the USEPA, including a recommendation that the Mill Site be considered “low priority” under CERCLA. Based on this recommendation, the USEPA has deferred further action on the Mill Site and has agreed to allow the Mill Site to be assessed and rehabilitated, if necessary, under the guidance of the DEP.

On November 5, 2002, the Mill Site was designated as a Brownfields Redevelopment Area for site rehabilitation under the provisions of applicable Florida law. Florida’s Brownfields program provides economic and tax incentives which may be available to us. We entered into a Brownfield Site Rehabilitation Agreement for the Mill Site that obligates us to conduct further assessment of our portion of the Mill Site to delineate the extent of contamination, if any, and, if necessary, to rehabilitate that portion. The Consent Order will be held in abeyance pending the completion of the assessment and remediation, if any, of the Mill Site under the terms of the Brownfield Site Remediation Agreement.

Based on this current information, including the environmental test results, the recommendation for “low priority” USEPA consideration, the USEPA agreement to defer further action, and the Brownfields Area local designation, management does not believe our liability, if any, for the possible cleanup of any potential contaminants detected on the Mill Site will be material.

We are currently a party to, or involved in, legal proceedings directed at the cleanup of Superfund sites. We have accrued an allocated share of the total estimated cleanup costs for these sites. Based upon management’s evaluation of the other potentially responsible parties, we do not expect to incur material additional amounts even though we have 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 us. 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 our consolidated financial position, results of operations or liquidity. Environmental liabilities are paid over an extended period and the timing of such payments cannot be predicted with any confidence.

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***

We had approximately 42,000 beneficial owners of our common stock as of March 10, 2004. Our common stock is quoted on the New York Stock Exchange ("NYSE") Composite Transactions Tape under the symbol "JOE."

The range of high and low prices for our common stock as reported on the NYSE Composite Transactions Tape for the periods indicated is set forth below:

	Common Stock Price	
	High	**Low**
2003		
First Quarter	$30.74	$26.19
Second Quarter	31.58	27.04
Third Quarter	35.01	31.01
Fourth Quarter	38.60	32.05
2002		
First Quarter	30.00	27.20
Second Quarter	33.74	29.10
Third Quarter	30.85	24.35
Fourth Quarter	30.19	24.69

On March 10, 2004, the closing price of our common stock on the NYSE was $40.40.

Dividends

In September 2003, we initiated the payment of quarterly dividends to holders of our common stock at the rate of $.12 per share. We paid an aggregate of $.32 per share in dividends in 2003. In 2002 and 2001, we paid annual cash dividends of $0.08 per share.

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 related notes included elsewhere herein. The statement of operations data with respect to the years ended December 31, 2003, 2002, and 2001 and the balance sheet data as of December 31, 2003 and 2002 have been derived from the financial statements of the Company included herein, which have been audited by KPMG LLP. The statement of operations data with respect to the years ended December 31, 2000 and 1999 and the balance sheet data as of December 31, 2001, 2000, and 1999 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,				
	2003	2002	2001	2000	1999
	(In thousands, except per share amounts)				
Statement of Operations Data:					
Total revenues(1)	$760,630	$635,412	$567,008	$605,487	$527,566
Total expenses	630,639	524,936	490,112	475,798	460,125
Operating profit	129,991	110,476	76,896	129,689	67,441
Other income (expense)	(8,729)	120,648	(5,846)	6,184	32,448
Income from continuing operations before equity in (loss) income of unconsolidated affiliates, income taxes, and minority interest	121,262	231,124	71,050	135,873	99,889
Equity in (loss) income of unconsolidated affiliates	(2,168)	10,940	24,126	18,375	13,308
Income tax expense	42,626	89,561	35,441	51,755	21,012
Income from continuing operations before minority interest	76,468	152,503	59,735	102,493	92,185
Minority interest	553	1,366	524	9,954	19,243
Income from continuing operations	75,915	151,137	59,211	92,539	72,942
Income from discontinued operations(2)	—	2,339	10,994	7,784	10,061
Gain on sale of discontinued operations(2)	—	20,887	—	—	41,354
Net income	$ 75,915	$174,363	$ 70,205	$100,323	$124,357
Per Share Data:					
Basic					
Income from continuing operations	$ 1.00	$ 1.93	$ 0.73	$ 1.09	$ 0.83
Income from discontinued operations(2)	—	0.03	0.14	0.09	0.12
Gain on sale of discontinued operations(2)	—	0.26	—	—	0.47
Net income	$ 1.00	$ 2.22	$ 0.87	$ 1.18	$ 1.42
Diluted					
Income from continuing operations	$ 0.98	$ 1.85	$ 0.70	$ 1.06	$ 0.82
Income from discontinued operations	—	0.03	0.13	0.09	0.12
Gain on sale of discontinued operations	—	0.26	—	—	0.46
Net income	$ 0.98	$ 2.14	$ 0.83	$ 1.15	$ 1.40
Dividends paid	$ 0.32	$ 0.08	$ 0.08	$ 0.02	0.02
FLA spin-off(2)	—	—	4.64	—	—

	Year Ended December 31,				
	2003	2002	2001	2000	1999
Balance Sheet Data:					
Investment in real estate	$ 886,076	$ 806,701	$ 736,734	$ 562,181	$ 825,577
Cash and investments(3)	57,403	73,273	200,225	201,905	299,944
Property, plant & equipment, net	36,272	42,907	49,826	59,665	386,437
Total assets	1,275,730	1,169,887	1,340,559	1,115,021	1,821,627
Total stockholders' equity	487,315	480,093	518,073	569,084	940,854

(1) Total revenues includes real estate revenues from property sales; realty revenues consisting of property and asset management fees, construction management fees, and lease and sales commissions; timber sales; rental revenues; club operations revenues; management fees; development fees; and transportation revenues. Net operating results of the residential real estate services and sugar segments are shown separately as income from discontinued operations for all years presented.

(2) On October 9, 2000 the Company distributed to its shareholders all of its equity interest in Florida East Coast Industries, Inc. ("FLA"). To effect the distribution, the Company exchanged its 19,609,216 shares of FLA common stock for an equal number of shares of a new class of FLA common stock. On October 9, 2000, the new class of stock, FLA.B, was distributed prorata to the Company's shareholders in a tax-free distribution. For each share of the Company common stock owned of record on September 18, 2000, the Company's shareholders received 0.23103369 of a share of FLA.B common stock.

(3) Includes cash, cash equivalents and marketable securities.

Item 7. *Management's Discussion and Analysis of Financial Condition and Results of Operations*

Overview

The St. Joe Company is one of Florida's largest real estate operating companies. We have one of the largest inventories of private land suitable for development in the State of Florida, with very low cost basis. The majority of our land is located in Northwest Florida. In order to optimize the value of our core real estate assets in Northwest Florida, our strategic plan calls for us to reposition our timberland holdings for higher and better uses. We increase the value of our raw land assets, most of which are currently managed as timberland, through the development and subsequent sale of parcels, home sites, and homes, or through the direct sale of unimproved land. In addition, we reinvest qualifying asset sales proceeds into like-kind properties under our tax deferral strategy which has enabled us to create a significant portfolio of commercial rental properties. We also provide commercial real estate services, including brokerage, property management and construction management.

We have four operating segments: community development; commercial real estate development and services; land sales; and forestry.

Our community development segment generates revenues from:

- the sale of housing units built by us;
- the sale of developed home sites;
- rental income;
- club operations;
- investments in limited partnerships and joint ventures;
- brokerage fees; and
- management fees.

Our commercial real estate development and services segment generates revenues from:

- the rental of properties owned by us;
- the sale of developed and undeveloped land and in-service buildings;
- realty revenues, consisting of property and asset management fees, construction management fees and lease and sales brokerage commissions;
- development fees; and
- investments in limited partnerships and joint ventures.

Our land sales segment generates revenues from:

- the sale of parcels of undeveloped land; and
- the sale of a limited amount of developed rural home sites.

Our forestry segment generates revenues from:

- the sale of pulpwood and timber; and
- the sale of bulk land.

Our ability to generate revenues, cash flows and profitability is directly related to the real estate market, primarily in Florida, and the economy in general. Considerable economic and political uncertainties exist that could have adverse effects on consumer buying behavior, construction costs, availability of labor and materials and other factors affecting us and the real estate industry in general. Additionally, increases in interest rates could reduce the demand for homes we build, particularly primary housing, commercial properties we develop or sell, and lots we develop. However, we believe our secondary resort housing markets are less sensitive to changes in interest rates. We have the ability to mitigate these risks by building to contract as well as building in phases. Management periodically conducts market research in the early stages of a project's development to ensure our product meets expected customer demand. We also continuously and actively monitor local competitors' product offerings to evaluate the competitive position of our products. Real estate market conditions in our regions of development, particularly for residential and resort property in Northwest Florida, have been exceptionally strong. These current market conditions place us in an unusually favorable position which may not continue in the future. However, we believe that long-term prospects of job growth, coupled with strong in-migration population expansion in Florida, indicate that demand levels may remain favorable over at least the next two to five years.

Our commercial real estate development and services segment continues to build on strong market interest in Northwest Florida's retail, office, multi-family and other mixed-use products caused by historical constraints on supply in the area as well as high interest by developers. Although the timing of transactions in this business is hard to predict, we expect 2004 results to be the same as or better than 2003 results.

Forward-Looking Statements

Management's discussion and analysis contains forward-looking statements, including statements about our beliefs, plans, objectives, goals, expectations, estimates and intentions, as well as trends and uncertainties that could affect our results. These statements are subject to risks and uncertainties and are subject to change based on various factors, many of which are beyond our control. For additional information concerning these factors and related matters, see "Risk Factors" in Item 1 of this Report.

Critical Accounting Estimates

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

We believe the following critical accounting policies reflect our more significant judgments and estimates used in the preparation of our consolidated financial statements:

Investment in Real Estate and Cost of Real Estate Sales. Costs associated with a specific real estate project are capitalized once we determine that the project is economically viable. We capitalize costs directly associated with development and construction of identified real estate projects. Indirect costs that clearly relate to a specific project under development, such as internal costs of a regional project field office, are also capitalized. We capitalize interest based on the amount of underlying expenditures (up to total interest expense), and real estate taxes on real estate projects under development. If we determine not to complete a project, any previously capitalized costs are expensed.

Real estate inventory costs include land and common development costs (such as roads, sewers, and amenities), home construction costs, property taxes, capitalized interest, and certain indirect costs. A portion of real estate inventory and estimates for costs to complete are allocated to each unit based on the relative sales value of each unit as compared to the estimated sales value of the total project. These estimates are reevaluated at least annually, with any adjustments being allocated prospectively to the remaining units available for sale. The accounting estimate related to inventory valuation is susceptible to change due to the use of assumptions about future sales proceeds and related real estate expenditures. Management's assumptions about future housing and home site sales prices, sales volume and sales velocity require significant judgment because the real estate market is cyclical and highly sensitive to changes in economic conditions. In addition, actual results could differ from management's estimates due to changes in anticipated development, construction and overhead costs. Although we have not made significant adjustments affecting real estate gross profit margins in the past, there can be no assurances that estimates used to generate future real estate gross profit margins will not differ from our current estimates.

Revenue Recognition — Percentage-of-Completion. In accordance with Statement of Financial Accounting Standards No. 66, *Accounting for Sales of Real Estate*, revenue for multi-family residences under construction is recognized on the percentage-of-completion method when (1) construction is beyond a preliminary stage, (2) the buyer is committed to the extent of being unable to require a refund except for nondelivery of the unit, (3) sufficient units have already been sold to assure that the entire property will not revert to rental property, (4) sales price is assured, and (5) aggregate sales proceeds and costs can be reasonably estimated. Revenue is recognized in proportion to the percentage of total costs incurred in relation to estimated total costs.

Impairment of Long-lived Assets and Goodwill. Our long-lived assets, primarily real estate held for investment, are carried at cost unless circumstances indicate that the carrying value of the assets may not be recoverable. We review long-lived assets for impairment whenever events or changes in circumstances indicate such an evaluation is warranted. This review involves a number of assumptions and estimates used in determining whether impairment exists, including estimation of undiscounted cash flows. Depending on the asset, we use varying methods to determine fair value, such as (i) discounting of expected future cash flows, (ii) determining resale values by market, or (iii) applying a capitalization rate to net operating income using prevailing rates in a given market. These methods of determining fair value can fluctuate up

or down significantly as a result of a number of factors, including changes in the general economy of our markets and demand for real estate. If we determine that impairment exists due to the inability to recover an asset's carrying value, a provision for loss is recorded to the extent that the carrying value exceeds estimated fair value.

Goodwill is carried at the lower of cost or fair value and is tested for impairment at least annually, or whenever events or changes in circumstances indicate such an evaluation is warranted, by comparing the carrying amount of the net assets of each reporting unit with goodwill to the fair value of the reporting unit taken as a whole. The impairment review involves a number of assumptions and estimates including estimating discounted future cash flows, net operating income, future economic conditions, fair value of assets held and discount rates. If this comparison indicates that the goodwill of a particular reporting unit is impaired, the aggregate of the fair value of each of the individual assets and liabilities of the reporting unit are compared to the fair value of the reporting unit to determine the amount of goodwill impairment, if any.

Intangibles. We allocate the purchase price of acquired properties to tangible and identifiable intangible assets acquired based on their respective fair values, using customary estimates of fair value, including data from appraisals, comparable sales, discounted cash flow analysis and other methods. These fair values can fluctuate up or down significantly as a result of a number of factors and estimates, including changes in the general economy of our markets, demand for real estate, and fair market values assigned to leases as well as fair value assigned to customer relationships.

Pension Plan. The Company sponsors a defined benefit pension plan covering a majority of our employees. Currently, our pension plan is over-funded and contributes income to the Company. The accounting for pension benefits is determined by standardized accounting and actuarial methods using numerous estimates, including discount rates, expected long-term investment returns on plan assets, employee turnover, mortality and retirement ages, and future salary increases. Changes in these key assumptions can have a significant impact on the income contributed by the pension plan. We engage the services of an independent actuary and investment consultant to assist us in determining these assumptions and in the calculation of pension income. For example, in 2003, a 1% increase in the assumed long-term rate of return on pension assets would have resulted in a $2.2 million increase in pre-tax income ($1.4 million net of tax). A 1% decrease in the assumed long-term rate of return would have caused an equivalent decrease in income. A 1% increase in the assumed discount rate on pension obligations would have resulted in a $0.4 million decrease in pre-tax income ($0.3 million net of tax). A 1% decrease in the assumed discount rate would have resulted in a $0.6 million increase in pre-tax income ($0.4 million net of tax).

Income Taxes. In preparing our consolidated financial statements, significant management judgment is required to estimate our income taxes. Our estimates are based on our interpretation of federal and state tax laws. We estimate our actual current tax due and assess temporary differences resulting from differing treatment of items for tax and accounting purposes. The temporary differences result in deferred tax assets and liabilities, which are included in our consolidated balance sheet. Adjustments may be required by a change in assessment of our deferred tax assets and liabilities, changes due to audit adjustments by federal and state tax authorities, and changes in tax laws. To the extent adjustments are required in any given period we would include the adjustments in the tax provision in the statement of operations and/or balance sheet. These adjustments could materially impact our financial position and results of operation.

Results of Operations

Net income for 2003 was $75.9 million, or $0.98 per diluted share, compared with $174.4 million, or $2.14 per diluted share, in 2002 and $70.2 million, or $0.83 per diluted share, in 2001. The results for 2003 included a non-cash asset impairment charge, net of tax, relating to Advantis, our commercial real estate services unit, of $8.8 million, or $0.11 per diluted share. The results for 2002 included a net gain on the sale of Arvida Realty Services ("ARS"), our former residential real estate services segment, of $20.7 million, or $0.25 per diluted share, and a gain on the forward sale of securities of $86.4 million, or

$1.06 per diluted share. Results for 2002 included earnings from the discontinued operations of ARS of $2.3 million, or $0.03 per diluted share and $11.0 million, or $0.13 per diluted share in 2001.

We report revenues from our four operating segments: community development, commercial real estate development and services, land sales, and forestry. Real estate sales are generated from sales of housing units and developed home sites in our community development segment, developed and undeveloped land and in-service buildings in our commercial real estate development and services segment, parcels of undeveloped land and developed rural sites in our land sales segment and occasionally sales of bulk land from our forestry segment. Realty revenues, consisting of property and asset management fees, construction management fees, and lease and sales commissions, are generated from the commercial real estate development and services segment. Timber sales are generated from the forestry segment. Rental revenue is generated primarily from lease income related to our portfolio of investment and development properties as a component of the commercial real estate development and services segment. Other revenues are primarily club operations and management fees from the community development segment and development fees from the commercial real estate development and services segment.

Consolidated Results

Revenues and Expenses. The following table sets forth a comparison of the revenues and expenses for the three years ended December 31, 2003.

	Years Ended December 31,			2003 vs. 2002		2002 vs. 2001	
	2003	2002	2001	Difference	% Change	Difference	% Change
				(Dollars in millions)			
Revenues:							
Real estate sales	$592.2	$484.0	$444.0	$108.2	22%	$40.0	9%
Realty	62.5	58.5	56.0	4.0	7	2.5	4
Timber sales	36.6	40.7	37.0	(4.1)	(10)	3.7	10
Rental	40.8	33.2	20.8	7.6	23	12.4	60
Other	28.5	19.0	9.2	9.5	50	9.8	107
Total	760.6	635.4	567.0	125.2	20	68.4	12
Expenses:							
Cost of real estate sales	353.2	290.8	298.7	62.4	22	(7.9)	(3)
Cost of realty revenues	36.2	33.2	32.8	3.0	9	0.4	1
Cost of timber sales	24.2	28.9	24.3	(4.7)	(16)	4.6	19
Cost of rental revenues	17.7	14.5	9.7	3.2	22	4.8	49
Cost of other revenues	27.2	23.1	9.4	4.1	18	13.7	146
Other operating expenses	91.7	84.2	74.5	7.5	9	9.7	13
Total	$550.2	$474.7	$449.4	$ 75.5	16%	$25.3	6%

The increases in revenues from real estate sales and costs of real estate sales were in each case primarily due to increased sales in the community development segment, partially offset by decreases in the commercial real estate development and services segment, which is a function of the sale of several large in-service buildings in 2002 and 2001 with no such sales in 2003. The increase in realty revenues was due to increases in brokerage and construction revenues, which were partially offset by a small decrease in property management revenues. The increase in cost of realty revenues was due to increases in the costs of brokerage, property management, and construction revenues. The increases in rental revenues and costs of rental revenues were in each case primarily due to an increase in the amount of investment in operating property in the commercial real estate development and services segment. Other revenues and costs of other revenues increased primarily due to increases in the community development segment's club operations. Other operating expenses increased from 2002 to 2003 primarily due to increases in the community development segment and the commercial real estate development and services segment. Other

operating expenses increased from 2001 to 2002 primarily due to an increase in the community development segment. For further discussion of revenues and expenses, see Segment Results below.

Corporate Expense. Corporate expense, which represents corporate general and administrative expenses, increased $7.0 million, or 25%, to $34.5 million in 2003, from $27.5 million in 2002. The increase was primarily due to a $4.3 million decrease in the income contribution from the St. Joe Company Pension Plan (the "Pension Plan") and an increase in employee benefit costs of $2.3 million. Corporate expense increased $8.7 million, or 46%, in 2002 from $18.8 million in 2001. This increase was primarily due to a $3.6 million decrease in the income contribution from the Pension Plan, an increase in employee benefit costs of $3.6 million, and $1.5 million in costs associated with the secondary offering of our common stock completed by the Trust in 2002. For the year 2001, the long-term actuarial expected return for the assets of the Pension Plan was 9.2%. Based on the performance of our mix of pension assets over the previous three years, we lowered the long-term expected return to 8.5%. Management does not expect the over-funded position of the Pension Plan to continue to decline. We do not expect to have to fund the Pension Plan in the foreseeable future, unless market conditions deteriorate significantly.

Depreciation and Amortization. Depreciation and amortization increased $8.7 million, or 38%, to $31.5 million in 2003, compared to $22.8 million in 2002. The increase was due to a $6.6 million increase in depreciation resulting primarily from additional investments in commercial and residential operating property and property, plant and equipment and a $2.1 million increase in amortization primarily resulting from an increase in intangible assets. Depreciation and amortization increased $1.5 million, or 7%, to $22.8 million in 2002, compared to $21.3 million in 2001. The increase was due to a $6.6 million increase in depreciation resulting primarily from expenditures for commercial and residential operating property and property, plant and equipment. This increase was partially offset by the impact of the adoption of Statement of Financial Accounting Standards No. 142, *Goodwill and Other Intangible Assets* ("FAS 142"), which resulted in the cessation of goodwill amortization as of January 1, 2002. Goodwill amortization was $4.2 million in 2001, excluding $5.3 million included in discontinued operations.

Impairment Losses. During 2003, we recorded an impairment loss to reduce the carrying amount of Advantis' goodwill from $28.9 million to $14.8 million, pursuant to FAS 142. This resulted in an impairment loss of $14.1 million pre-tax, $8.8 million net of tax. See note 10 of Notes to Consolidated Financial Statements. No impairment losses were recorded in 2002. Impairment losses of $0.3 million and $0.5 million were recorded in 2003 and 2001, respectively, related to commercial properties.

Other Income (Expense). Other income (expense) was $(8.7) million in 2003, $120.6 million in 2002 and $(5.8) million in 2001. Other income (expense) was made up of investment income, interest expense, gains on sales and dispositions of assets and other income and, in 2002 and 2001, gains and losses on the valuation and settlement of forward sale contracts.

In October 1999, we entered into a forward sale transaction with a major financial institution that, in effect, provided for the monetization of our long-held portfolio of equity investments which, at December 31, 1998, had a cost of approximately $1.7 million and a fair value of approximately $144 million. Under the forward sale agreement, we received approximately $111 million in cash and were required to settle the forward transaction by October 15, 2002, by delivering either the securities or the equivalent value of the securities in cash to the financial institution. The agreement permitted us to retain that amount of the securities representing appreciation up to 20% of their value on October 15, 1999 should the value of the securities increase. The securities were recorded at fair value on the balance sheet and the related unrealized gain, net of tax, was recorded in accumulated other comprehensive income. At the time of entering into the forward sale contracts, we recorded a liability in long-term debt for approximately $111.1 million, subject to increase as interest expense was imputed at an annual rate of 7.9%. The liability was also subject to increase by the amount, if any, that the fair value of the securities increased beyond the retained 20%.

On February 26, 2002 and October 15, 2002, in two separate transactions, we settled our forward sale contracts by delivering equity securities to the financial institution for an aggregate pre-tax gain of $132.9 million. The liability related to the contracts settled in February was $97.0 million at the time of

settlement and the resulting gain recognized in the first quarter of 2002 was $94.7 million pre-tax. The liability related to the contracts settled in October was $38.6 million at the time of settlement and the resulting gain recognized in the fourth quarter of 2002 was approximately $38.2 million pre-tax.

Investment income decreased to $0.9 million in 2003 from $2.9 million in 2002, primarily due to lower dividend income resulting from the disposition of securities. Interest expense decreased $4.5 million to $12.5 million in 2003 compared to $17.0 million in 2002, due to the settlement of the debt related to the forward sale contracts, which was partially offset by interest expense attributable to medium term notes we issued in 2002, and interest attributable to debt secured by commercial buildings. Other income was $2.9 million in 2003 as compared to $1.8 million in 2002. Other income included a loss on the valuation of forward sale contracts of $(0.9) million in 2002. Investment income decreased to $2.9 million in 2002, from $5.1 million in 2001, primarily due to lower dividend income resulting from the disposition of securities. Interest expense decreased $0.3 million to $17.0 million in 2002 compared to $17.3 million in 2001, due to the settlement of the debt related to the forward sale contracts, which was partially offset by interest expense attributable to medium term notes we issued in 2002, and interest attributable to debt secured by commercial buildings. Other income was $1.8 million in 2002 as compared to $6.4 million in 2001. Other income includes a loss on the valuation of forward sale contracts of $(0.9) million in 2002, compared to a gain on the valuation of forward sale contracts of $4.0 million in 2001.

Equity in (Loss) Income of Unconsolidated Affiliates. We have investments in affiliates that are accounted for by the equity method of accounting. Equity in (loss) income of unconsolidated affiliates totaled $(2.2) million in 2003, $10.9 million in 2002 and $24.1 million in 2001.

The community development segment's unconsolidated affiliates include our 26% limited partnership interest in Arvida/JMB Partners, L.P. ("Arvida/JMB"). Arvida/JMB completed its operations in 2003 and is currently winding up its affairs. As a result, the contribution to pre-tax income from Arvida/JMB substantially ended at the end of 2002. Arvida/JMB has finalized its current estimates of future costs and future cash distributions associated with the completion of operations, and, as a result, we adjusted our investment in the partnership by a $3.5 million pre-tax charge in 2003. Arvida/JMB's contribution to equity in (loss) income of unconsolidated affiliates was $13.2 million in 2002 and $24.0 million in 2001. Based on current expectations, we do not anticipate any material future income or losses from our investment in Arvida/JMB.

The commercial real estate development and services segment recorded equity in income (loss) of unconsolidated affiliates of $1.9 million in 2003, $(1.0) million in 2002, and $0.2 million in 2001. Included was $(0.3) million in 2003, $(0.3) million in 2002, and $0.9 million in 2001 related to our 50% interest in Codina Group, Inc. ("Codina"), a commercial services company headquartered in Coral Gables, Florida. Although 2003 and 2002 results were negative, we expect Codina to return to profitability in the near term. In 2003, we sold our 45% partnership interest in the 355 Alhambra building, recognizing a gain of $1.0 million which is included in income of unconsolidated affiliates.

Income Tax Expense. Income tax expense on continuing operations totaled $42.6 million in 2003, $89.6 million for 2002 and $35.4 million for 2001. Our effective tax rate decreased to 35% in 2003 compared to 39% in 2002 and 37% in 2001 because the deferred tax liability for state taxes was reduced to reflect the effect of a recently implemented state tax strategy.

Discontinued Operations. Discontinued operations included the gain on sale and the operations of ARS and the gain on sale and operations of two commercial office buildings disposed of in 2002. These entities' results are not included in income from continuing operations.

As a result of rapid consolidation in the real estate services business, we had the opportunity to sell ARS, our wholly-owned subsidiary, at an attractive value. We completed the sale of ARS on April 17, 2002. The gain recorded on the sale was $33.7 million before taxes, or $20.7 million net of taxes. Prior to its sale, ARS generated revenues of $76.2 million, operating expenses of $71.7 million and net income of $2.3 million during 2002. During 2001, ARS generated revenues of $277.3 million, operating expenses of $252.9 million, and net income of $11.0 million.

Segment Results

Community Development. The table below sets forth the results of operations of our community development segment for the three years ended December 31, 2003.

	Years Ended December 31,		
	2003	2002	2001
	(In millions)		
Revenues:			
Real estate sales	$467.3	$371.2	$235.6
Rental revenues	0.8	0.8	0.7
Other revenues	26.8	14.7	3.4
Total revenues	494.9	386.7	239.7
Expenses:			
Cost of real estate sales	332.9	260.8	173.4
Cost of rental revenues	1.6	1.6	1.2
Cost of other revenues	26.6	20.6	6.2
Other operating expenses	44.6	38.7	32.7
Depreciation and amortization	8.6	4.4	2.0
Total expenses	414.3	326.1	215.5
Other income	—	0.2	0.4
Pretax income from continuing operations	$ 80.6	$ 60.8	$ 24.6

Our community development division develops large-scale, mixed-use communities primarily on land we have owned for a long period of time. We own large tracts of land in Northwest Florida, including significant Gulf of Mexico beach frontage and waterfront properties, and in west Florida near Tallahassee, the state capital. Our residential homebuilding in North Carolina and South Carolina is conducted through Saussy Burbank, Inc. (“Saussy Burbank”), a wholly owned subsidiary.

Year Ended December 31, 2003 Compared to Year Ended December 31, 2002

Real estate sales include sales of homes and home sites and sales of land. Cost of sales includes direct costs, selling costs and other indirect costs. In 2003, the components of cost of real estate sales were $276.4 million in direct costs, $23.6 million in selling costs, and $31.3 million in other indirect costs. In 2002, the components of cost of real estate sales were $220.5 million in direct costs, $17.8 million in selling costs, and $22.5 million in other indirect costs.

Sales of homes in 2003 totaled $348.4 million, with related cost of sales of $287.8 million, resulting in a gross profit percentage of 17%, compared to sales in 2002 of $271.3 million, with cost of sales of $226.6 million, resulting in a gross profit percentage of 17%. Cost of real estate sales for homes in 2003 consisted of $242.1 million in direct costs, $17.8 million in selling costs, and $27.9 million in indirect costs. Cost of real estate sales for homes in 2002 consisted of $193.8 million in direct costs, $12.8 million in selling costs, and $20.0 million in indirect costs. Sales of home sites in 2003 totaled $115.7 million, with related cost of sales of $43.5 million, resulting in a gross profit percentage of 62%, compared to sales in 2002 of $99.3 million, with related cost of sales of $34.2 million, resulting in a gross profit percentage of 66%. Cost of real estate sales for home sites in 2003 consisted of $34.3 million in direct costs, $5.8 million in selling costs, and $3.4 million in indirect costs. Cost of real estate sales for home sites in 2002 consisted of $26.7 million in direct costs, $5.0 million in selling costs, and $2.5 million in indirect costs. The increase in real estate sales was due to an increase in the number of units sold and higher selling prices. Cost of

real estate sales increased primarily due to the increased volume of sales. The following table sets forth home and home site sales activity by individual developments:

	Year Ended December 31, 2003				Year Ended December 31, 2002			
	Closed Units	Revenues	Cost of Sales	Gross Profit	Closed Units	Revenues	Cost of Sales	Gross Profit
			(Dollars in millions)					
Northwest Florida:								
Walton County:								
WaterColor:								
Homes:								
Single-family	12	$ 9.6	$ 6.4	$ 3.2	13	$10.5	$ 6.5	$ 4.0
Multi-family	18	2.6	2.7	(0.1)	45	23.3	17.8	5.5
Private Residence Club	—	1.2	0.7	0.5	—	—	—	—
Home sites	206	57.1	22.5	34.6	172	42.7	15.0	27.7
WaterSound:								
Multi-family homes	30	72.1	45.1	27.0	—	18.5	11.4	7.1
Home sites	93	38.1	12.6	25.5	64	25.6	10.0	15.6
Bay County:								
The Hammocks:								
Homes	48	6.8	6.1	0.7	32	4.6	4.1	0.5
Home sites	30	0.9	0.7	0.2	36	1.1	0.6	0.5
Palmetto Trace: Homes	88	13.6	12.1	1.5	43	6.4	5.6	0.8
Summerwood: Homes	—	—	—	—	12	1.8	1.8	—
Woodrun: Homes	—	—	0.4	(0.4)	1	0.3	0.4	(0.1)
Other Bay County: Home sites	—	—	—	—	1	0.1	0.1	—
Leon County:								
SouthWood:								
Homes	133	27.0	23.2	3.8	115	21.3	18.5	2.8
Home sites	63	5.7	2.6	3.1	65	6.1	2.8	3.3
Gulf County:								
Windmark Beach: Home sites	13	7.3	1.2	6.1	67	22.1	4.6	17.5
Northeast Florida:								
St. Johns County:								
St. Johns Golf & Country Club:								
Homes	124	39.6	33.1	6.5	111	34.1	27.6	6.5
Home sites	40	2.2	1.0	1.2	21	1.0	0.7	0.3
Duval County:								
James Island: Homes	59	19.8	17.1	2.7	72	22.5	19.3	3.2
Hampton Park: Homes	50	16.1	14.0	2.1	35	11.3	9.9	1.4
Central Florida:								
Volusia County:								
Victoria Park:								
Homes	124	24.3	21.7	2.6	77	14.1	12.0	2.1
Home sites	32	2.3	1.4	0.9	12	0.6	0.4	0.2
Artisan Park: Home sites	10	1.3	0.7	0.6	—	—	—	—

	Year Ended December 31, 2003				Year Ended December 31, 2002			
	Closed Units	Revenues	Cost of Sales	Gross Profit	Closed Units	Revenues	Cost of Sales	Gross Profit
				(Dollars in millions)				
North Carolina and South Carolina:								
Saussy Burbank:								
Homes	555	115.7	105.2	10.5	523	102.6	91.7	10.9
Home sites	32	0.8	0.8	—	—	—	—	—
Total	1,760	$464.1	$331.3	$132.8	1,517	$370.6	$260.8	$109.8

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

At WaterColor, the average price of a single-family residence sold in 2003 was $801,000, compared to $800,000 in 2002 which was solely due to the product mix sold. In general, sales prices for homes with similar sizes and locations have increased in 2003. The gross profit percentage from single-family residence sales decreased to 33% in 2003 from 38% in 2002 primarily due to increases in construction and development costs. The decrease in revenue and cost of revenue on multi-family residences was due to a decline in the number of units for sale. The gross profit percentage on multi-family home sales decreased to (4)% in 2003 from 24% in 2002 primarily due to increased development and construction costs in 2003 associated with the wind up of the first phase of multi-family residences. The average price of a home site sold in 2003 was $280,000, compared to $248,000 in 2002. The gross profit percentage from home site sales decreased to 61% in 2003 from 65% in 2002 primarily due to increases in development costs associated with amenities and roadway improvement.

At WaterSound, multi-family unit percentage of completion contributions to income began in the fourth quarter of 2002 and continued for the full year in 2003. The gross profit percentage on home sites increased to 67% in 2003 from 61% in 2002 primarily due to increases in sales prices.

At WindMark Beach, revenues have decreased as a result of a decrease in units offered for sale. The gross profit percentage on home site sales has increased to 84% in 2003 from 79% in 2002 due a change in the mix of relative locations of the home sites sold and to sales price increases on comparable home sites.

At St. Johns Golf and Country Club, the gross profit percentage on home sales decreased to 16% in 2003 from 19% in 2002 primarily due to higher development and construction costs in 2003. The gross profit percentage on home site sales increased to 55% in 2003 from 30% in 2002 primarily due to higher parcel development costs in 2002.

At Victoria Park, the gross profit percentage on home sales decreased to 11% in 2003 from 15% in 2002 because the mix of homes sold in 2003 included more homes located in the active adult community, which has higher parcel development costs. The gross profit percentage on home site sales increased to 39% in 2003 from 33% in 2002 primarily due to the deferral of revenue in 2002 on several of the home sites as a result of contingencies in the sales contracts.

At Saussy Burbank, the gross profit percentage on home sales has decreased to 9% in 2003 from 11% in 2002 primarily due to an increase in lot costs and a change in the mix of locations of homes sold.

Overall, we expect margins in the community development segment to remain stable in the near future.

Other revenues totaled $26.8 million in 2003 with $26.6 million in related costs, compared to revenues totaling $14.7 million in 2002 with $20.6 million in related costs. These included revenues from the WaterColor Inn, which began operations in 2002, other resort operations and management fees.

Other operating expenses, including salaries and benefits of personnel and other administrative expenses, increased $5.9 million during 2003 compared to 2002. The increase was primarily due to increases in project administration costs and marketing costs attributable to the increase in residential development activity.

Year Ended December 31, 2002 Compared to Year Ended December 31, 2001

Real estate sales include sales of home and home sites and sales of land. Cost of sales includes direct costs, selling costs and other indirect costs. In 2001, the components of cost of sales were $147.2 million in direct costs, $11.3 million in selling costs, and $14.2 million in other indirect costs.

Sales and cost of sales of homes and home sites for 2002 are discussed above. Sales of homes in 2001 totaled $184.6 million with related cost of sales of $154.5 million, resulting in a gross profit percentage of 16%. Cost of real estate sales for homes in 2001 consisted of $132.6 million in direct costs, $9.1 million in selling costs, and $12.7 million in indirect costs. Sales of home sites in 2001 totaled $49.8 million with related cost of sales of $18.3 million, resulting in a gross profit percentage of 63%. Cost of real estate sales for home sites in 2001 consisted of $14.6 million in direct costs, $2.2 million in selling costs, and $1.5 million in indirect costs. The increase in real estate sales was due to an increase in the number of units sold and higher selling prices. Cost of real estate sales increased primarily due to the increased volume of sales. The following table sets forth home and home site sales activity by individual developments:

	Year Ended December 31, 2002				Year Ended December 31, 2001			
	Closed Units	Revenues	Cost of Sales	Gross Profit	Closed Units	Revenues	Cost of Sales	Gross Profit
				(Dollars in millions)				
Northwest Florida:								
Walton County:								
WaterColor:								
Homes:								
Single-family	13	$10.5	$ 6.5	$ 4.0	7	$ 4.8	$ 3.1	$ 1.7
Multi-family	45	23.3	17.8	5.5	34	27.9	19.0	8.9
Home sites	172	42.7	15.0	27.7	50	18.8	5.4	13.4
WaterSound:								
Multi-family homes	—	18.5	11.4	7.1	—	—	—	—
Home sites	64	25.6	10.0	15.6	44	14.1	5.9	8.2
Bay County:								
The Hammocks:								
Homes	32	4.6	4.1	0.5	42	5.4	4.7	0.7
Home sites	36	1.1	0.6	0.5	—	—	—	—
Palmetto Trace: Homes	43	6.4	5.6	0.8	—	—	—	—
Summerwood: Homes	12	1.8	1.8	—	58	8.9	7.8	1.1
Woodrun:								
Homes	1	0.3	0.4	(0.1)	3	0.7	0.7	—
Home sites	—	—	—	—	17	0.5	0.4	0.1
Other Bay County: Home sites	1	0.1	0.1	—	14	0.4	0.1	0.3

	Year Ended December 31, 2002				Year Ended December 31, 2001			
	Closed Units	Revenues	Cost of Sales	Gross Profit	Closed Units	Revenues	Cost of Sales	Gross Profit
				(Dollars in millions)				
Leon County:								
SouthWood:								
Homes	115	21.3	18.5	2.8	33	6.1	5.6	0.5
Home sites	65	6.1	2.8	3.3	63	4.2	2.2	2.0
Franklin County:								
Driftwood: Home sites	—	—	—	—	3	0.4	0.1	0.3
Gulf County:								
Windmark Beach: Home sites	67	22.1	4.6	17.5	20	4.0	1.2	2.8
Northeast Florida:								
St. Johns County:								
St. Johns Golf & Country Club:								
Homes	111	34.1	27.6	6.5	66	19.1	15.9	3.2
Home sites	21	1.0	0.7	0.3	69	3.4	2.2	1.2
RiverTown: Home sites	—	—	—	—	8	3.0	0.2	2.8
Duval County:								
James Island: Homes	72	22.5	19.3	3.2	76	24.7	21.3	3.4
Hampton Park: Homes	35	11.3	9.9	1.4	1	0.3	0.2	0.1
Central Florida:								
Volusia County:								
Victoria Park:								
Homes	77	14.1	12.0	2.1	14	2.4	2.0	0.4
Home sites	12	0.6	0.4	0.2	13	1.0	0.6	0.4
North Carolina and South Carolina:								
Saussy Burbank: Homes	523	102.6	91.7	10.9	397	84.3	74.1	10.2
Total	1,517	$370.6	$260.8	$109.8	1,032	$234.4	$172.7	$61.7

At WaterColor, the average price of a single-family residence sold in 2002 was $800,000 compared to $685,000 in 2001. The increase in average price per unit was primarily due to the change in mix of size and relative location. The decreases in revenue, cost of revenue and gross profit associated with multi-family residences was primarily due to several beachfront multi-family units which closed in 2002, but for which most of the income was recognized in 2001 using the percentage of completion method. The average price of a lot sold in 2002 was $248,000 compared to $376,000 in 2001. The decrease in average price was primarily due to the closing of three beachfront lots during 2001, with an average sales price of $1,228,000 each, compared to no beachfront lots closed in 2002.

At WaterSound, multi-family unit percentage of completion contributions to income began in 2002. The average price of a home site sold in 2002 was $400,000 compared to $320,000 in 2001. The increase was primarily due to the closing of two gulf front lots in 2002 with an average price of $1,237,500 and two peninsula lots at an average price of $730,000. In addition, a portion of the profit recorded from the 2001 closings was deferred until 2002 because the development of the parcels was not completed until 2002.

At WindMark Beach, the margin increases in 2002 compared to 2001 were primarily due to increases in sales prices.

At SouthWood, the margins were higher on homes in 2002 than in 2001 primarily due to higher construction costs in 2001. The margins were higher on home sites due to a change in the mix of sizes of the home sites sold.

At St. Johns Golf & Country Club, home sales margins were higher in 2002 than in 2001 primarily due to the mix of sizes and relative locations of homes sold. Home site margins were lower in 2002 than in 2001 primarily due to the mix of sizes of the home sites sold.

Other revenues in 2002 totaled $14.7 million with $20.6 million in related costs, compared to revenues in 2001 totaling $3.4 million with $6.2 million in related costs. These included revenues from the WaterColor Inn, other resort operations and management fees. The WaterColor Inn began operations in 2002.

The community development operations' other operating expenses, including salaries and benefits of personnel and other administrative expenses, increased $6.0 million during 2002 compared to 2001. The increase was due to increases in marketing and other administrative expenses associated with new residential development.

Commercial Real Estate Development and Services. The table below sets forth the results of operations of our commercial real estate development and services segment for the three years ended December 31, 2003.

	Years Ended December 31,		
	2003	2002	2001
	(In millions)		
Revenues:			
Real estate sales	$ 25.6	$ 28.2	$131.9
Realty revenues	62.5	58.5	56.0
Rental revenues	40.0	32.4	20.2
Other revenues	1.8	1.1	2.5
Total revenues	129.9	120.2	210.6
Expenses:			
Cost of real estate sales	7.0	20.8	117.8
Cost of realty revenues	36.2	33.2	32.7
Cost of rental revenues	16.4	12.7	8.5
Other operating expenses	36.6	32.8	32.9
Depreciation and amortization	15.3	10.3	10.0
Impairment loss	14.1	—	0.5
Total expenses	125.6	109.8	202.4
Other expense	(7.8)	(7.5)	(3.3)
Pretax income (loss) from continuing operations	$ (3.5)	$ 2.9	$ 4.9

Year Ended December 31, 2003 Compared to Year Ended December 31, 2002

Rental Revenues. Rental revenues generated by our commercial real estate development and services segment owned operating properties increased $7.6 million, or 23%, in 2003 compared to 2002, due to six buildings placed in service or acquired during 2003 and an increase in the overall leased percentage of rental properties. Operating expenses relating to these revenues increased $3.7 million, or 29% primarily due to the six buildings placed in service and increased occupancy as well as increases in property taxes, utilities and upgraded security at most of the buildings. As of December 31, 2003, our commercial real estate development and services segment had interests in 24 operating properties with 2.9 million total rentable square feet in service, including two buildings, totaling approximately 0.2 million square feet, that were owned by partnerships and accounted for using the equity method of accounting. At December 31, 2002, our commercial real estate development and services segment had interests in 19 operating properties with 2.4 million total rentable square feet in service, including three buildings, totaling 0.4 million square

feet, that were owned by partnerships and accounted for using the equity method of accounting. The overall leased percentage increased to 83% at December 31, 2003, compared to 81% at December 31, 2002. Further information about commercial income producing properties majority owned by the Company, along with results of operations for 2003 and 2002, is presented in the tables below.

	Location	Net Rentable Square Feet at December 31, 2003	Percentage Leased at December 31, 2003	Net Rentable Square Feet at December 31, 2002	Percentage Leased at December 31, 2002
Buildings purchased with tax-deferred proceeds:					
Harbourside	Clearwater, FL	147,000	92%	146,000	86%
Prestige Place One and Two	Clearwater, FL	144,000	86	143,000	84
Lakeview	Tampa, FL	125,000	77	125,000	76
Palm Court	Tampa, FL	60,000	68	62,000	61
Westside Corporate Center	Plantation, FL	100,000	86	100,000	86
280 Interstate North	Atlanta, GA	126,000	71	126,000	67
Southhall Center	Orlando, FL	155,000	88	155,000	94
1133 20th Street	Washington, DC	119,000	99	119,000	99
1750 K Street	Washington, DC	152,000	90	152,000	94
Millenia Park One	Orlando, FL	158,000	68	158,000	44
Beckrich Office One	Panama City Beach, FL	34,000	96	34,000	88
5660 New Northside	Atlanta, GA	272,000	91	275,000	96
SouthWood Office One	Tallahassee, FL	88,000	73	(a)	(a)
Crescent Ridge	Charlotte, NC	158,000	100	(b)	(b)
Windward Plaza	Atlanta, GA	465,000	89	(b)	(b)
Subtotal		2,303,000	86	1,595,000	83
Development property:					
Westchase Corporate Center	Houston, TX	184,000	93	184,000	89
TNT Logistics	Jacksonville, FL	99,000	83	99,000	73
245 Riverside	Jacksonville, FL	134,000	39	(b)	(b)
SouthWood Office One	Tallahassee, FL	(a)	(a)	88,000	35
Beckrich Office Two	Panama City Beach, FL	34,000	20	(b)	(b)
Subtotal		451,000	69	371,000	72
Total		2,754,000	83	1,966,000	81

(a) During 2003, SouthWood Office One was transferred from development property to buildings purchased with tax-deferred proceeds.

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

	Year Ended December 31, 2003					Year Ended December 31, 2002				
	Rental Revenues	Operating Expenses	NOI (a)	Adjustments (b)	Pre-tax Income (Loss)	Rental Revenues	Operating Expenses	NOI (a)	Adjustments (b)	Pre-tax Income (Loss)
	(In millions)									
Buildings purchased with tax- deferred proceeds:										
Harbourside	$3.0	$1.0	$2.0	$(1.4)	$ 0.6	$2.4	$1.0	$1.4	$(1.4)	$ —
Prestige Place One and Two	2.3	1.0	1.3	(1.4)	(0.1)	2.0	1.0	1.0	(1.1)	(0.1)
Lakeview	1.9	0.7	1.2	(1.3)	(0.1)	2.4	1.0	1.4	(1.2)	0.2
Palm Court	0.5	0.2	0.3	(0.5)	(0.2)	0.8	0.3	0.5	(0.4)	0.1
Westside Corporate Center	1.9	1.0	0.9	(1.1)	(0.2)	1.9	0.8	1.1	(1.0)	0.1

	Year Ended December 31, 2003					Year Ended December 31, 2002				
	Rental Revenues	Operating Expenses	NOI (a)	Adjustments (b)	Pre-tax Income (Loss)	Rental Revenues	Operating Expenses	NOI (a)	Adjustments (b)	Pre-tax Income (Loss)
	(In millions)									
280 Interstate North	1.7	0.8	0.9	(0.9)	—	2.2	0.8	1.4	(1.0)	0.4
Southhall Center	2.8	1.0	1.8	(1.5)	0.3	3.4	1.3	2.1	(1.6)	0.5
1133 20th Street	4.0	1.3	2.7	(2.1)	0.6	4.1	1.3	2.8	(2.1)	0.7
1750 K Street	5.6	1.9	3.7	(2.9)	0.8	5.4	1.7	3.7	(2.5)	1.2
Millenia Park One	1.7	0.8	0.9	(1.5)	(0.6)	1.0	0.5	0.5	(0.6)	(0.1)
Beckrich Office One	0.4	0.2	0.2	(0.3)	(0.1)	0.3	0.2	0.1	(0.2)	(0.1)
5660 New Northside	5.8	1.8	4.0	(1.4)	2.6	0.3	—	0.3	—	0.3
SouthWood Office One	0.4	0.3	0.1	(0.4)	(0.3)	—	—	—	—	—
Crescent Ridge	1.2	0.3	0.9	(0.4)	0.5	—		—	—	—
Windward Plaza	0.8	0.2	0.6	(0.6)	—	—		—	—	—
Subtotal	$34.0	$12.5	$21.5	$(17.7)	$ 3.8	$26.2	$ 9.9	$16.3	$(13.1)	$ 3.2
Development property:										
Westchase Corporate Center	4.2	1.6	2.6	(1.8)	0.8	3.6	1.6	2.0	(2.1)	(0.1)
Tree of Life	—	—	—	—	—	1.0	0.4	0.6	(0.6)	—
TNT Logistics	1.4	0.6	0.8	(0.7)	0.1	1.1	0.3	0.8	(0.8)	—
245 Riverside	0.2	0.5	(0.3)	(1.0)	(1.3)	—	—	—	—	—
Nextel Call Center	—	—	—	—	—	0.4	0.1	0.3	(0.4)	(0.1)
Beckrich Office Two	—	—	—	(0.1)	(0.1)					
Other	0.2	1.2	(1.0)	(1.3)	(2.3)	0.1	0.4	(0.3)	(0.4)	(0.7)
Subtotal	$ 6.0	$ 3.9	$ 2.1	$ (4.9)	$(2.8)	$ 6.2	$ 2.8	$ 3.4	$ (4.3)	$(0.9)
Total	$40.0	$16.4	$23.6	$(22.6)	$ 1.0	$32.4	$12.7	$19.7	$(17.4)	$ 2.3

(a) NOI is net operating income.

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

Realty Revenues. Advantis' realty revenues in 2003 increased 7% over 2002 due to increases in brokerage and construction revenues, which were partially offset by a small decrease in property management revenues. Cost of Advantis' realty revenue increased $3.0 million due to increased broker commissions. Advantis' other operating expenses, consisting of office administration expenses, increased to $28.9 million in 2003 from $25.6 million in 2002, primarily due to an increase in staffing costs. Advantis recorded a pre-tax loss of $17.8 million for 2003, compared to a pre-tax loss of $1.5 million for 2002, after excluding profit of $2.0 million in 2003 and $1.3 million in 2002 related to intercompany transactions. Although management previously believed that Advantis' performance would continue to improve despite a very difficult environment for commercial services companies, Advantis' results of operations declined for the second quarter of 2003 and expectations for future periods were reduced. As a result, the Company recorded an impairment loss to reduce the carrying amount of Advantis' goodwill from $28.9 million to $14.8 million, pursuant to FAS 142. This resulted in an impairment loss of $14.1 million pre-tax ($8.8 million net of tax). We believe that Advantis' performance will continue to improve based on current expectations.

Real Estate Sales. During 2003, St. Joe Commercial had no building sales. Total proceeds from land sales were $25.6 million, with a pre-tax gain of $18.7 million. Land sales included the following:

Land	Number of Sales	Acres Sold	Gross Sales Price	Average Price/Acre
			(In millions)	(In thousands)
Florida:				
Unimproved	18	268	$13.1	$ 49
Improved	30	120	11.5	95
Texas	1	2	1.0	449
Total/ Average	49	390	$25.6	$ 66

During 2002, total proceeds from land sales were $11.0 million, with a pre-tax gain of $4.3 million. Land sales included the following:

Land	Number of Sales	Acres Sold	Gross Sales Price	Average Price/Acre
			(In millions)	(In thousands)
Florida:				
Unimproved	5	44	$ 2.8	$ 63
Improved	8	27	2.6	98
Texas	3	20	5.6	285
Total/ Average	16	91	$11.0	$121

Total proceeds for building sales in 2002 were $17.2 million, with a pre-tax gain of $3.1 million. Building sales consisted of:

- the sale of the 67,000-square-foot Nextel building located in the Beckrich Office Park in Panama City Beach for $8.1 million, with a pre-tax gain of $1.9 million; and

- the sale of the 69,000-square-foot Tree of Life building located in St. Augustine, Florida, for $9.1 million, with a pre-tax gain of $1.2 million.

During 2003 and 2002, the commercial segment made significant progress in establishing value for land for retail, apartment and other commercial use in Northwest Florida. Opportunities for the commercial segment have also begun to emerge from activities originated in the community development segment. In 2002, three commercial land parcels were sold at SouthWood in Tallahassee, Florida. These land sales, which are included in the totals above, represented $2.2 million in proceeds and $1.2 million in pre-tax gain.

Depreciation and amortization was $15.3 million in 2003 compared to $10.3 million in 2002. It was primarily made up of depreciation on the operating properties and amortization of lease intangibles.

Year Ended December 31, 2002 Compared to Year Ended December 31, 2001

Rental Revenues. Rental revenues generated by our commercial real estate development and services segment owned operating properties increased $12.2 million in 2002 compared to 2001 due to five new buildings placed in service or acquired during 2002, partially offset by two buildings sold during 2002, and two new buildings placed in service or acquired late in the year in 2001. Operating expenses relating to these revenues increased $4.9 million. As of December 31, 2002, our commercial real estate development and services segment had interests in 19 operating properties with 2.4 million total rentable square feet in service including three buildings, totaling 0.4 million square feet that are owned by partnerships and accounted for using the equity method of accounting. As of December 31, 2001, our commercial real estate development and services segment had interests in 20 operating properties with 2.4 million total rentable square feet in service, including five buildings, totaling 0.9 million square feet, that are owned by

partnerships and accounted for using the equity method of accounting. The overall leased percentage decreased to 78% at December 31, 2002, compared to 84% at December 31, 2001. Millennia Park One experienced a decrease in leased percentage due to tenant bankruptcies. Additionally, we were still in the process of procuring tenants for SouthWood Office One, a new speculative building. Two properties totaling approximately 0.2 million square feet of office space were in predevelopment or under construction as of December 31, 2002.

Information about commercial income producing properties owned or managed by the Company, along with results of operations for 2002 and 2001, is presented in the tables below.

	Year Ended December 31, 2002					Year Ended December 31, 2001				
	Rental Revenues	Operating Expenses	NOI (a)	Adjustments (b)	Pre-tax Income (Loss)	Rental Revenues	Operating Expenses	NOI (a)	Adjustments (b)	Pre-tax Income (Loss)
	(In millions)									
Buildings purchased with tax- deferred proceeds:										
Harbourside	$ 2.4	$ 1.0	$ 1.4	$ (1.4)	$ —	$ 2.2	$0.9	$ 1.3	$(1.4)	$(0.1)
Prestige Place One and Two	2.0	1.0	1.0	(1.1)	(0.1)	2.3	0.9	1.4	(1.2)	0.2
Lakeview	2.4	1.0	1.4	(1.2)	0.2	2.2	0.9	1.3	(1.1)	0.2
Palm Court	0.8	0.3	0.5	(0.4)	0.1	0.9	0.3	0.6	(0.3)	0.3
Westside Corporate Center	1.9	0.8	1.1	(1.0)	0.1	1.9	0.9	1.0	(0.8)	0.2
280 Interstate North	2.2	0.8	1.4	(1.0)	0.4	2.2	0.8	1.4	(0.7)	0.7
Southhall Center	3.4	1.3	2.1	(1.6)	0.5	2.4	0.9	1.5	(0.9)	0.6
1133 20th Street	4.1	1.3	2.8	(2.1)	0.7	1.2	0.3	0.9	(0.5)	0.4
1750 K Street	5.4	1.7	3.7	(2.5)	1.2	0.1	—	0.1	—	0.1
Millenia Park One	1.0	0.5	0.5	(0.6)	(0.1)	—	—	—	—	—
Beckrich Office One	0.3	0.2	0.1	(0.2)	(0.1)	—	—	—	—	—
5660 New Northside	0.3	—	0.3	—	0.3	—	—	—	—	—
Subtotal	$26.2	$ 9.9	$16.3	$(13.1)	$ 3.2	$15.4	$5.9	$ 9.5	$(6.9)	$ 2.6
Development property:										
Westchase Corporate Center	3.6	1.6	2.0	(2.1)	(0.1)	2.9	1.5	1.4	(2.2)	(0.8)
Tree of Life	1.0	0.4	0.6	(0.6)	—	—	—	—	—	—
TNT Logistics	1.1	0.3	0.8	(0.8)	—	—	—	—	—	—
Nextel Call Center	0.4	0.1	0.3	(0.4)	(0.1)	—	—	—	—	—
NCCI	—	—	—	—	—	1.4	—	1.4	(0.7)	0.7
Other	0.1	0.4	(0.3)	(0.4)	(0.7)	0.5	1.1	(0.6)	(0.1)	(0.7)
Subtotal	$ 6.2	$ 2.8	$ 3.4	$ (4.3)	$(0.9)	$ 4.8	$2.6	$ 2.2	$(3.0)	$(0.8)
Total	$32.4	$12.7	$19.7	$(17.4)	$ 2.3	$20.2	$8.5	$11.7	$(9.9)	$ 1.8

(a) NOI is net operating income.

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

Realty Revenues. Advantis' realty revenues increased 4% in 2002 over 2001 due to increases in brokerage and property management revenues, which were partially offset by a decrease in construction revenues. Advantis' cost of realty revenues increased $0.4 million. A decrease in brokerage related expenses was offset by increases in property management and construction related expenses. Advantis' expenses included commissions paid to brokers, property management expenses, and construction costs. Advantis' other operating expenses, which are made up of office administration expenses, were $25.6 million and $26.0 million in 2002 and 2001, respectively. Advantis recorded a pre-tax loss of $1.5 million for 2002, compared to a pre-tax loss of $6.5 million for 2001, after excluding profit of $1.3 million in 2002 and $0.9 million in 2001 related to intercompany transactions. The decrease in the net loss primarily resulted from increased revenues and a decrease in depreciation expense. In 2002, the new Advantis management team was in the process of implementing numerous changes and improvements in property management, recruiting and staffing.

Real Estate Sales. As discussed above, total proceeds from land sales in 2002 were $11.0 million, with a pre-tax gain of $4.3 million, and total proceeds for building sales were $17.2 million, with a pre-tax gain of $3.1 million.

During 2001, our commercial real estate development and services segment real estate sales consisted of:

- the sale of the NCCI center, a 310,000-square-foot building developed through the Codina Group, Inc. in Boca Raton, Florida, for $52.5 million, a pre-tax gain of approximately $4.4 million,
- the sales of two Texas properties for combined proceeds of approximately $12.5 million and a pre-tax gain of $0.6 million,
- the sale of the 160,000-square-foot facility developed through the Codina Group, Inc. for IBM Corporation at Beacon Square in Boca Raton, Florida, for $33.8 million, a pre-tax gain of approximately $5.7 million, and
- other land sales primarily representing sales of Texas real estate with proceeds of $33.4 million and pre-tax gains of $2.9 million.

Depreciation and amortization, primarily made up of depreciation on operating properties, was $10.3 million in 2002 compared to $10.0 million in 2001. Goodwill amortization was $2.3 million in 2001. Pursuant to FAS 142, no amortization of goodwill was recorded in 2002.

Land Sales. The table below sets forth the results of operations of our land sales segment for the three years ended December 31, 2003.

	Years Ended December 31,		
	2003	2002	2001
		(In millions)	
Real estate sales	$99.2	$84.1	$76.2
Expenses:			
Cost of real estate sales	13.3	9.0	7.8
Cost of other revenues	0.5	0.2	—
Other operating expenses	6.8	6.9	4.8
Depreciation and amortization	0.2	0.2	0.1
Total expenses	20.8	16.3	12.7
Other income	0.1	0.3	0.3
Pretax income from continuing operations	$78.5	$68.1	$63.8

Land sales activity for 2003, 2002 and 2001, excluding conservation lands, was as follows:

Period	Number of Sales	Number of Acres	Average Price Per Acre	Gross Sales Price	Gross Profit
				(In millions)	(In millions)
2003	166	29,904	$1,874	$56.0	$47.6
2002	176	28,071	$1,820	$51.1	$44.1
2001	128	26,549	$1,947	$51.7	$45.7

Conservation land sales activity for 2003, 2002 and 2001 was as follows:

Period	Number of Sales	Number of Acres	Average Price Per Acre	Gross Sales Price	Gross Profit
				(In millions)	(In millions)
2003	7	34,999	$1,157	$40.5	$36.7
2002	7	16,512	$1,999	$33.0	$30.5
2001	5	18,070	$1,351	$24.4	$22.7

RiverCamps was a new product in 2003 and therefore had no sales in 2002 and 2001. RiverCamps generated $2.0 million in revenues in 2003 with $1.8 million in related costs.

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

We are managing our inventory of land to be sold for long-term value maximization. The vast majority of the holdings marketed by our land sales segment will continue to be managed as timberlands until sold. Additionally, no assurance can be given that conservation land sales will continue at historical levels because of potential declines in government spending on acquisition of conservation lands.

Forestry. The table below sets forth the results of operations of our forestry segment for the three years ended December 31, 2003.

	Years Ended December 31,		
	2003	2002	2001
		(In millions)	
Revenues:			
Timber sales	$36.6	$40.7	$37.0
Real estate sales	—	0.6	0.3
Total revenues	36.6	41.3	37.3
Expenses:			
Cost of timber sales	24.2	28.9	24.3
Cost of real estate sales	—	0.2	0.1
Other operating expenses	2.6	2.6	2.0
Depreciation and amortization	4.1	4.1	3.9
Total expenses	30.9	35.8	30.3
Other income	2.4	2.5	2.1
Pretax income from continuing operations	$ 8.1	$ 8.0	$ 9.1

On June 20, 2001, we purchased Sunshine State Cypress, a cypress sawmill and mulch processing plant located in Liberty County, Florida, for $5.5 million in cash and the assumption of $5.8 million in debt.

Revenues for the forestry segment in 2003 decreased 11% compared to 2002. Revenues in 2002 increased 11% compared to 2001. Total sales under our fiber agreement with Smurfit-Stone Container Corporation were $11.8 million (677,000 tons) in 2003, $12.2 million (686,000 tons) in 2002, and $14.3 million (709,000 tons) in 2001. Sales to other customers totaled $16.2 million (837,000 tons) in 2003, $18.3 million (782,000 tons) in 2002, and $20.5 million (853,000 tons) in 2001. The 2003 decrease in revenues under the fiber agreement was primarily due to the sales of higher priced wood chips in 2002 with no such sales in 2003. The 2002 decrease was due to decreasing prices under the terms of the fiber agreement and a decrease in volume. The 2003 decrease in revenues from sales to other customers was due to a change in the product mix. The 2002 decrease was due to a decrease in prices and volume resulting from unfavorable market conditions. Revenues from the cypress mill operation, which was acquired in the second quarter of 2001, were $8.5 million in 2003, $10.2 million in 2002, and $2.1 million in 2001. The forestry segment recorded no revenues from land sales in 2003, compared to revenues from land sales of $0.6 million in 2002 with related cost of sales of $0.2 million, and $0.4 million in 2001 with related cost of sales of $0.1 million.

Cost of timber sales decreased $4.7 million in 2003 and increased $4.6 million in 2002. Cost of sales as a percentage of revenue was 66% in 2003, 71% in 2002, and 66% in 2001. The 2003 decrease in cost of sales was primarily due to changes in the product mix. The 2002 increase in cost of sales was primarily due to a higher cost of sales of the cypress operation. Cost of sales for the cypress mill operation were

$7.4 million, or 87% of revenue, in 2003, $8.8 million, or 86% of revenue, in 2002, and $2.1 million, or 100% of revenue, in 2001. Cost of sales for timber was $16.8 million, or 60% of revenue, in 2003, $20.1 million, or 66% of revenue, in 2002, and $22.2 million, or 64% or revenue, in 2001. Other operating expenses were $2.6 million in 2003 and in 2002 and $2.0 million in 2001.

Over the short-term, we expect prices for timber to remain steady or improve.

Liquidity and Capital Resources

We generate cash from:

- Operations;
- Sales of land holdings, other assets and subsidiaries;
- Borrowings from financial institutions and other debt; and
- Issuances of equity, primarily from the exercise of employee stock options.

We use cash for:

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

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

Cash Flows from Operating Activities

Net cash provided by operations in 2003, 2002 and 2001 were $126.4 million, $109.4 million, and $100.8 million, respectively. During such periods, expenditures relating to our community development segment were $342.5 million, $272.5 million, and $229.5 million, respectively. Other expenditures for operating properties in 2003, 2002 and 2001 totaled $43.1 million, $38.9 million and 110.3 million, respectively, and were made up of commercial property development and residential club and resort property development.

The expenditures for operating activities relating to our community development and commercial development and services segments are primarily for site infrastructure development, general amenity construction and construction of homes and commercial space. Approximately one-half of these expenditures are for home construction and generally take place after the signing of a binding contract with a buyer to purchase the home following construction. As a consequence, if contract activity slows, home construction will similarly slow. We expect this general expenditure level and relationship between expenditures and housing contracts to continue in the future.

Cash Flows from Investing Activities

Net cash used in investing activities in 2003 was $116.5 million and included $93.4 million for the purchase of four commercial buildings and related intangible assets. In 2002, net cash provided by investing activities was $48.9 million and included proceeds from the sale of discontinued operations of $138.7 million and $65.4 million for the purchase of commercial buildings. In 2001, net cash used in investing activities was $123.4 million and included $98.0 million for the purchase of commercial buildings.

The purchase of commercial buildings, comprising the majority of the cash used in investing activities, generally follow the sale of real estate, principally land sales and commercial sales on a tax deferred basis which requires the reinvestment of proceeds over a required time frame. As a consequence, if sales activity slows, the purchase activity will also slow. We expect this relationship to continue going forward.

Cash Flows from Financing Activities

In 2003 and 2002, net cash used in financing activities was $25.8 million and $126.0 million, respectively. In 2001, net cash provided by financing activities was $11.9 million.

We have approximately $76 million of debt maturing in 2004. We expect to spend $125 million to $175 million for the repurchase of shares, the acquisition of surrendered shares and dividend payments in 2004.

We secured borrowings, collateralized by our commercial property, of $26.0 million during 2002 and $72.2 million during 2001. No such borrowings originated in 2003.

On February 7, 2002, we issued a series of senior notes with an aggregate principal amount of $175.0 million in a private placement. The notes range in maturity from three to ten years and bear fixed rates of interest ranging from 5.64% to 7.37%, depending upon maturity. Interest on the notes is payable semiannually. The net proceeds of the notes were used to pay down our revolving credit facility. The senior notes include financial performance covenants relating to our leverage position, fixed charge coverage, and a minimum net worth requirement. Management believes that we are currently in compliance with the covenants.

We have a $250 million revolving credit facility, which matures on March 30, 2005, and can be used for general corporate purposes. The credit facility includes financial performance covenants relating to our leverage position, interest coverage and a minimum net worth requirement. The credit facility also has negative pledge restrictions. Management believes that we are currently in compliance with the covenants of the credit facility. At December 31, 2003, the outstanding balance was $40.0 million. At December 31, 2002, there was no balance outstanding. During 2003, we borrowed $40.0 million on the credit line, net of repayments. During 2001, we borrowed $90.0 million on the credit line, net of repayments.

We have used community development district (“CDD”) bonds to finance the construction of on-site infrastructure improvements at four of our projects. The principal and interest payments on the bonds are paid by assessments on, or from sales proceeds of, the properties benefited by the improvements financed by the bonds. We record a liability for future assessments which are fixed or determinable and will be levied against our properties. At December 31, 2003, CDD bonds totaling $99.5 million had been issued, of which $79.0 million had been expended. At December 31, 2002, CDD bonds totaling $83.5 million had been issued, of which $49.4 million had been expended. At December 31, 2001, CDD bonds totaling $33.5 million had been issued, of which $18.9 million had been expended. In accordance with Emerging Issues Task Force Issue 91-10, “Accounting for Special Assessments and Tax Increment Financing,” we have recorded $30.0 million and $11.3 million of these obligations as of December 31, 2003 and 2002, respectively.

Through December 31, 2003, our Board of Directors had authorized, through a series of four specific authorizations ranging from $150 million to $200 million, a total of $650.0 million for the repurchase of our outstanding common stock from time to time on the open market (the “Stock Repurchase Program”), of which $43.2 million remained available at December 31, 2003. In February 2004, the Board authorized an additional $150.0 million for the Stock Repurchase Program.

Beginning in December 2000 for an initial 90-day term and for additional 90-day terms from time to time (currently through May 7, 2004), the Alfred I. duPont Testamentary Trust, our largest shareholder, and the Trust's beneficiary, The Nemours Foundation, have agreed to participate in the Stock Repurchase Program. Pursuant to the most recent agreement, effective February 6, 2004, the Trust and/or the Foundation will sell to us each Monday a number of shares equal to 0.46 times the number of shares we purchased from the public during the previous week, if any, at a price equal to the volume weighted average price, excluding commissions, paid for the shares purchased from the public during that week. However, the Trust and the Foundation are not required to sell shares to us if the volume weighted average price of shares repurchased from the public during that prior week is below $37.00 per share.

From the inception of the Stock Repurchase Program through December 31, 2003, we had repurchased 16,057,866 shares on the open market and 7,672,980 shares from the Trust and the Foundation. During the year ended December 31, 2003, 1,469,800 shares were repurchased on the open market and 1,085,374 shares were purchased from the Trust and the Foundation. In addition, 812,802 shares were surrendered by company executives in payment of the strike price and taxes due on exercised stock options and taxes due on vested restricted stock. During the year ended December 31, 2002, 2,583,700 shares were repurchased on the open market, 2,586,206 shares were purchased from the Trust and the Foundation, and executives surrendered 256,729 shares of our stock in payment of the strike price and taxes due on exercised stock options and taxes due on vested restricted stock. Through December 31, 2003, a total of $606.8 million has been expended as part of the Stock Repurchase Program, including $77.3 million in 2003, $150.3 million in 2002, and $174.7 million in 2001.

The Company's board of directors authorized a quarterly cash dividend in the amount of $0.12 per share, payable on March 31, 2004, to shareholders of record at the close of business on March 15, 2004.

Off-Balance Sheet Arrangements

We have entered into partnerships and joint ventures with unrelated third parties to develop or manage real estate projects and services. At December 31, 2003, three of these partnerships had debt outstanding totaling $16.2 million. The maximum amount of the debt we guaranteed is $17.1 million. We are wholly or jointly and severally liable as guarantor on these credit obligations. Certain partners in these partnerships have indemnified us for a portion of the guaranteed debt. We believe that future contributions, if required, will not have a significant impact on our liquidity or financial position.

Contractual Obligations and Commercial Commitments

December 31, 2003

	Payments Due by Period				
Contractual Cash Obligations	**Total**	**Less Than 1 Year**	**1-3 Years**	**4-5 Years**	**After 5 Years**
			(In thousands)		
Debt	$382,176	$76,379	$23,468	$144,421	$137,908
Operating leases	15,614	5,251	7,926	2,403	34
Total contractual cash obligations	$397,790	$81,630	$31,394	$146,824	$137,942

	Amount of Commitment Expiration Per Period				
Other Commercial Commitments	**Total Amounts Committed**	**Less Than 1 Year**	**1-3 Years**	**4-5 Years**	**Thereafter**
			(In thousands)		
Guarantees	$16,230	$ 6,730	$ —	$ —	$9,500
Surety bonds	19,565	18,555	1,010	—	—
Standby letters of credit	21,602	14,132	7,470	—	—
Total commercial commitments	$57,397	$39,417	$8,480	$ —	$9,500

We do not expect to have to fund the Pension Plan in the foreseeable future, unless market conditions deteriorate significantly.

Item 7A. ***Market Risk***

Our primary market risk exposure is interest rate risk related to our long-term debt. As of December 31, 2003, $40.0 million was outstanding under our $250 million credit facility, which matures on March 30, 2005. This debt accrues interest at different rates based on timing of the loan and our preferences, but generally will be either the one, two, three or six month London Interbank Offered Rate ("LIBOR") plus a LIBOR margin in effect at the time of the loan. This loan potentially subjects us to interest rate risk relating to the change in the LIBOR rates. We manage our interest rate exposure by monitoring the effects of market changes in interest rates. If LIBOR had been 100 basis points higher or lower, the effect on net income with respect to interest expense on the $250 million credit facility would have been a respective decrease or increase in the amount of $0.2 million pre-tax ($0.1 million net of tax).

Quantitative Disclosures

The table below presents principal amounts and related weighted average interest rates by year of maturity for our long-term debt. The weighted average interest rates for our fixed-rate long-term debt are based on the actual rates as of December 31, 2003. Weighted average variable rates are based on implied forward rates in the yield curve at December 31, 2003.

Expected Contractual Maturities

	2004	2005	2006	2007	2008	Thereafter	Total	Fair Value
					($ in thousands)			
Long-term Debt								
Fixed Rate	3,797	20,422	3,045	69,070	69,204	137,908	303,446	323,128
Wtd. Avg. Interest Rate	7.0%	5.8%	6.8%	6.6%	7.3%	7.2%	7.0%	
Variable Rate	72,582	1	—	1,151	4,996	—	78,730	78,730
Wtd. Avg. Interest Rate	2.1%	5.9%	—	1.6%	1.5%	—	2.1%	

Management estimates the fair value of long-term debt based on current rates available to us for loans of the same remaining maturities. As the table incorporates only those exposures that exist as of December 31, 2003, it does not consider exposures or positions that could arise after that date. As a result, our 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 in pages F-2 to F-30 and the Independent Auditors' Report on page F-1 are filed as part of this Report and incorporated by reference hereto.

Item 9. ***Changes in and Disagreements with Accountants on Accounting and Financial Disclosure***

None.

Item 9A. ***Controls and Procedures***

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

(b) Changes in Internal Controls. During the quarter ended December 31, 2003, there have not been any changes in our internal controls that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

PART III

Item 10. *Directors and Executive Officers of the Registrant*

Information concerning our directors, nominees for director and executive officers and our code of conduct is described in our proxy statement relating to our 2004 annual meeting of shareholders to be held on May 18, 2004. This information is incorporated by reference.

Item 11. *Executive Compensation*

Information concerning compensation of our executive officers for the year ended December 31, 2003, is presented under the caption "Executive Compensation and Other Information" in our proxy statement. This information is incorporated by reference.

Item 12. *Security Ownership of Certain Beneficial Owners and Management*

- Information concerning the security ownership of certain beneficial owners and of management is set forth under the caption "Security Ownership of Certain Beneficial Owners, Directors and Executive Officers" in our proxy statement and is incorporated by reference.

- Information concerning compliance with Section 16 of the Securities Exchange Act of 1934 is set forth under the caption "Section 16(a) Beneficial Ownership Reporting Compliance" in our proxy statement and is incorporated by reference.

Equity Compensation Plan Information

Our shareholders have approved all our equity compensation plans. These plans are designed to further align our directors' and management's interests with the Company's long-term performance and the long-term interests of our shareholders.

The following table summarizes the number of shares of our common stock that may be issued under our equity compensation plans as of December 31, 2003:

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in the First Column)
Equity compensation plans approved by security holders	4,207,351	$21.95	1,440,887
Equity compensation plans not approved by security holders	0	0	0
Total	4,207,351	$21.95	1,440,887

Item 13. *Certain Relationships and Related Transactions*

Information concerning certain relationships and related transactions during 2003 is set forth under the caption "Certain Transactions" in our proxy statement. This information is incorporated by reference.

Item 14. ***Principal Accountant Fees and Services***

Information concerning our independent auditors is presented under the caption “Audit Committee Information” in our proxy statement and is incorporated by reference.

PART IV

Item 15. ***Exhibits, Financial Statement Schedule and Reports on Form 8-K***

(a)(1) *Financial Statements*

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

(2) *Financial Statement Schedule*

The financial statement schedule and Independent Auditors’ Report listed in the accompanying Index to Financial Statements and Financial Statement Schedule 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*

(1) We filed Reports on Form 8-K on October 21, 2003 and November 4, 2003 furnishing copies of press releases relating to our financial results for the period ended September 30, 2003.

(2) We filed a Report on Form 8-K on October 22, 2003, as amended on November 4, 2003, furnishing supplemental information for the period ended September 30, 2003.

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	Description
3.1	Restated and Amended Articles of Incorporation dated May 12, 1998 (incorporated by reference to Exhibit 3.1 of the registrant's registration statement on Form S-1 (File 333-89146)).
3.2	Amended and Restated By-laws of the registrant (incorporated by reference to Exhibit 3.01 to the registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2002 (File No. 1-10466)).
4.1	Registration Rights Agreement between the registrant and the Alfred I. duPont Testamentary Trust, dated December 16, 1997 (incorporated by reference to Exhibit 4.01 to the registrant's Amendment No. 1 to the registration statement on Form S-3 (File No. 333-42397)).
4.2	Amendment No. 1 to the Registration Rights Agreement between the Alfred I. duPont Testamentary Trust and the registrant, dated January 26, 1998 (incorporated by reference to Exhibit 4.2 of the registrant's registration statement on Form S-1 (File 333-89146)).
4.3	Amendment No. 2 to the Registration Rights Agreement between the Alfred I. duPont Testamentary Trust and the registrant, dated May 24, 2002 (incorporated by reference to Exhibit 4.3 of the registrant's registration statement on Form S-1 (File 333-89146)).
4.4	Amendment No. 3 to the Registration Rights Agreement between the Alfred I. duPont Testamentary Trust and the registrant dated September 5, 2003 (incorporated by reference to Exhibit 4.4 of the registrant's registration statement on Form S-3 (File No. 333-108292)).
4.5	Amendment No. 4 to the Registration Rights Agreement between the Alfred I. duPont Testamentary Trust and the registrant dated December 30, 2003 (incorporated by reference to Exhibit 4.5 of the registrant's registration statement on Form S-3 (File No. 333-111658)).
10.1	Second Amended and Restated Credit Agreement dated as of February 7, 2002, among the registrant, First Union National Bank, as agent, and the lenders party thereto.
10.2	First Amendment to Second Amended and Restated Credit Agreement dated as of May 7, 2003, among the registrant, Wachovia Bank, National Association (formerly known as First Union National Bank), as agent, and the lenders party thereto (incorporated by reference to Exhibit 99.02 to the registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2003 (File No. 1-10466)).
10.3	Second Amendment to Second Amended and Restated Credit Agreement dated as of July 10, 2003 among the registrant, Wachovia Bank, National Association (formerly known as First Union National Bank), as agent, and the lenders party thereto.
10.4	Employment Agreement between the registrant and Peter S. Rummell dated August 19, 2003 (incorporated by reference to Exhibit 10.1 to the registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2003 (File No. 1-10466)).
10.5	Employment Agreement between the registrant and Kevin M. Twomey dated August 19, 2003 (incorporated by reference to Exhibit 10.2 to the registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2003 (File No. 1-10466)).
10.6	Agreement between the registrant and the Alfred I. duPont Testamentary Trust dated November 6, 2003 (incorporated by reference to Exhibit 10.3 to the registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2003 (File No. 1-10466)).
10.7	Severance Agreement between Christine M. Marx and the registrant dated as of March 24, 2003 (incorporated by reference to Exhibit 99.04 to the registrant's Form 10-Q for the quarter ended March 31, 2003 (File No. 1-10466)).
10.8	Employment Agreement of Robert M. Rhodes, dated November 3, 1997 (incorporated by reference to Exhibit 10.03 to the registrant's registration statement on Form S-3 (File No. 333-42397)).
10.9	Form of Severance Agreement for Messrs. Regan and Ray (incorporated by reference to Exhibit 10.07 to the registrant's registration statement on Form S-3 (File No. 333-42397)).
10.10	Long-term Incentive Compensation Agreement of Robert M. Rhodes, dated as of August 21, 2001 (incorporated by reference to Exhibit 10.10 to the registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2001 (File No. 1-10466)).

Exhibit Number	Description
10.11	Directors' Deferred Compensation Plan, dated December 28, 2001 (incorporated by reference to Exhibit 10.10 of the registrant's registration statement on Form S-1 (File 333-89146)).
10.12	Deferred Capital Accumulation Plan, as amended and restated effective January 1, 2002 (incorporated by reference to Exhibit 10.11 of the registrant's registration statement on Form S-1 (File 333-89146)).
10.13	1999 Employee Stock Purchase Plan, dated November 30, 1999 (incorporated by reference to Exhibit 10.12 of the registrant's registration statement on Form S-1 (File 333-89146)).
10.14	Amendment to the 1999 Employee Stock Purchase Plan (incorporated by reference to Exhibit 10.13 of the registrant's registration statement on Form S-1 (File 333-89146)).
10.15	Supplemental Executive Retirement Plan, as amended and restated effective January 1, 2002 (incorporated by reference to Exhibit 10.15 of the registrant's registration statement on Form S-1 (File 333-89146)).
10.16	Employment Agreement of Jerry M. Ray, dated October 22, 1997 (incorporated by reference to Exhibit 10.16 of the registrant's registration statement on Form S-1 (File 333-89146)).
10.17	Employment Agreement of Michael N. Regan, dated November 3, 1997 (incorporated by reference to Exhibit 10.17 of the registrant's registration statement on Form S-1 (File 333-89146)).
10.18	Amended and Restated Severance Agreement of Robert M. Rhodes, dated August 21, 2001 (incorporated by reference to Exhibit 10.19 of the registrant's registration statement on Form S-1 (File 333-89146)).
10.19	1997 Stock Incentive Plan (incorporated by reference to Exhibit 10.21 of the registrant's registration statement on Form S-1 (File 333-89146)).
10.20	1998 Stock Incentive Plan (incorporated by reference to Exhibit 10.22 of the registrant's registration statement on Form S-1 (File 333-89146)).
10.21	1999 Stock Incentive Plan (incorporated by reference to Exhibit 10.23 of the registrant's registration statement on Form S-1 (File 333-89146)).
10.22	2001 Stock Incentive Plan (incorporated by reference to Exhibit 10.24 of the registrant's registration statement on Form S-1 (File 333-89146)).
10.23	Form of Stock Option Agreement.
10.24	Form of Restricted Stock Agreement-Bonus Award.
10.25	Note Purchase Agreement dated as of February 7, 2002, among the registrant and the purchasers party thereto ($175 million Senior Secured Notes).
21.1	Subsidiaries of The St. Joe Company.
23.1	Consent of KPMG LLP, independent auditors for the registrant.
31.1	Certification by Chief Executive Officer.
31.2	Certification by Chief Financial Officer.
32.1	Certification by Chief Executive Officer.
32.2	Certification by Chief Financial Officer.

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 authorized representative.

THE ST. JOE COMPANY

By: /s/ KEVIN M. TWOMEY

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

Dated: March 12, 2004

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 in the capacities and dates indicated.

Signature	Title	Date
/s/ PETER S. RUMMELL Peter S. Rummell	Chairman of the Board Chief Executive Officer (Principal Executive Officer)	March 12, 2004
/s/ KEVIN M. TWOMEY Kevin M. Twomey	President, Chief Operating Officer Chief Financial Officer (Principal Financial Officer)	March 12, 2004
/s/ MICHAEL N. REGAN Michael N. Regan	Senior Vice President — Finance and Planning (Principal Accounting Officer)	March 12, 2004
/s/ MICHAEL L. AINSLIE Michael L. Ainslie	Director	March 12, 2004
/s/ HUGH M. DURDEN Hugh M. Durden	Director	March 12, 2004
/s/ DELORES KESLER Delores Kesler	Director	March 12, 2004
/s/ JOHN S. LORD John S. Lord	Director	March 12, 2004
/s/ WALTER L. REVELL Walter L. Revell	Director	March 12, 2004
Frank S. Shaw, Jr.	Director	

Signature	Title	Date
/s/ WINFRED L. THORNTON	Director	March 12, 2004
Winfred L. Thornton		
/s/ JOHN D. UIBLE	Director	March 12, 2004
John D. Uible		
/s/ WILLIAM H. WALTON, III	Director	March 12, 2004
William H. Walton, III		

INDEX TO FINANCIAL STATEMENTS AND FINANCIAL STATEMENT SCHEDULE

THE ST. JOE COMPANY

Annual Financial Statements

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders

The St. Joe Company:

We have audited the accompanying consolidated balance sheets of The St. Joe Company and subsidiaries as of December 31, 2003 and 2002, and the related consolidated statements of income, changes in stockholders' equity, and cash flow for each of the years in the three-year period ended December 31, 2003. 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 auditing standards generally accepted in the United States of America. 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, 2003 and 2002, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2003, in conformity with accounting principles generally accepted in the United States of America.

As discussed in note 2 to the financial statements, The St. Joe Company adopted Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" and Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" effective January 1, 2002.

KPMG LLP

Jacksonville, Florida

March 11, 2004

THE ST. JOE COMPANY

CONSOLIDATED BALANCE SHEETS

	December 31,	
	2003	2002
	(Dollars in thousands)	
ASSETS		
Investment in real estate	$ 886,076	$ 806,701
Cash and cash equivalents	57,403	73,273
Accounts receivable, net	75,692	48,583
Prepaid pension asset	91,768	90,990
Property, plant and equipment, net	36,272	42,907
Goodwill, net	48,721	53,074
Intangible assets, net	37,795	2,164
Other assets	42,003	52,195
	$1,275,730	$1,169,887
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES:		
Debt	$ 382,176	$ 320,915
Accounts payable	60,343	46,409
Accrued liabilities	105,524	104,806
Deferred income taxes	232,184	212,017
Total liabilities	780,227	684,147
Minority interest in consolidated subsidiaries	8,188	5,647
STOCKHOLDERS' EQUITY:		
Common stock, no par value; 180,000,000 shares authorized; 100,824,269 and 97,430,600 issued at December 31, 2003 and 2002, respectively	199,787	122,709
Retained earnings	944,000	892,622
Restricted stock deferred compensation	(18,807)	(512)
Treasury stock at cost, 24,794,178 and 21,426,202 shares held at December 31, 2003 and 2002, respectively	(637,665)	(534,726)
Total stockholders' equity	487,315	480,093
	$1,275,730	$1,169,887

See notes to consolidated financial statements.

THE ST. JOE COMPANY

CONSOLIDATED STATEMENTS OF INCOME

	Years Ended December 31,		
	2003	2002	2001
	(Dollars in thousands except per share amounts)		
Revenues:			
Real estate sales	$592,211	$484,026	$443,985
Realty revenues	62,525	58,534	55,964
Timber sales	36,552	40,727	36,985
Rental revenues	40,812	33,163	20,854
Other revenues	28,530	18,962	9,220
Total revenues	760,630	635,412	567,008
Expenses:			
Cost of real estate sales	353,225	290,816	298,712
Cost of realty revenues	36,218	33,171	32,801
Cost of timber sales	24,212	28,853	24,312
Cost of rental revenues	17,728	14,522	9,742
Cost of other revenues	27,235	23,060	9,446
Other operating expenses	91,691	84,206	74,480
Corporate expense, net	34,467	27,528	18,793
Depreciation and amortization	31,504	22,780	21,326
Impairment losses	14,359	—	500
Total expenses	630,639	524,936	490,112
Operating profit	129,991	110,476	76,896
Other income (expense):			
Investment income, net	884	2,932	5,122
Interest expense	(12,515)	(16,978)	(17,335)
Gain on settlement of forward sale contracts	—	132,915	—
Other, net	2,902	1,779	6,367
Total other income (expense)	(8,729)	120,648	(5,846)
Income from continuing operations before equity in (loss) income of unconsolidated affiliates, income taxes, and minority interest	121,262	231,124	71,050
Equity in (loss) income of unconsolidated affiliates	(2,168)	10,940	24,126
Income tax expense (benefit):			
Current	6,388	(180)	(6,118)
Deferred	36,238	89,741	41,559
Total income tax expense	42,626	89,561	35,441
Income from continuing operations before minority interest	76,468	152,503	59,735
Minority interest	553	1,366	524
Income from continuing operations	75,915	151,137	59,211
Discontinued operations:			
Income from discontinued operations (net of income taxes of $1,469 and $6,904)	—	2,339	10,994
Gain on sales of discontinued operations (net of income taxes of $13,110)	—	20,887	—
Total discontinued operations	—	23,226	10,994
Net income	$ 75,915	$174,363	$ 70,205

THE ST. JOE COMPANY

CONSOLIDATED STATEMENTS OF INCOME

	Years Ended December 31,		
	2003	**2002**	**2001**
	(Dollars in thousands except per share amounts)		
EARNINGS PER SHARE			
Basic			
Income from continuing operations	$1.00	$1.93	$0.73
Income from discontinued operations	—	0.03	0.14
Gain on sale of discontinued operations	—	0.26	—
Net income	$1.00	$2.22	$0.87
Diluted			
Income from continuing operations	$0.98	$1.85	$0.70
Income from discontinued operations	—	0.03	0.13
Gain on sale of discontinued operations	—	0.26	—
Net income	$0.98	$2.14	$0.83

See notes to consolidated financial statements.

THE ST. JOE COMPANY

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

	Common Stock		Retained Earnings	Accumulated Other Comprehensive Income	Restricted Stock Deferred Compensation	Treasury Stock	Total
	Shares	Amount					
	(Dollars in thousands, except per share amounts)						
Balance at December 31, 2000	83,926,292	$ 31,181	$661,500	$ 78,129	$ (2,257)	$(199,469)	$ 569,084
Comprehensive income:							
Net income	—	—	70,205	—	—	—	70,205
Transition adjustment for derivative instruments, net of tax of $5,389	—	—	—	10,008	—	—	10,008
Total comprehensive income	—	—	—	—	—	—	80,213
Dividends ($.08 per share)	—	—	(6,873)	—	—	—	(6,873)
Issuances of common stock	2,713,166	40,161	—	—	—	—	40,161
Tax benefit on exercises of stock options	—	11,812	—	—	—	—	11,812
Amortization of restricted stock deferred compensation	—	—	—	—	1,306	—	1,306
Purchases of treasury shares	(7,129,850)	—	—	—	—	(177,630)	(177,630)
Balance at December 31, 2001	79,509,608	$ 83,154	$724,832	$ 88,137	$ (951)	$(377,099)	$ 518,073
Comprehensive income:							
Net income	—	—	174,363	—	—	—	174,363
Reversal of unrealized gain on settlement of forward sale contracts	—	—	—	(88,137)	—	—	(88,137)
Total comprehensive income	—	—	—	—	—	—	86,226
Dividends ($.08 per share)	—	—	(6,573)	—	—	—	(6,573)
Issuances of common stock	1,877,443	30,877	—	—	—	—	30,877
Tax benefit on exercises of stock options	—	8,678	—	—	—	—	8,678
Amortization of restricted stock deferred compensation	—	—	—	—	439	—	439
Purchases of treasury shares	(5,382,653)	—	—	—	—	(157,627)	(157,627)
Balance at December 31, 2002	76,004,398	$122,709	$892,622	$ —	$ (512)	$(534,726)	$ 480,093
Comprehensive income:							
Net income	—	—	75,915	—	—	—	75,915
Total comprehensive income	—	—	—	—	—	—	75,915
Issuances of restricted stock	609,251	20,995	—	—	(20,995)	—	—
Dividends ($.32 per share)	—	—	(24,537)	—	—	—	(24,537)
Issuances of common stock	2,784,418	40,398	—	—	—	—	40,398
Tax benefit on exercises of stock options	—	15,685	—	—	—	—	15,685
Amortization of restricted stock deferred compensation	—	—	—	—	2,700	—	2,700
Purchases of treasury shares	(3,367,976)	—	—	—	—	(102,939)	(102,939)
Balance at December 31, 2003	76,030,091	$199,787	$944,000	$ —	$(18,807)	$(637,665)	$ 487,315

See notes to consolidated financial statements.

THE ST. JOE COMPANY

CONSOLIDATED STATEMENTS OF CASH FLOW

	Years Ended December 31,		
	2003	2002	2001
	(Dollars in thousands)		
Cash flows from operating activities:			
Net income	$ 75,915	$ 174,363	$ 70,205
Adjustments to reconcile net income to net cash provided by operating activities:			
Gains on settlement of forward sale contracts	—	(132,915)	—
Depreciation and amortization	31,504	23,845	29,619
Imputed interest on long-term debt	—	4,292	9,524
Minority interest in income	553	1,366	524
Equity in loss (income) of unconsolidated joint ventures	2,168	(10,940)	(24,126)
Distributions from unconsolidated community residential joint ventures	16,979	41,363	22,473
Origination of mortgage loans, net of proceeds from sales	—	(3,641)	(32,720)
Proceeds from mortgage warehouse line of credit, net of repayments	—	(13,951)	32,066
Gains on sale of discontinued operations	—	(20,887)	—
Deferred income tax expense	36,238	93,449	42,799
Tax benefit on exercise of stock options	15,685	8,678	11,812
Impairment losses	14,359	—	500
Cost of operating properties sold	354,636	283,170	290,318
Expenditures for operating properties	(385,639)	(311,364)	(339,842)
Loss (gain) on valuation of derivatives	—	894	(3,966)
Changes in operating assets and liabilities:			
Accounts receivable	(27,109)	(20,835)	17,990
Other assets and deferred charges	(5,334)	(3,499)	(38,281)
Accounts payable and accrued liabilities	10,650	(3,961)	16,994
Income taxes payable	(14,190)	—	(5,057)
Net cash provided by operating activities	$ 126,415	$ 109,427	$ 100,832
Cash flows from investing activities:			
Purchases of property, plant and equipment	(6,909)	(16,722)	(15,068)
Purchases of investments in real estate	(93,379)	(65,399)	(97,984)
Purchases of short-term investments, net of maturities and redemptions	511	2,297	6,530
Investments in joint ventures and purchase business acquisitions, net of cash received	(23,231)	(11,710)	(16,880)
Proceeds from dispositions of assets	6,540	—	—
Proceeds from sale of discontinued operations	—	138,743	—
Proceeds from settlement of forward purchase contracts	—	1,735	—
Net cash (used in) provided by investing activities	$(116,468)	$ 48,944	$(123,402)
Cash flows from financing activities:			
Proceeds from revolving credit agreements, net of repayments	40,000	(210,764)	83,470
Proceeds from other long-term debt	34,022	233,689	77,230
Repayments of other long-term debt	(12,761)	(15,640)	(4,453)
Proceeds from exercises of stock options and stock purchase plan	40,398	30,877	40,161
Dividends paid to stockholders	(24,537)	(6,573)	(6,873)
Treasury stock purchases	(102,939)	(157,627)	(177,630)
Net cash (used in) provided by financing activities	$ (25,817)	$(126,038)	$ 11,905
Net increase (decrease) in cash and cash equivalents	(15,870)	32,333	(10,665)
Cash and cash equivalents at beginning of year	73,273	40,940	51,605
Cash and cash equivalents at end of year	$ 57,403	$ 73,273	$ 40,940

See notes to consolidated financial statements.

1. Nature of Operations

The St. Joe Company (the "Company") is a real estate operating company primarily engaged in community residential, resort, and commercial development, along with commercial real estate services and land sales. The Company also has significant interests in timber. While the Company's real estate operations are in several states throughout the southeast, the majority of the real estate operations, as well as the timber operations, are within 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.

On April 17, 2002, the Company completed the sale of Arvida Realty Services ("ARS"), its residential real estate services segment. Accordingly, the consolidated financial statements and notes thereto reflect ARS as a discontinued operation.

Real Estate

The Company currently conducts its real estate operations in four principal segments: community development, commercial real estate development and services, land sales, and forestry.

The Company's community development division develops large-scale, mixed-use communities primarily on land the Company has owned for a long period of time. The Company owns large tracts of land in Northwest Florida, including significant Gulf of Mexico beach frontage and waterfront properties, and in west Florida near Tallahassee, the state capital. The Company also has a 26% limited partner interest in Arvida/JMB Partners, L.P., a limited partnership whose development operations were substantially completed in 2002. There was no material contribution to income in 2003 from Arvida/JMB. The Company conducts its residential homebuilding in North Carolina and South Carolina through Saussy Burbank, Inc. ("Saussy Burbank"), a wholly owned subsidiary.

The Company's commercial real estate development and services segment sells developed and undeveloped land and in-service buildings. The commercial real estate development and services segment also generates rental revenue through its portfolio of buildings purchased with tax-deferred proceeds and buildings developed by the Company. In addition, this segment owns and develops commercial properties through several wholly owned subsidiaries and partnership ventures. Through the Company's wholly owned subsidiary, Advantis Real Estate Services Inc. ("Advantis"), the Company provides commercial real estate services including brokerage, property management and construction management. The Company is also a partner in several joint ventures that own, develop and manage commercial property in Florida and Georgia.

The land sales segment markets parcels of land, typically between one and 5,000 acres, from a portion of the Company's long-held timberlands primarily in Northwest Florida.

Forestry

The forestry segment focuses on the management and harvesting of the Company's extensive timberland holdings as well as on the ongoing management of lands which may ultimately be used by other divisions of the Company. The Company is the largest private owner of timberlands in Florida. The principal products of the Company's forestry operations are pine pulpwood and timber products. In addition, the Company owns and operates a cypress sawmill and mulch plant which converts cypress logs into wood products and mulch.

A significant portion of the wood harvested by the Company is sold under a long-term wood fiber supply agreement with Jefferson Smurfit, also known as the Smurfit-Stone Container Corporation. The

12-year agreement, which ends on June 30, 2012, requires an annual pulpwood volume of 700,000 tons per year that must come from company-owned fee simple lands. At December 31, 2003, approximately 284,000 acres were encumbered, subject to certain restrictions, by this agreement, although the obligation may be transferred to a third party if a parcel is sold.

The Company also plans to continue to sell some of its timber resources through St. Joe Land.

2. Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and all of its majority-owned and controlled subsidiaries. The operations of ARS are included in discontinued operations through April 17, 2002, when ARS was sold. Investments in joint ventures and limited partnerships in which the Company does not have majority voting control are accounted for by the equity method. All significant intercompany transactions and balances have been eliminated.

Revenue Recognition

Revenues consist primarily of real estate sales, realty revenues (consisting of property and asset management fees, construction management fees, and lease and sales commissions), timber sales, rental revenues, and other revenues (primarily consisting of revenues from club operations).

Revenues from real estate sales, including sales of residential homes and home sites, land, and commercial buildings, are recognized upon closing of sales contracts in accordance with Statement of Financial Accounting Standards No. 66, *"Accounting for Sales of Real Estate"* ("FAS 66"). A portion of real estate inventory and estimates for costs to complete are allocated to each housing unit based on the relative sales value of each unit as compared to the sales value of the total project. Revenue for multi-family residences under construction is recognized, in accordance with FAS 66, using the percentage-of-completion method of accounting when (1) construction is beyond a preliminary stage, (2) the buyer is committed to the extent of being unable to require a refund except for nondelivery of the unit, (3) sufficient units have already been sold to assure that the entire property will not revert to rental property, (4) sales price is collectible and (5) aggregate sales proceeds and costs can be reasonably estimated. Revenue is recognized in proportion to the percentage of total costs incurred in relation to estimated total costs. Revenue for multi-family residences is recognized at closing using the full accrual method of accounting if the criteria for using the percentage of completion method are not met before construction is substantially completed.

Realty revenues from lease and sales commissions are earned when the underlying transactions are closed.

Real estate service and development fees are recognized in the period in which the services are performed. Rental revenues are recognized as earned, using the straight-line method over the life of the lease. Tenant reimbursements are included in rental revenues.

Revenues from sales of forestry products are recognized generally on delivery of the product to the customer.

Other revenues consist of resort and club operations and management and development fees. Such fees are recorded as the services are provided.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, bank demand accounts, money market accounts, and repurchase agreements having original maturities at acquisition date of 90 days or less.

Investment in Real Estate

Investment in real estate is carried at cost, net of depreciation and timber depletion. 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 analysis prepared every 5 years.

Property, Plant and Equipment

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

Goodwill and Intangible Assets

Effective January 1, 2002, the Company adopted Statement of Financial Accounting Standards No. 141, *Business Combinations* (“FAS 141”), and Statement of Financial Accounting Standards No. 142, *Goodwill and Other Intangible Assets* (“FAS 142”). FAS 141 requires that the purchase method of accounting be used for all business combinations initiated or completed after June 30, 2001. FAS 141 also specifies criteria that must be met by intangible assets acquired in a purchase method business combination in order for them to be recognized and reported apart from goodwill. FAS 142 requires that goodwill and intangible assets with indefinite useful lives no longer be amortized, but instead be tested for impairment at least annually in accordance with the provisions of FAS 142.

Through December 31, 2001, goodwill associated with the Company’s business combinations was amortized on a straight-line basis over periods ranging from 10 years to 30 years.

As a result of FAS 142, the Company ceased amortizing goodwill as of January 1, 2002. In lieu of amortization, FAS 142 requires the Company to perform annual impairment reviews beginning in 2002. The Company has performed all necessary impairment reviews. In 2003, an impairment of Advantis’ goodwill was recorded in the amount of $14.1 million pre-tax, or $8.8 million net of tax. (see note 10)

The Company allocates the purchase price of acquired properties to tangible and identifiable intangible assets acquired based on their respective fair values. Tangible assets include land, buildings, and tenant improvements on an as-if vacant basis. The Company utilizes various estimates, processes and information to determine the respective as-if vacant property values. Estimates of value are made using customary methods, including data from appraisals, comparable sales, discounted cash flow analysis and other methods. Identifiable intangible assets include amounts allocated to acquired leases for above- and below-market lease rates and the value of in-place leases.

Above- and below-market rate lease values are recorded based on the present value (using an interest rate which reflects the risks associated with the leases acquired) of the difference between (i) the contractual amounts to be paid pursuant to the acquired leases and (ii) management’s estimate of fair market lease rates for corresponding leases, measured over a period equal to the non-cancelable term of the acquired lease (except in the case of below-market leases for which all renewal options are considered). Above-market and below-market lease values are amortized to rental income over the remaining terms of the respective leases.

In-place lease value consists of a variety of components including, but not necessarily limited to, (i) the value associated with avoiding costs of originating the acquired in-place leases (i.e. the market cost to execute a lease, including leasing commission, legal, and other related costs); (ii) the value associated with lost revenue from existing leases during the re-leasing period; (iii) the value associated with lost revenue related to tenant reimbursable operating costs estimated to be incurred during the re-leasing period (i.e. real estate taxes, insurance, and other operating expenses); and (iv) the value associated with avoided incremental tenant improvement costs or other inducements to secure a tenant lease.

Further, the value of the customer relationship acquired is considered by management. In-place lease values and customer relationship values are recognized as amortization expense over the remaining estimated occupancy period of the respective tenants.

Stock-Based Compensation

Statement of Financial Accounting Standards No. 123, *Accounting for Stock-Based Compensation* ("FAS 123"), permits entities to recognize as expense over the vesting period the fair value of all stock-based awards on the date of grant. Alternatively, FAS 123 allows entities to apply the provisions of Accounting Principles Board Opinion No. 25, *Accounting for Stock Issued to Employees* ("APB 25"), and provide pro forma net income and pro forma earnings per share disclosures for employee stock option grants as if the fair-value based method defined in FAS 123 has been applied. Under APB 25, compensation expense would be recorded on the date of grant only if the current market price of the underlying stock exceeded the exercise price.

In December 2002, the FASB issued Statement of Financial Accounting Standards No. 148, *Accounting for Stock-Based Compensation — Transition and Disclosure* ("FAS 148"), which requires prominent disclosure in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. As permitted under FAS 148 and FAS 123, the Company has elected to continue to apply the provisions of APB 25 and provide the pro forma disclosure provisions of FAS 148 and FAS 123. Accordingly, no compensation cost has been recognized for its stock options in the consolidated financial statements.

The Company has four stock incentive plans (the 1997 Stock Incentive Plan, the 1998 Stock Incentive Plan, the 1999 Stock Incentive Plan and the 2001 Stock 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 Company's four plans were 8.5 million shares, 1.4 million shares, 2.0 million shares, and 3.0 million shares, respectively. 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.

Effective August 19, 2003, the Company granted 303,951 restricted shares of the Company's common stock to Mr. Rummell, Chairman and CEO of the Company, and 243,161 restricted shares to Mr. Twomey, President, CFO and COO. During 2003, the Company also granted certain members of the executive management team a total of 97,700 restricted shares of the Company's common stock. During 1997, the Company granted Mr. Rummell 201,861 restricted shares of the Company's common stock and in 1999, the Company granted Mr. Twomey 100,000 restricted shares. On October 9, 2000 the Company distributed to its shareholders all of its equity interest in Florida East Coast Industries, Inc. ("FLA"). On October 10, 2000, the restricted stock grants were amended to adjust the number of unvested shares for the change in value related to the FLA distribution. On that date, Peter Rummell had 80,748 unvested restricted shares and Kevin Twomey had 100,000 unvested restricted shares, which, pursuant to the amendments, were adjusted to 117,644 and 145,694 unvested restricted shares, respectively. All restricted shares vest over three-year and five-year periods, beginning on the date of each grant. The Company

carried deferred compensation of $18.8 million and $0.5 million for the unamortized portions of restricted shares granted as of December 31, 2003 and December 31, 2002, respectively. Compensation expense related to these grants totaled $2.7 million in 2003. Deferred compensation is being amortized on a straight-line basis over three-to five-year vesting periods, which are deemed to be the period for which services are performed.

Stock option activity during the period indicated is as follows:

	Number of Shares	Weighted Average Exercise Price
Balance at December 31, 2000	9,947,996	$15.65
Granted	709,139	26.35
Forfeited	(233,648)	16.78
Exercised	(2,596,066)	15.44
Balance at December 31, 2001	7,827,421	16.65
Granted	775,000	29.24
Forfeited	(284,628)	18.33
Exercised	(1,833,463)	16.47
Balance at December 31, 2002	6,484,330	18.11
Granted	573,200	32.20
Forfeited	(170,651)	19.67
Exercised	(2,679,528)	15.16
Balance at December 31, 2003	4,207,351	$21.95

All options were granted at the Company’s then current market price.

The per share weighted-average fair value of stock options granted/converted during 2003, 2002, and 2001, respectively, was $8.97, $12.60, and $12.70 on the date of grant using the Black Scholes option-pricing model with the following weighted average assumptions: 2003 — 1.31% expected dividend yield, risk-free interest rate of 3.87%, weighted average expected volatility of 23.1% and an expected life of 7 years; 2002 — 0.3% expected dividend yield, risk-free interest rate of 4.26%, weighted average expected volatility of 24.01% and an expected life of 7.5 years; 2001 — 0.3% expected dividend yield, risk-free interest rate of 5.64%, weighted average expected volatility of 24.64% and an expected life of 7.5 years.

Had the Company determined compensation costs based on the fair value at the grant date for its stock options under FAS 123, the Company's net income would have been reduced to the pro forma amounts indicated below (in thousands, except per share amounts):

	2003	2002	2001
Net income as reported	$75,915	$174,363	$ 70,205
Add: stock-based employee compensation expense included in reported net income, net of taxes	1,724	270	804
Deduct: total stock-based employee compensation expense determined under fair value based methods for all awards, net of taxes	(7,407)	(5,304)	(11,000)
Net income — pro forma	$70,232	$169,329	$ 60,009
Per share — Basic:			
Earnings per share as reported	$ 1.00	$ 2.22	$ 0.87
Earnings per share — pro forma	$ 0.93	$ 2.16	$ 0.74
Per share — Diluted:			
Earnings per share as reported	$ 0.98	$ 2.14	$ 0.83
Earnings per share — pro forma	$ 0.92	$ 2.10	$ 0.71

The following table presents information regarding all options outstanding at December 31, 2003:

Number of Options Outstanding	Weighted Average Remaining Contractual Life	Range of Exercise Prices	Weighted Average Exercise Price
1,913,335	4.0 years	$13.14-$19.38	$14.58
1,722,816	7.5 years	$19.94-$29.11	$26.59
571,200	9.4 years	$30.00-$34.77	$32.61
4,207,351	6.2 years	$13.14-$34.77	$21.95

The following table presents information regarding options exercisable at December 31, 2003:

Number of Options Exercisable	Range of Exercise Prices	Weighted Average Exercise Price
1,483,902	$13.14-$19.38	$14.07
632,238	$19.94-$29.11	$25.09
10,938	$30.00-$33.26	$33.26
2,127,078	$13.14-$33.26	$17.45

Earnings Per Share

Earnings per share ("EPS") is based on the weighted average number of common shares outstanding during the year. Diluted EPS assumes weighted average options have been exercised to purchase 1,968,440, 2,903,902, and 3,329,331 shares of common stock in 2003, 2002, and 2001, respectively, net of assumed repurchases using the treasury stock method.

In August 2002, the Company's Board of Directors authorized $150.0 million for the repurchase of the Company's outstanding common stock from time to time on the open market (the "Stock Repurchase Program"), of which $43.2 million remained unexpended at December 31, 2003. From August 1998 through August 2002, the Board authorized a total of $650.0 million for the Stock Repurchase Program, of which a total of approximately $606.8 million had been expended through December 31, 2003. Beginning

in December 2000 for an initial 90-day term and for additional 90-day terms from time to time (currently through May 7, 2004), the Alfred I. DuPont Testamentary Trust (the "Trust"), the principal shareholder of the Company, and the Trust's beneficiary, The Nemours Foundation (the "Foundation"), have agreed to participate in the Stock Repurchase Program. Pursuant to the most recent agreement, effective February 10, 2004, the Trust and/or the Foundation will sell to the Company each Monday a number of shares equal to 0.46 times the number of shares the Company purchased from the public during the previous week, if any, at a price equal to the volume weighted average price, excluding commissions, paid by the Company for shares purchased from the public during that week. However, the Trust and the Foundation are not required to sell shares to the Company if the volume weighted average price of shares repurchased from the public during that prior week is below $37.00 per share.

As of December 31, 2003, the Company had repurchased 16,057,866 shares on the open market and 7,672,980 shares from the Trust and the Foundation since inception of the Stock Repurchase Program. During the year ended December 31, 2003, 1,469,800 shares were repurchased on the open market and 1,085,374 shares were purchased from the Trust and the Foundation. Also during the year ended December 31, 2003, 812,802 shares were surrendered to the Company by executives as payment for the strike price and taxes due on exercised stock options and taxes due on vested restricted stock. During the year ended December 31, 2002, 2,583,700 shares were repurchased on the open market, 2,586,206 shares were purchased from the Trust and the Foundation, and executives surrendered 256,729 shares of Company stock as payment for the strike price and taxes due on exercised stock options and taxes due on vested restricted stock.

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

	2003	2002	2001
Basic	75,857,350	78,436,713	80,959,416
Diluted	77,825,790	81,340,615	84,288,746

Comprehensive Income

For the year ended December 31, 2003, the Company's comprehensive income is equal to net income because there was no other comprehensive income. For the years ended December 31, 2002 and 2001, the Company's comprehensive income differs from net income due to changes in the net unrealized gains on investment securities available for sale and derivative instruments. The Company has elected to disclose comprehensive income in its Consolidated Statements of Changes in Stockholders' Equity.

Income Taxes

The Company follows the asset and liability method of accounting for income taxes. Under this method, 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. 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.

Marketable Securities and Forward Sale Contracts

Prior to October 15, 2002, the Company owned a portfolio of marketable equity securities and related derivative instruments which, together, were classified as available-for-sale securities. Unrealized gains and

losses, net of related income tax effects, were excluded from earnings and reported as a separate component of stockholders' equity until realized.

The forward sale contracts held by the Company were designated as hedges of the fair value of the Company's marketable securities. Until the final settlement of the Company's forward sale contracts on October 15, 2002 (see note 7), changes in the intrinsic value of the related derivatives were recorded through the statements of income and offset by changes in the fair value of the hedged marketable securities. Changes in the time value component of the change in fair value were recorded through the statement of income as these amounts were excluded from the Company's assessment of hedge effectiveness.

Long-Lived Assets

On January 1, 2002, the Company adopted Statement of Financial Accounting Standard No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets* ("FAS 144"). FAS 144 provides guidance on the accounting for long-lived assets to be disposed of. FAS 144 also broadens the scope of discontinued operations.

The Company's properties have operations and cash flows that can be clearly distinguished from the rest of the Company. In accordance with FAS 144, beginning in 2002, the operations and gains on sales reported in discontinued operations include operating properties sold during the year for which operations and cash flows can be clearly distinguished. The operations from these properties have been eliminated from ongoing operations and the Company will not have continuing involvement after disposition. Prior periods have been restated to reflect the operations of these properties as discontinued operations. The operations and gains on sales of operating properties for which the Company has some continuing involvement are reported as income from continuing operations.

The Company reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net undiscounted 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.

During 2003 and 2001, the Company recorded impairment losses on commercial properties of a $0.3 million and $0.5 million, respectively.

Reclassifications

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

Supplemental Cash Flow Information

The Company paid $21.3 million, $17.1 million, and $14.4 million for interest in 2003, 2002, and 2001, respectively. The Company received income tax refunds, net of payments, of $7.4 million in 2003 and paid income taxes, net of refunds received, of $2.0 million and $2.5 million in 2002 and 2001, respectively. The Company capitalized interest expense of $8.9 million, $8.1 million, and $7.0 million in 2003, 2002, and 2001, respectively.

The Company's non-cash activities in 2003 and 2002 included the surrender of shares of Company stock by executives of the Company as payment for the exercise of stock options, the tax benefit on exercises of stock options, and the settlement in 2002 of forward sale contracts (see note 7). During the years ended December 31, 2003 and 2002, executives surrendered Company stock worth $17.0 million and

$4.1 million, respectively, as payment for the strike price of stock options. During the year ended December 31, 2002, the Company settled forward sale contracts that provided for the sale of a portfolio of marketable securities held by the Company to a third party. In addition to cash received, the Company transferred equity securities with a fair value of $96.6 million to a financial institution and settled the forward sale contracts with a fair market value of $43.3 million to satisfy the debt associated with the forward sale of the equity securities of $135.6 million. (see note 7.)

Cash flows related to community development and related amenities, sales of undeveloped and developed land sales by the land sales segment, the Company's timberlands, and land and buildings developed by the Company and used for commercial rental purposes are included in operating activities on the statement of cash flows. Cash flows related to the purchase of the Company's commercial buildings purchased with tax-deferred proceeds are included in investment activities on the statement of cash flows. Cash flows for the years ended December 31, 2002 and 2001 have been reclassified to be consistent with this presentation.

Fair Value of Financial Instruments

The carrying amounts of the Company's financial instruments, including cash and cash equivalents, restricted cash, accounts receivable, accounts payable and accrued expenses, approximate their fair values due to the short-term nature of these assets and liabilities. The fair value of the Company's long-term debt, including the current portion, was $401.9 million and $335.9 million at December 31, 2003 and 2002, respectively. Management estimates the fair value of long-term debt based on current rates available to the Company for loans of the same remaining maturities.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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.

Recent Accounting Pronouncements

In May 2003, the FASB issued Statement of Accounting Standards No. 150, *Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity* ("FAS 150"). FAS 150 affects the accounting for certain financial instruments, including requiring companies having consolidated entities with specified termination dates to treat minority owner's interests in such entities as liabilities in an amount based on the fair value of the entities. Although FAS 150 was originally effective July 1, 2003, the FASB has indefinitely deferred certain provisions related to classification and measurement requirements for mandatorily redeemable financial instruments that become subject to FAS 150 solely as a result of consolidation. As a result, FAS 150 has no impact on the Company's Consolidated Statements of Income for the year ended December 31, 2003. The Company's two consolidated entities with specified termination dates are Artisan Park, L.L.C. ("Artisan Park") and Westchase Development Venture, L.C. ("Westchase"). At December 31, 2003, the carrying amounts of the minority interests in Artisan Park and Westchase were $4.0 million and $0.5 million, respectively. The carrying amounts of minority interests in Artisan Park and Westchase approximate their fair value. The Company has no other material financial instruments that are affected currently by FAS 150.

In December 2003, the FASB issued Interpretation No. 46R ("FIN 46R"), *Consolidation of Variable Interest Entities*, to replace Interpretation No. 46 ("FIN 46") which was issued in January 2003. FIN 46R addresses how a business enterprise should evaluate whether it has a controlling financial interest

in an entity through means other than voting rights and accordingly should consolidate the entity. FIN 46R is applicable immediately to a variable interest entity created after January 31, 2003 and as of the first interim period ending after March 15, 2004 to those variable interest entities created before February 1, 2003 and not already consolidated under FIN 46 in previously issued financial statements. The Company did not create any variable interest entities after January 31, 2003. The Company has analyzed the applicability of this interpretation to its structures created before February 1, 2003 and does not believe its adoption will have a material effect on the results of operations.

3. Business Combinations

On July 2, 2003, the Company purchased the 26% interest in St. Joe/ Arvida Company, L.P. ("St. Joe/ Arvida") that it did not previously own for $20.0 million in cash, including the resolution of a dispute regarding the use of the Arvida name by the Company and its affiliates (see note 4). As a result of this purchase, St. Joe/ Arvida became a wholly owned subsidiary of the Company. In connection with this purchase, the Company recorded $9.1 million in additional goodwill and $7.0 million in intangible assets representing the fair value of the acquired contractual rights relative to St. Joe/ Arvida.

During 2003, the Company purchased Crescent Ridge, a commercial building in Charlotte, North Carolina, for $22.5 million. Of the total purchase price, $17.1 million was allocated to investment in real estate and $5.4 million was allocated to lease-related intangible assets. Also during 2003, the Company purchased Windward Plaza, three commercial buildings in Atlanta, Georgia, for $63.5 million. Of the total purchase price, $47.4 million was allocated to investment in real estate and $16.1 million was allocated to lease-related intangible assets.

During 2001, the Company purchased the remaining interest in a previously 50%-owned homebuilding subsidiary, McNeill Burbank, for $1.1 million. During 2003, the Company accrued additional contingent consideration of $0.3 million related to the McNeill Burbank acquisition which will be paid in 2004.

These acquisitions were accounted for as purchases and as such, the results of their operations are included in the consolidated financial statements from the date of acquisition. None of the acquisitions were significant to the financial condition and operations of the Company in the year in which they were acquired or the year preceding the acquisition.

4. Discontinued Operations

As a result of rapid consolidation in the real estate services business, the Company had the opportunity to sell ARS, its wholly-owned residential real estate services subsidiary, at an attractive value. On April 17, 2002, the Company completed the sale of ARS for a gain of $33.7 million, or $20.7 million net of tax. In connection with the sale, a liability was recorded related to a dispute with an outside party over the use of the Arvida name. Subsequently, the dispute was resolved and the liability was reversed (see note 3). The Company has reported its residential real estate services operations as discontinued operations for the years ended December 31, 2002 and 2001. Revenues from ARS were $76.2 million and $277.3 million for 2002 and 2001, respectively. Net income for ARS was $2.3 million and $11.0 million for 2002 and 2001, respectively.

Also included in discontinued operations is the sale in 2002 of two commercial office buildings which generated a gain $0.3 million, or $0.2 million net of tax. Revenues from the buildings were less than $0.1 million in 2002 and $0.2 million in 2001. Net operating income from the buildings was less than $0.1 million in 2002 and in 2001.

5. Investment in Real Estate

Real estate by segment as of December 31 consists of (in thousands):

	2003	2002
Operating property:		
Community development	$ 74,547	$ 61,801
Land sales	959	117
Commercial real estate	94,904	81,444
Forestry	80,617	89,074
Other	2,225	815
Total operating property	253,252	233,251
Development property:		
Community development	262,893	240,725
Land sales	5,591	4,298
Total development property	268,484	245,023
Investment property:		
Land sales	167	165
Commercial real estate	350,456	282,599
Forestry	981	1,155
Other	4,802	2,386
Total investment property	356,406	286,305
Investment in unconsolidated affiliates:		
Community development	22,625	37,873
Commercial real estate	15,745	21,472
Total investment in unconsolidated affiliates	38,370	59,345
	916,512	823,924
Less: Accumulated depreciation	30,436	17,223
	$886,076	$806,701

Included in operating property are Company-owned amenities related to community developments, the Company's timberlands and land and buildings developed by the Company and used for commercial rental purposes. Development property consists of community residential land and inventory currently under development to be sold. Investment property includes the Company's commercial buildings purchased with tax-deferred proceeds and land held for future use.

Real estate properties having a net book value of approximately $336.5 million at December 31, 2003 are leased under non-cancelable operating leases with expected aggregate rentals of approximately $191.5 million, of which $45.0 million, $37.0 million, $32.7 million, $26.9 million, and $20.8 million is due in the years 2004 through 2008, respectively, and $29.1 million thereafter.

6. Investment in Unconsolidated Affiliates

Investments in unconsolidated affiliates are included in real estate investments and as of December 31, consist of (in thousands):

	Ownership	2003	2002
Arvida/JMB Partners, L.P.	26%	$11,791	$25,868
Codina Group, Inc.	50%	10,880	11,228
355 Alhambra Plaza, Ltd.(a)	—	—	5,639
Paseos, L.L.C.	50%	6,557	7,313
Rivercrest, L.L.C.	50%	4,246	4,693
Deerfield Commons I, L.L.C.	50%	2,473	2,437
Deerfield Park, L.L.C.	38%	2,423	2,140
Other	various	—	27
		$38,370	$59,345

(a) In 2003, the Company sold its 45% interest in 355 Alhambra Plaza, Ltd. for cash proceeds of $6.3 million, recognizing a pre-tax gain on the sale of $1.0 million. The results for 355 Alhambra, Ltd. are not included in discontinued operations due to the Company's continuing involvement as the property manager.

The Company is wholly or jointly and severally liable as guarantor on three credit obligations entered into by partnerships in which the Company has equity interests. At December 31, 2003, the maximum amount of the debt available to these partnerships that is guaranteed by the Company totaled $17.1 million; the amount outstanding at December 31, 2003 totaled $16.2 million. Certain partners in these partnerships have indemnified the Company for a portion of the guaranteed debt. Management believes these guarantees have no significant fair value due to availability of the underlying collateral and the solvency of the partners.

Summarized financial information for the unconsolidated investments on a combined basis is as follows (in thousands):

	2003	2002
BALANCE SHEETS:		
Investment property, net	$ 91,203	$114,786
Other assets	109,584	180,125
Total assets	200,787	294,911
Notes payable and other debt	55,357	86,947
Other liabilities	57,479	55,052
Equity	87,951	152,912
Total liabilities and equity	$200,787	$294,911

	2003	2002	2001
STATEMENTS OF INCOME:			
Total revenues	$116,978	$310,651	$501,681
Total expenses	114,821	277,079	401,882
Net income	$ 2,157	$ 33,572	$ 99,799

7. Marketable Securities and Forward Sale Contracts

In October 1999, the Company entered into a forward sale transaction with a major financial institution that, in effect, provided for the monetization of its long-held portfolio of equity investments which, at December 31, 1998, had a cost of approximately $1.7 million and a fair value of approximately $144.0 million. Under the forward sale agreement, the Company received approximately $111.1 million in cash and was required to settle the forward transaction by delivering either the securities or the equivalent value of the securities in cash to the financial institution by October 15, 2002. The agreement permitted the Company to retain an amount of the securities that represented appreciation up to 20% of their value on October 15, 1999, should the value of the securities increase. The securities were recorded at fair value on the balance sheet and the related unrealized gain, net of tax, was recorded in accumulated other comprehensive income. The Company recorded, at the time of entering into the forward sale contracts, a liability in long-term debt of approximately $111.1 million, subject to increase as interest expense was imputed at an annual rate of 7.9%. The liability was also subject to increase by the amount, if any, that the fair value of the securities increased beyond the 20% that the Company retained.

On February 26, 2002 and October 15, 2002, in two separate transactions, the Company settled its forward sale contracts by delivering equity securities to the financial institution for an aggregate pre-tax gain of $132.9 million. The liability related to the contracts settled in February was $97.0 million at the time of settlement and the resulting gain recognized in the first quarter of 2002 was $94.7 million pre-tax. The liability related to the contracts settled in October was $38.6 million at the time of settlement and the resulting gain recognized in the fourth quarter of 2002 was approximately $38.2 million pre-tax.

During 2002 and 2001, the change in intrinsic value of the forward sale contracts was recorded through the statement of income, offset by the change in fair value of the underlying securities. The net impact to the statement of income for the years ended December 31, 2002 and 2001 was a loss of $(0.9) million and a gain of $4.0 million, respectively, which was included in other income and represents the time value component of the change in fair value of the forward sale contracts which the Company excluded from its assessment of hedge effectiveness.

8. Property, Plant and Equipment

Property, plant and equipment, at cost, as of December 31 consists of (in thousands):

	2003	2002	Estimated Useful Life
			(in years)
Transportation property and equipment	$34,074	$34,087	12-30
Machinery and equipment	32,117	32,755	12-30
Office equipment	15,060	12,995	10
Leasehold improvements	1,348	1,089	Lease term
Autos, trucks, and airplane	4,976	4,424	3-10
	87,575	85,350	
Accumulated depreciation	51,303	42,443	
	$36,272	$42,907	

9. Accrued Liabilities

Accrued liabilities as of December 31 consist of (thousands):

	2003	2002
Property, intangible, income and other taxes	$ 40,613	$ 39,496
Payroll and benefits	33,556	30,107
Accrued interest	5,130	4,963
Environmental liabilities	3,952	4,152
Contingent purchase price	280	552
Other accrued liabilities	21,993	25,536
Total accrued liabilities	$105,524	$104,806

10. Goodwill and Intangible Assets

On January 1, 2002, the Company adopted FAS 142 and, as a result, the Company ceased amortizing all goodwill. Following is a presentation of net income amounts as if FAS 142 had been applied for the year ended December 31, 2001. Because FAS 142 was applied for the years ended December 31, 2003 and 2002, no adjustment is necessary for those years to reflect reported net income amounts as if FAS 142 had been applied.

	For the Year Ended December 31, 2001
	(In thousands, except per share information)
Reported net income	$70,205
Add back: Goodwill amortization, net of income taxes	5,857
Adjusted net income	$76,062
Basic earnings per share:	
Reported net income	$ 0.87
Goodwill amortization	0.07
Adjusted net income	$ 0.94
Diluted earnings per share:	
Reported net income	$ 0.83
Goodwill amortization	0.07
Adjusted net income	$ 0.90

Due to the very difficult economic environment for commercial real estate services companies, Advantis' results of operations declined in the second quarter of 2003. As a result, during 2003 the Company utilized a discounted cash flow method to determine the fair value of Advantis and recorded an impairment loss to reduce the carrying amount of Advantis' goodwill from $28.9 million to $14.8 million. This resulted in an impairment loss of $14.1 million pre-tax, or $8.8 million net of tax. The Company recorded no goodwill impairment during 2002.

Changes in the carrying amount of goodwill for the year ended December 31, 2003 are as follows (in thousands):

Balance at December 31, 2002	$ 53,074
Goodwill acquired with purchase of 26% interest in St. Joe/Arvida	9,104
Other additions	626
Impairment loss	(14,083)
Balance at December 31, 2003	$ 48,721

Intangible assets at December 31, 2003 and 2002 consisted of the following (dollars in thousands):

	2003		2002		Weighted Average Amortization Period
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization	(In years)
In-place lease values	$30,628	$(2,359)	$2,067	$(297)	9
Above-market rate leases	3,417	(67)	—	—	5
Management contracts	6,983	(1,131)	—	—	12
Other	377	(53)	421	(27)	10
Total	$41,405	$(3,610)	$2,488	$(324)	9

Amortization of intangible assets is recorded in the account in the consolidated statements of income which most properly reflects the nature of the underlying intangible asset as follows: (i) above-market rate lease intangibles are amortized to rental revenue, (ii) in-place lease values are amortized to amortization expense, and (iii) management contracts are amortized to amortization expense. The aggregate amortization of intangible assets for 2003, 2002, and 2001 was $2.4 million, $0.3 million, and less than $0.1 million, respectively.

The estimated aggregate amortization from intangible assets for each of the next five years is as follows (in thousands):

	Rental Revenue	Amortization Expense
2004	$796	$5,745
2005	758	4,793
2006	693	4,237
2007	638	3,519
2008	390	3,026

11. Debt

Debt and credit agreements at December 31, 2003 and 2002 consisted of the following (in thousands):

	2003	2002
Medium term notes, interest payable semiannually at 5.64% to 7.37%, due February 7, 2005 - February 7, 2012	$175,000	$175,000
Non-recourse debt, interest payable monthly at 7.05% - 7.67%, secured by mortgages on certain commercial property, due January 1 - April 1, 2012	82,171	83,404
Senior revolving credit agreement, interest payable monthly to quarterly at LIBOR + 80 - 120 basis points, matures March 30, 2005	40,000	—
Development loan, interest payable at least quarterly at LIBOR + 122.5 basis points (3.1% at December 31, 2003), secured by certain commercial property, due April 10, 2004	32,565	28,496
Recourse debt, interest payable monthly at 6.95%, secured by a commercial building, due September 1, 2008	18,339	18,656
Community Development District debt, secured by certain real estate, due May 1, 2005 - May 1, 2034, bearing interest at 1.58% to 7.15%	29,951	11,304
Industrial Development Revenue Bonds, variable-rate interest payable quarterly based on the Bond Market Association index (1.45% at December 31, 2003), secured by a letter of credit, due January 1, 2008	4,000	4,000
Various secured and unsecured notes and capital leases, bearing interest at various rates	150	55
Total debt	$382,176	$320,915

The aggregate maturities of long-term debt subsequent to December 31, 2003 are as follows; 2004, $76.4 million; 2005, $20.4 million; 2006, $3.0 million; 2007, $70.2 million; 2008, $74.2 million; thereafter, $138.0 million.

On February 7, 2002, the Company issued a series of senior notes (“Medium-term notes”) in a private placement with an aggregate principal amount of $175.0 million. The maturities of the notes are as follows: 3 Year – $18.0 million, 5 Year – $67.0 million, 7 Year – $15.0 million, 10 Year – $75.0 million. The notes bear fixed rates of interest ranging from 5.64% – 7.37% and interest is payable semiannually.

The Medium-term notes and the senior revolving credit agreement contain financial covenants, including a minimum net worth requirement of $425.0 million, plus some restrictions on pre-payment. At December 31, 2003, the Company is in compliance with the covenants.

12. Income Taxes

Total income tax expense for the years ended December 31 was allocated as follows (in thousands):

	2003	2002	2001
Income from continuing operations	$ 42,626	$ 89,561	$ 35,441
Stockholders' equity, for recognition of unrealized gain on debt and marketable equity securities	—	(47,458)	5,389
Gain on the sale of discontinued operations	—	13,110	—
Earnings from discontinued operations	—	1,469	6,904
Tax benefit on exercise of stock options	(15,685)	(8,678)	(11,812)
	$ 26,941	$ 48,004	$ 35,922

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 pre-tax income as a result of the following (in thousands):

	2003	2002	2001
Tax at the statutory federal rate	$41,683	$84,722	$33,312
State income taxes (net of federal benefit)	1,369	5,669	3,176
Other, net	(426)	(830)	(1,047)
	$42,626	$89,561	$35,441

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 (in thousands):

	2003	2002
Deferred tax assets:		
Deferred compensation	$ 9,477	$ 7,009
Accrued casualty and other reserves	4,123	5,053
Impairment loss	9,830	4,573
Charitable contributions carryforward	2,812	2,557
Net operating loss carryforward	15,778	—
Other	7,403	6,824
Total deferred tax assets	$ 49,423	$ 26,016
Deferred tax liabilities:		
Deferred gain on land sales and involuntary conversions	$216,237	$173,316
Prepaid pension asset	34,851	35,741
Income of unconsolidated affiliates	6,085	9,026
Depreciation	6,632	6,824
Intangible asset amortization	450	504
Other	17,352	12,622
Total gross deferred tax liabilities	281,607	238,033
Net deferred tax liability	$232,184	$212,017

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. There were no significant current deferred tax assets at December 31, 2003 or 2002.

13. Employee Benefits Plans

The Company sponsors a defined benefit pension plan that covers substantially all of its salaried employees (the "Pension Plan"). 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. The measurement date of the Pension Plan is January 1, 2003.

Since the Pension Plan has an overfunded balance, no contributions to the Pension Plan are expected in the near future.

The weighted average percentages of the fair value of total plan assets by each major type of plan asset are as follows:

Asset Class	2003	2002
Equities	64%	55%
Fixed income including cash equivalents	35%	44%
Timberlands	1%	1%

The Company's investment policy is to ensure, over the long-term life of the Pension Plan, an adequate pool of assets to support the benefit obligations to participants, retirees and beneficiaries. In meeting this objective, the Pension Plan seeks the opportunity to achieve an adequate return to fund the obligations in a manner consistent with the fiduciary standards of ERISA and with a prudent level of diversification. Specifically, these objectives include the desire to:

- invest assets in a manner such that contributions remain within a reasonable range and future assets are available to fund liabilities
- maintain liquidity sufficient to pay current benefits when due
- diversify, over time, among asset classes so assets earn a reasonable return with acceptable risk of capital loss

The asset strategy established to reflect the growth expectations and risk tolerance is as follows:

Asset Class	Tactical range
Large Cap Equity	17%-23%
Large Cap Value Equity	10%-16%
Mid Cap Equity	4%-8%
Small Cap Equity	7%-11%
International Equity	9%-15%
Total equities	55%-65%
Fixed Income including cash equivalents	35%-45%
Timberlands and other	0%-1%

To develop the expected long-term rate of return on assets assumption, the Company considered the current level of expected returns on risk free investments (primarily government bonds), the historical level of the risk premium associated with the other asset classes in which the portfolio is invested and the

expectations for future returns of each asset class. The expected return for each asset class was then weighted based on the target asset allocation to develop the expected long-term rate of return on assets assumption for the portfolio. This resulted in the selection of the 8.5% assumption for 2003.

A summary of the net periodic pension credit follows (in thousands):

	2003	2002
Service cost	$ 4,777	$ 4,465
Interest cost	8,529	8,969
Expected return on assets	(17,765)	(20,308)
Actuarial gain	—	(2,214)
Prior service costs	747	721
Curtailment loss	—	377
Total pension income	$ (3,712)	$ (7,990)

Assumptions used to develop net benefit cost:

	2003	2002
Discount rate	6.5%	6.5%
Rate of compensation increase	4.0%	4.0%

A reconciliation of projected benefit obligation as of December 31 follows (in thousands):

	2003	2002
Projected benefit obligation, beginning of year	$135,098	$124,498
Service cost	4,777	4,465
Interest cost	8,529	8,969
Actuarial loss	8,863	13,398
Benefits paid	(13,123)	(19,659)
Plan amendment	2,331	2,952
Curtailments	—	475
Projected benefit obligation, end of year	$146,475	$135,098

Assumptions used to develop end-of period obligations:

	2003	2002
Discount rate	6.0%	6.5%
Rate of compensation increase	4.0%	4.0%
Expected long-term rate of return on plan assets	8.5%	8.5%

A reconciliation of plan assets as of December 31 follows (in thousands):

	2003	2002
Fair value of assets, beginning of year	$210,831	$248,193
Actual return (loss) on assets	41,328	(15,682)
Transfer to retiree medical plan	(950)	(900)
Benefits and expenses paid	(14,164)	(20,780)
Fair value of assets, end of year	$237,045	$210,831

A reconciliation of funded status as of December 31 follows (in thousands):

	2003	2002
Accumulated benefit obligation	$136,034	$129,032
Projected benefit obligation	$146,475	$135,098
Market value of assets	237,045	210,831
Funded status	$ 90,570	$ 75,733
Unrecognized prior service costs	7,082	7,483
Unrecognized actuarial net (loss) gain	(5,884)	7,779
Prepaid pension asset	$ 91,768	$ 90,995

Had the Company used a measurement date of December 31, 2003, the accumulated benefit obligation as of December 31, 2003 would have been $143.5 million.

The Company's Board of Directors approved a partial subsidy to fund certain postretirement medical benefits of currently retired participants, and their beneficiaries, in connection with the previous disposition of several subsidiaries. No such benefits are to be provided to active employees. The Board reviews the subsidy annually and may further modify or eliminate such subsidy at their discretion. The actuarial present value of this unfunded postretirement benefit obligation approximated $21.9 million and $15.7 million at December 31, 2003 and 2002, respectively. Postretirement benefit expense approximated $2.3 million, $2.0 million, and $2.0 million for 2003, 2002, and 2001, respectively. This actuarially determined obligation was computed based on actual claims experience of this group of retirees and a discount rate of 6.0% and 6.5% for 2003 and 2002, respectively, and an initial medical trend rate of 12.0% and 9.5% in 2003 and 2002, respectively. A 1% increase in the medical cost trend would increase this obligation by $1.9 million at December 31, 2003. A liability of $2.3 million and $1.1 million has been included in accrued liabilities to reflect the Company's obligation to fund postretirement benefits at December 31, 2003 and 2002, respectively.

Deferred Compensation Plans and ESPP

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 $2.2 million, $1.8 million, and $1.8 million in 2003, 2002, and 2001, respectively.

The Company has a Supplemental Executive Retirement Plan ("SERP") and a Deferred Capital Accumulation Plan ("DCAP"). The SERP is a non-qualified retirement plan to provide supplemental retirement benefits to certain selected management and highly compensated employees. The DCAP is a non-qualified defined contribution plan to permit certain selected management and highly compensated employees to defer receipt of current compensation. The Company has recorded expense in 2003 and 2002 related to the SERP of $1.7 million and $1.8 million, respectively, and related to the DCAP of $1.0 million and $1.0 million, respectively.

Beginning in November 1999, the Company also implemented an employee stock purchase plan ("ESPP"), whereby all employees may purchase the Company's common stock through payroll deductions at a 15% discount from the fair market value, with an annual limit of $25,000 in purchases per employee. As of December 31, 2003, 110,642 shares of the Company's stock had been purchased by employees under the ESPP Plan.

During 2001, certain executives of the Company were granted long-term incentive contracts. In connection with a new employment agreement for one of the executives in 2003, the Company paid $2.3 million to the executive and the remaining $2.7 million was forfeited. The Company will record the remaining minimum liability of $1.7 million ratably over the remaining vesting period of two years and will also record an additional liability up to an additional $1.7 million based on changes in the Company's stock price over the vesting period. The amount recorded as a liability as of December 31, 2003 and 2002 was $1.7 million and $2.0 million, respectively.

14. Segment Information

The Company conducts primarily all of its business in four reportable operating segments: community development, commercial real estate development and services, land sales, and forestry. The community development segment develops and sells housing units and home sites and manages residential communities. The commercial real estate development and services segment owns, leases, and manages commercial, retail, office and industrial properties throughout the Southeast and sells developed and undeveloped land and buildings. The land sales segment sells parcels of land included in the Company's vast holdings of timberlands. The forestry segment produces and sells pine pulpwood and timber and cypress products. Prior to the sale of ARS on April 17, 2002, the Company also had a residential real estate services segment which provided real estate brokerage services. The operations of the residential real estate services segment are reflected as discontinued operations.

The Company uses Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA") as a supplemental performance measure, along with net income, to report operating results. The Company's management believes EBITDA is an important metric commonly used by companies in the real estate industry for comparative performance purposes. EBITDA is not a measure of operating results or cash flows from operating activities as defined by generally accepted accounting principles ("GAAP"). Additionally, EBITDA is not necessarily indicative of cash available to fund cash needs and should not be considered an alternative to cash flows as a measure of liquidity. However, management believes that EBITDA provides relevant information about the Company's operations and, along with net income, is useful in understanding the Company's operating results.

Certain amounts in prior year EBITDA have been changed to conform to the Securities and Exchange Commission's current guidance on non-GAAP financial measures.

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. All intercompany transactions have been eliminated. The caption entitled "Other" consists of general and administrative expenses, net of investment income, the settlement of the forward sales contracts, and operations of the Company's former transportation segment. "Other" includes gains on the settlement of the Company's forward sales contracts of $132.9 million for the year ended December 31, 2002 (see note 7). "Other" also includes operations of the Company's former transportation segment which, due to the sale of the rolling stock of Apalachicola Northern Railroad in 2002, is no longer material enough to be reported as a separate segment.

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

Information by business segment follows (in thousands):

	2003	2002	2001
OPERATING REVENUES:			
Community development	$ 494,919	$ 386,726	$ 239,699
Commercial real estate development and services	129,864	120,226	210,602
Land sales	99,206	84,048	76,185
Forestry	36,562	41,247	37,268
Other	79	3,165	3,254
Consolidated operating revenues	$ 760,630	$ 635,412	$ 567,008
EBITDA:			
Community development	$ 92,654	$ 82,403	$ 54,018
Commercial real estate development and services	21,429	20,049	18,672
Land sales	79,015	68,183	63,849
Forestry	12,164	12,217	12,979
Other	(34,557)	143,002	14,547
Consolidated EBITDA	170,705	325,854	164,065
ADJUSTMENT TO RECONCILE TO INCOME FROM CONTINUING OPERATIONS:			
Depreciation and amortization	(31,504)	(22,780)	(21,326)
Interest expense	(20,813)	(23,670)	(21,372)
Income tax expense	(42,626)	(89,561)	(35,441)
Minority interest	153	164	206
Discontinued operations	—	(38,870)	(26,921)
Income from continuing operations	$ 75,915	$ 151,137	$ 59,211
TOTAL ASSETS:			
Community development	$ 465,290	$ 399,516	$ 315,427
Commercial real estate development and services	527,157	433,657	353,307
Land sales	15,093	7,780	3,313
Forestry	90,837	101,993	106,818
Corporate	177,353	226,941	378,153
Discontinued operations	—	—	183,541
Total assets	$1,275,730	$1,169,887	$1,340,559
CAPITAL EXPENDITURES:			
Community development	$ 347,207	$ 287,972	$ 248,800
Commercial real estate development and services	123,718	98,428	174,181
Land sales	3,306	190	247
Forestry	3,437	3,435	6,250
Other	8,259	2,881	19,374
Discontinued operations	—	579	4,042
Total capital expenditures	$ 485,927	$ 393,485	$ 452,894

15. Commitments and Contingencies

The Company has obligations under various noncancelable long-term operating leases for office space and equipment. Some of these leases contain escalation clauses for operating costs, property taxes and insurance. In addition, the Company has various obligations under other office space and equipment leases of less than one year. Total rent expense was $5.3 million, $6.5 million, and $5.8 million for the years ended December 31, 2003, 2002, and 2001, respectively.

The future minimum rental commitments under noncancelable long-term operating leases due over the next five years and thereafter are as follows (in thousands):

2004	$ 5,251
2005	4,554
2006	3,372
2007	2,300
2008	103
Thereafter	34
	$15,614

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

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

At December 31, 2003, the Company was a party to surety bonds and standby letters of credit in the amounts of $19.6 million and $21.6 million, respectively, which may potentially result in liability to the Company if certain obligations of the Company are not met.

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

Pursuant to the terms of various agreements by which the Company disposed of its sugar assets in 1999, the Company is obligated to complete certain defined environmental remediation. Approximately $5.0 million of the sales proceeds are being held in escrow pending the completion of the remediation. The Company has separately funded the costs of remediation. In addition, approximately $1.7 million is being held in escrow representing the value of the land subject to remediation. Remediation was substantially completed in 2003. The Company expects remaining remediation to be complete by the middle of 2004 and the amounts held in escrow to be released to the Company during the second half of 2004.

The Company is currently a party to, or involved in, legal proceedings directed at the cleanup of Superfund sites. The Company is also involved in regulatory proceedings related to the Company's former mill site in Gulf County, Florida. The Company has accrued an allocated share of the total estimated cleanup costs for these sites. Based upon management's evaluation of the other potentially responsible parties, the Company does not expect to incur additional amounts even though the Company has joint and several liability. Other proceedings involving environmental matters such as alleged discharge of oil or waste material into water or soil are pending or threatened against the Company. It is not possible to quantify future environmental costs because many issues relate to actions by third parties or changes in environmental 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 Company's consolidated financial position, results of operations or liquidity. Environmental liabilities are paid over an extended period and the timing of such payments cannot be predicted with any confidence. Aggregate environmental-related accruals were $4.0 million and $4.1 million as of December 31, 2003 and 2002, respectively.

16. Quarterly Financial Data (Unaudited)

	Quarters Ended			
	December 31	September 30	June 30	March 31
	(Dollars in thousands, except per share amounts)			
2003				
Operating revenues	$226,428	$199,471	$184,474	$150,257
Operating profit	52,168	37,759	18,164	21,900
Net income	28,614	22,979	9,931	14,391
Earnings per share — Basic	0.38	0.30	0.13	0.19
Earnings per share — Diluted	0.37	0.30	0.13	0.18
2002				
Operating revenues	$226,686	$152,456	$145,530	$121,680
Operating profit	49,952	22,373	26,047	23,044
Net income	55,288	11,728	32,977	74,370
Earnings per share — Basic	0.72	0.15	0.41	0.93
Earnings per share — Diluted	0.70	0.15	0.40	0.90

INDEPENDENT AUDITORS' REPORT

FINANCIAL STATEMENT SCHEDULES

The Board of Directors and Shareholders

The St. Joe Company:

Under date of March 11, 2004, we reported on the consolidated balance sheets of The St. Joe Company and subsidiaries as of December 31, 2003 and 2002, and the related consolidated statements of income, changes in stockholders' equity, and cash flow for each of the years in the three-year period ended December 31, 2003, as contained in this annual report on Form 10-K for the year 2003. In connection with our audits of the aforementioned consolidated financial statements, we also audited the related consolidated financial statement schedule as listed in the accompanying index. This financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement schedule based on our audits.

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

KPMG LLP

Jacksonville, Florida

March 11, 2004

THE ST. JOE COMPANY

SCHEDULE III (CONSOLIDATED) — REAL ESTATE AND ACCUMULATED DEPRECIATION

December 31, 2003

Description	Initial Cost to Company			Costs Capitalized Subsequent to Acquisition	Carried at Close of Period			Accumulated Depreciation
	Encumbrances	Land	Buildings & Improvements		Land & Land Improvements	Buildings and Improvements	Total	
				(In thousands)				
Bay County, Florida								
Land with infrastructure	$ —	$ 672	$ —	$ 2,969	$ 3,641	$ —	$ 3,641	$ 26
Buildings	—	—	390	41,590	—	41,980	41,980	701
Residential	—	1,044	—	12,069	13,113	—	13,113	—
Timberlands	—	3,896	—	12,503	16,399	—	16,399	355
Unimproved land	—	385	—	—	385	—	385	—
Broward County, Florida								
Building	—	—	12,513	305	—	12,818	12,818	1,213
Calhoun County, Florida								
Timberlands	—	1,774	—	5,775	7,549	—	7,549	163
Unimproved land	—	182	—	—	182	—	182	—
Duval County, Florida								
Land with infrastructure	—	258	—	—	258	—	258	—
Buildings	—	—	4,894	28,670	—	33,564	33,564	2,002
Residential	—	4,855	1	4,309	9,165	—	9,165	—
Timberlands	—	—	—	1	1	—	1	—
Franklin County, Florida								
Land with infrastructure	—	—	—	125	125	—	125	—
Residential	—	58	—	5,022	5,080	—	5,080	—
Timberlands	—	1,241	—	1,572	2,813	—	2,813	61
Unimproved Land	—	145	—	—	145	—	145	—
Buildings	—	—	5	—	—	5	5	—
Gadsden County, Florida								
Land with infrastructure	—	—	—	—	—	—	—	—
Timberlands	—	1,302	—	2,681	3,983	—	3,983	91
Unimproved land	—	804	—	—	804	—	804	—
Gulf County, Florida								
Land with infrastructure	—	213	—	193	406	—	406	92
Buildings	—	—	536	395	—	931	931	44
Residential	—	293	—	7,025	7,318	—	7,318	—
Timberlands	—	5,238	—	17,546	22,784	—	22,784	493
Unimproved land	—	250	—	—	250	—	250	—

THE ST. JOE COMPANY

SCHEDULE III (CONSOLIDATED) — REAL ESTATE AND ACCUMULATED DEPRECIATION

December 31, 2003

Description	Initial Cost to Company			Costs Capitalized Subsequent to Acquisition	Carried at Close of Period			Accumulated Depreciation
	Encumbrances	Land	Buildings & Improvements		Land & Land Improvements	Buildings and Improvements	Total	
				(In thousands)				
Hillsborough County, Florida								
Buildings	—	—	18,352	1,470	—	19,822	19,822	2,030
Jefferson County, Florida								
Buildings	—	—	—	198	—	198	198	—
Timberlands	—	1,547	—	1,942	3,489	—	3,489	76
Unimproved land	—	246	—	—	246	—	246	—
Leon County, Florida								
Land with infrastructure	—	1,418	—	10,157	9,157	2,418	11,575	309
Buildings	—	—	5,580	8,958	—	14,538	14,538	586
Residential	—	30	—	32,913	32,943	—	32,943	—
Timberlands	—	923	—	3,048	3,971	—	3,971	86
Unimproved land	—	368	—	—	368	—	368	—
Liberty County, Florida								
Buildings	—	—	777	66	—	843	843	—
Timberlands	—	3,244	205	8,694	12,143	—	12,143	343
Unimproved land	—	—	—	—	—	—	—	—
Orange County, Florida								
Land with infrastructure	—	2,920	—	10,227	13,147	—	13,147	23
Buildings	—	—	28,759	15,827	—	44,586	44,586	3,038
Osceola County, Florida								
Residential	—	9,539	—	2,506	12,045	—	12,045	—
Palm Beach County, Florida								
Land with infrastructure	—	4,028	—	2,640	6,668	—	6,668	262
Buildings	—	—	—	138	—	138	138	22
Pinellas County, Florida								
Buildings	—	—	28,564	3,166	—	31,730	31,730	3,552
St. Johns County, Florida								
Land with infrastructure	—	8,281	—	2,324	10,605	—	10,605	318
Buildings	—	—	1,834	826	—	2,660	2,660	213
Residential	—	5,223	—	26,829	32,052	—	32,052	—

THE ST. JOE COMPANY

SCHEDULE III (CONSOLIDATED) — REAL ESTATE AND ACCUMULATED DEPRECIATION

December 31, 2003

Description	Initial Cost to Company			Costs Capitalized Subsequent to Acquisition	Carried at Close of Period			Accumulated Depreciation
	Encumbrances	Land	Buildings & Improvements		Land & Land Improvements	Buildings and Improvements	Total	
				(In thousands)				
Volusia County, Florida								
Land with infrastructure	—	6,045	—	353	6,398	—	6,398	539
Buildings	—	—	1,644	121	—	1,765	1,765	206
Residential	—	4,302	—	44,062	48,364	—	48,364	—
Wakulla County, Florida								
Buildings	—	—	—	200	78	122	200	41
Timberlands	—	1,175	—	2,638	3,813	—	3,813	83
Unimproved Land	—	225	—	—	225	—	225	—
Walton County, Florida								
Land with infrastructure	—	15,124	—	1,363	16,487	—	16,487	1,478
Buildings	—	—	25,998	2,541	—	28,539	28,539	1,747
Residential	—	2,603	—	33,152	35,755	—	35,755	—
Timberlands	—	354	—	945	1,299	—	1,299	28
Unimproved land	—	5	—	—	5	—	5	—
Other Florida Counties								
Land with infrastructure	—	—	—	24	24	—	24	—
Timberlands	—	685	—	2,910	3,595	—	3,595	30
Unimproved land	—	152	—	—	152	—	152	—
District of Columbia								
Buildings	—	—	59,347	707	—	60,054	60,054	2,852
Georgia								
Land with infrastructure	—	18,947	—	955	19,902	—	19,902	74
Buildings	—	—	89,904	3,106	—	93,010	93,010	2,184
Timberlands	—	218	—	—	218	—	218	5
North Carolina								
Residential	—	19,557	—	47,503	67,060	—	67,060	—
Buildings	—	—	17,163	—	—	17,163	17,163	194

THE ST. JOE COMPANY

SCHEDULE III (CONSOLIDATED) — REAL ESTATE AND ACCUMULATED DEPRECIATION

December 31, 2003

Description	Initial Cost to Company			Costs Capitalized Subsequent to Acquisition	Carried at Close of Period			Accumulated Depreciation
	Encumbrances	Land	Buildings & Improvements		Land & Land Improvements	Buildings and Improvements	Total	
				(In thousands)				
Texas								
Land with infrastructure	—	4,242	—	1,880	6,122	—	6,122	103
Building	—	—	2,168	21,757	—	23,925	23,925	4,773
Virginia								
Land with infrastructure	—	5,582	—	1,018	6,600	—	6,600	—
TOTALS	$ —	$139,593	$298,634	$439,914	$447,332	$430,809	$878,141	$30,436

Notes:

(A) The aggregate cost of real estate owned at December 31, 2003 for federal income tax purposes is approximately $553 million.

(B) Reconciliation of real estate owned (in thousands):

	2003	2002	2001
Balance at Beginning of Year	$ 764,579	$ 661,971	$ 493,545
Amounts Capitalized	446,830	378,745	437,826
Amounts Retired or Adjusted	(333,268)	(276,137)	(269,400)
Balance at Close of Period	$ 878,141	$ 764,579	$ 661,971

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

Balance at Beginning of Year	$ 17,223	$ 9,468	$ 5,361
Depreciation Expense	24,841	13,861	6,190
Amounts Retired or Adjusted	(11,628)	(6,106)	(2,083)
Balance at Close of Period	$ 30,436	$17,223	$ 9,468

EXHIBIT 10.1

Execution

SECOND AMENDED AND RESTATED CREDIT AGREEMENT

among

THE ST. JOE COMPANY,

THE LENDERS NAMED HEREIN,

FIRST UNION NATIONAL BANK,
as Administrative Agent,

Bank of America, N.A.
As Syndication Agent,

and
Wells Fargo Bank,
SunTrust Bank
and
Regions Bank
As Documentation Agents,

$250,000,000 Senior Credit Facility

Lead Arranger and Sole Book-Runner:
FIRST UNION SECURITIES, INC.

Dated as of February 7, 2002
(Amending and Restating the Credit Agreement initially dated as of
March 30, 2000)

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Execution

SECOND AMENDED AND RESTATED CREDIT AGREEMENT

THIS SECOND AMENDED AND RESTATED CREDIT AGREEMENT, dated as of the 7th day of February, 2002, is made among THE ST. JOE COMPANY, a Florida corporation with its principal offices in Jacksonville, Florida (the "Borrower"), the banks and financial institutions listed on the signature pages hereto or that become parties hereto after the date hereof (collectively, the "Lenders"), FIRST UNION NATIONAL BANK ("First Union"), as administrative agent for the Lenders (in such capacity, the "Agent"), Bank of America, N.A., as syndication agent (in such capacity, the "Syndication Agent") and Wells Fargo Bank, national association, SunTrust Bank and Regions Bank as documentation agents (in such capacity, the "Documentation Agents").

RECITALS

A. The Borrower and the Lenders are parties to a credit agreement dated as of March 30, 2000 as amended by the First Amendment to Credit Agreement dated as of September 6, 2000, the Second Amendment to Credit Agreement dated as of December 21, 2000, the First Amended and Restated Credit Agreement dated as of May 8, 2001 and the First Amendment to First Amended and Restated Credit Agreement dated as of July 16, 2001 (the "Initial Agreement").

B. The Borrower desires to amend and restate the Initial Agreement to (i) extend the maturity date by one year to March 30, 2004, (ii) allow the Borrower to issue its Medium Term Notes, and (iii) revise certain of its financial and other covenants.

C. The Lenders and the Agent have agreed to amend and restate the Initial Agreement as requested by the Borrower as set forth herein.

AGREEMENT

NOW, THEREFORE, in consideration of the mutual provisions, covenants and agreements herein contained, the parties hereto hereby agree as follows:

ARTICLE I

DEFINITIONS

1.1 Defined Terms. For purposes of this Agreement, in addition to the terms defined elsewhere herein, the following terms shall have the meanings set forth below (such meanings to be equally applicable to the singular and plural forms thereof):

"Account Designation Letter" shall mean a letter from the Borrower to the Agent, duly completed and signed by an Authorized Officer and in form and substance satisfactory to the Agent, listing any one or more accounts to which the Borrower may from time to time request the Agent to forward the proceeds of any Loans made hereunder.

"Acquisition" shall mean any transaction or series of related transactions, consummated on or after the date hereof, by which the Borrower directly, or indirectly through one or more Subsidiaries, (i) acquires any going business, or all or substantially all of the assets, of any Person, whether through purchase of assets, merger or otherwise, or (ii) acquires securities or other ownership interests of any Person having at least a majority of combined voting power of the then outstanding securities or other ownership interests of such Person.

"Acquisition Amount" shall mean, with respect to any Acquisition, the sum (without duplication) of (i) the amount of cash paid by the Borrower and its Subsidiaries in connection with such Acquisition, (ii) the Fair Market Value of all Capital Stock of the Borrower issued or given in connection with such Acquisition, (iii) the amount (determined by using the face amount or the amount payable at maturity, whichever is greater) of all Indebtedness incurred, assumed or acquired by the Borrower and its Subsidiaries in connection with such Acquisition, (iv) all additional purchase price amounts in connection with such Acquisition in the form of earnouts and other contingent obligations that should be recorded as a liability on the balance sheet of the Borrower and its Subsidiaries or expensed, in either event in accordance with GAAP, Regulation S-X under the Securities Act of 1933, as amended, or any other rule or regulation of the Securities and Exchange Commission, (v) all amounts paid in respect of covenants not to compete, consulting agreements and other affiliated contracts in connection with such Acquisition, (vi) the amount of all transaction fees and expenses (including, without limitation, legal, accounting and finders' fees and expenses) incurred by the Borrower and its Subsidiaries in connection with such Acquisition and (vii) the aggregate fair market value of all other consideration given by the Borrower and its Subsidiaries in connection with such Acquisition.

"Adjusted LIBOR Rate" shall mean, at any time with respect to any LIBOR Loan, a rate per annum equal to the LIBOR Rate as in effect at such time plus the Applicable Margin Percentage for LIBOR Loans as in effect at such time.

"Affiliate" shall mean, as to any Person, each other Person that directly, or indirectly through one or more intermediaries, owns or controls, is controlled by or under common control with, such Person or is a director or officer of such Person. For purposes of this definition, with respect to any Person "control" shall mean (i) the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise, or (ii) the beneficial ownership of securities or other ownership interests of such Person having 10% or more of the combined voting power of the then outstanding securities or other ownership interests of such Person ordinarily (and apart from rights accruing under special circumstances) having the right to vote in the election of directors or other governing body of such Person.

"Agent" shall mean First Union, in its capacity as Agent appointed under ARTICLE X, and its successors and permitted assigns in such capacity.

"Agents" shall mean the Administrative Agent, the Syndication Agent and the Documentation Agents.

"Agreement" shall mean the Initial Agreement, as amended through the Second Restatement, and as amended, modified or supplemented from time to time.

"Applicable Margin Percentage" shall mean, at any time from and after the Initial Closing Date, the applicable percentage (a) to be added to the LIBOR Rate pursuant to SECTION 2.8 for purposes of determining the Adjusted LIBOR Rate, and (b) to be used in calculating the facility fee payable pursuant to SECTION 2.9(A), in each case as determined under the following matrix with reference to the Leverage Ratio:

Leverage Ratio	Applicable Margin Percentage for LIBOR Loans	Applicable Margin Percentage for Facility Fee	All-In Drawn Cost
Less than or equal to 0.30 to 1.0	0.800%	0.200%	1.000%
Greater than 0.30 to 1.0 but less than or equal to 0.40 to 1.0	1.000%	0.250%	1.250%
Greater than 0.40 to 1.0	1.200%	0.300%	1.500%

On each Adjustment Date (as hereinafter defined), the Applicable Margin Percentage for all LIBOR Loans and the facility fee payable pursuant to SECTION 2.9(a) shall be adjusted effective as of such date (based upon the calculation of the Leverage Ratio as of the last day of the fiscal period to which such Adjustment Date relates) in accordance with the above matrix; provided, however, that, notwithstanding the foregoing or anything else herein to the contrary, if at any time the Borrower shall have failed to deliver the financial statements and a Compliance Certificate as required by SECTION 6.1(a) or SECTION 6.1(b), as the case may be, and SECTION 6.2(a), or if at any time an Event of Default shall have occurred and be continuing, then at the election of the Required Lenders, at all times from and including the date on which such statements and Compliance Certificate are required to have been delivered (or the date of occurrence of such Event of Default, as the case may be) to the date on which the same shall have been delivered (or such Event of Default cured or waived, as the case may be), each Applicable Margin Percentage shall be determined in accordance with the above matrix as if the Leverage Ratio were greater than 0.40: 1.0 (notwithstanding the actual Leverage Ratio). For purposes of this definition, "Adjustment Date" shall mean, with respect to any fiscal period of the Borrower beginning with the fiscal quarter ending March 31, 2000, the tenth (10th) day (or, if such day is not a Business Day, on the next succeeding Business Day) after delivery by the Borrower in accordance with SECTION 6.1(a) or SECTION 6.1(B), as the case may be, of (i) financial statements as of the end of and for such fiscal period and (ii) a duly completed Compliance Certificate with respect to such fiscal period. Until the first Adjustment Date, the Applicable Margin Percentage shall be determined in accordance with the above matrix as if the Leverage Ratio were greater than 0.30 to 1.0 but less than or equal to 0.40 to 1.0.

Notwithstanding anything in this Agreement to the contrary, in determining the Applicable Margin Percentage during the period from the Second Restatement Closing Date to the Adjustment Date for the fiscal quarter ending September 30, 2002, the timberland assets

included in Consolidated Total Assets shall be valued at $350 per acre in connection with any change from the middle of the Applicable Margin Percentage matrix to the higher tier (i.e. the lower level of pricing) in such matrix.

"Assignee" shall have the meaning given to such term in SECTION 11.7(a).

"Assignment and Acceptance" shall mean an Assignment and Acceptance entered into between a Lender and an Assignee and accepted by the Agent and the Borrower, in substantially the form of EXHIBIT D.

"Authorized Officer" shall mean, with respect to any action specified herein, any officer of the Borrower duly authorized by resolution of the board of directors of the Borrower to take such action on its behalf, and whose signature and incumbency shall have been certified to the Agent by the secretary or an assistant secretary of the Borrower.

"Bankruptcy Code" shall mean 11 U.S.C. ss.ss. 101 et seq., as amended from time to time, and any successor statute.

"Base Rate" shall mean the higher of (i) the per annum interest rate publicly announced from time to time by First Union in Charlotte, North Carolina, to be its prime rate (which may not necessarily be its best lending rate), as adjusted to conform to changes as of the opening of business on the date of any such change in such prime rate, and (ii) the Federal Funds Rate plus 0.5% per annum, as adjusted to conform to changes as of the opening of business on the date of any such change in the Federal Funds Rate.

"Base Rate Loan" shall mean, at any time, any Loan that bears interest at such time at the Base Rate.

"Borrower Margin Stock" shall mean shares of capital stock of the Borrower that are held by the Borrower or any of its Subsidiaries and that constitute Margin Stock.

"Borrowing" shall mean the incurrence by the Borrower (including as a result of conversions and continuations of outstanding Loans pursuant to SECTION 2.11) on a single date of a group of Loans of a single Type (or a Swingline Loan made by the Swingline Lender) and, in the case of LIBOR Loans, as to which a single Interest Period is in effect.

"Borrowing Date" shall mean, with respect to any Borrowing, the date upon which such Borrowing is made.

"Business Day" shall mean (i) any day other than a Saturday or Sunday, a legal holiday or a day on which commercial banks in Charlotte, North Carolina are required by law to be closed and (ii) in respect of any determination relevant to a LIBOR Loan, any such day that is also a day on which tradings are conducted in the London interbank Eurodollar market.

"Capital Stock" shall mean (i) with respect to any Person that is a corporation, any and all shares, interests or equivalents in capital stock (whether voting or nonvoting, and whether common or preferred) of such corporation, and (ii) with respect to any Person that is not a corporation, any and all partnership, membership, limited liability company or other equity

interests of such Person; and in each case, any and all warrants, rights or options to purchase any of the foregoing.

"Cash Collateral Account" shall have the meaning given to such term in SECTION 3.8.

"Cash Equivalents" shall mean (i) securities issued or unconditionally guaranteed by the United States of America or any agency or instrumentality thereof, backed by the full faith and credit of the United States of America and maturing within 90 days from the date of acquisition, (ii) commercial paper issued by any Person organized under the laws of the United States of America, maturing within 90 days from the date of acquisition and, at the time of acquisition, having a rating of at least A-1 or the equivalent thereof by Standard & Poor's Ratings Services or at least P-1 or the equivalent thereof by Moody's Investors Service, Inc., (iii) time deposits and certificates of deposit maturing within 90 days from the date of issuance and issued by a bank or trust company organized under the laws of the United States of America or any state thereof that has combined capital and surplus of at least $500,000,000 and that has (or is a subsidiary of a bank holding company that has) a long-term unsecured debt rating of at least A or the equivalent thereof by Standard & Poor's Ratings Services or at least A2 or the equivalent thereof by Moody's Investors Service, Inc., (iv) repurchase obligations with a term not exceeding seven (7) days with respect to underlying securities of the types described in clause (i) above entered into with any bank or trust company meeting the qualifications specified in clause (iii) above, and (v) money market funds at least 95% of the assets of which are continuously invested in securities of the type described in clause (i) above.

"Commitment" shall mean, with respect to any Lender at any time, the amount set forth opposite such Lender's name on its signature page hereto under the caption "Commitment" or, if such Lender has entered into one or more Assignment and Acceptances after the date hereof, the amount set forth for such Lender at such time in the Register maintained by the Agent pursuant to SECTION 11.7(b) as such Lender's "Commitment," as such amount may be reduced or increased at or prior to such time pursuant to the terms hereof.

"Compliance Certificate" shall mean a fully completed and duly executed certificate in the form of EXHIBIT C, together with a Covenant Compliance Worksheet.

"Consolidated Adjusted Debt" shall mean, as of any date of determination, with respect to the Borrower and the Subsidiary Guarantors as of such date, determined on a consolidated basis in accordance with GAAP, the aggregate (without duplication) of all (i) Funded Debt (provided that any Funded Debt consisting of revolving credit borrowings shall be offset by the amount of cash held as of such date by the Borrower and the Subsidiary Guarantors (including not more than 70% of cash being held in connection with any Section 1031 like-kind-exchange transaction, but excluding other cash held in any escrow or trust account)), (ii) deferred taxes (excluding the deferred taxes listed on SCHEDULE 1.1), (iii) Contingent Obligations and (iv) Project Contingent Liabilities. Consolidated Adjusted Debt shall not include any Indebtedness directly related to forward sale transactions involving Margin Stock owned by Southeast Insurance Company, other than deferred tax liabilities relating to such transactions.

"Consolidated Balance Sheet Assets" shall mean, as of any date of determination, all assets of the Borrower and the Subsidiary Guarantors that would, in accordance with GAAP, be

classified as assets on a consolidated balance sheet of the Borrower and its Subsidiaries as of such date; provided, that (i) the amount of goodwill included as a part of Consolidated Balance Sheet Assets shall not exceed the unamortized amount as of such date of goodwill arising from the acquisitions of Prudential Florida Realty (now Arvida Realty Services, Inc.), Goodman Segar GVA, and Florida Real Estate Advisors (now Advantis) and (ii) timberland assets shall be valued at $750 per acre. Consolidated Balance Sheet Assets shall not include (x) Margin Stock held by Southeast Insurance Company or any other assets directly related to forward sale transactions involving such Margin Stock, other than the net non-Margin Stock proceeds received by Southeast Insurance Company upon the final settlement of such forward sale transactions and(y) Investments purchased in connection with any Indebtedness incurred in direct relation to the escrow deposits held in demand deposit accounts by Arvida Realty Services, Inc. Consolidated Balance Sheet Assets shall include the assets included in the DEVIL Transactions (whether or not such assets are consolidated for financial accounting purposes).

"Consolidated EBITDA" shall mean, for any period, the aggregate of (i) Consolidated Net Income for such period, plus (ii) the sum of Consolidated Interest Expense, federal, state, local and other income taxes, depreciation, amortization of intangible assets, and extraordinary or nonrecurring noncash losses (including in connection with the sale or write-down of assets), all to the extent taken into account in the calculation of Consolidated Net Income for such period, minus (iii) the sum of extraordinary or nonrecurring noncash gains (including in connection with the sale or write-up of assets) and noncash credits increasing income for such period, all to the extent taken into account in the calculation of Consolidated Net Income for such period.

"Consolidated Interest Expense" shall mean, for any period, the sum (without duplication) of (i) total interest expense of the Borrower and the Subsidiary Guarantors for such period in respect of Funded Debt of the Borrower and its Subsidiaries (including, without limitation, all such interest expense accrued or capitalized during such period, whether or not actually paid during such period), determined on a consolidated basis in accordance with GAAP, (ii) all net amounts payable under or in respect of Hedge Agreements, to the extent paid or accrued by the Borrower and any Subsidiary Guarantor during such period, and (iii) all facility fees, commitment fees and other ongoing fees in respect of Funded Debt (including the facility fee provided for under SECTION 2.9(a) and the fees provided for under the Fee Letter) paid, accrued or capitalized by the Borrower and its Subsidiaries during such period. Consolidated Interest Expense (i) shall not include any non-cash interest expense directly related to forward sale transactions involving Margin Stock owned by Southeast Insurance Company and (ii) shall include interest expense (other than interest expense funded through any interest reserve that is included in Consolidated Adjusted Debt) related to the DEVIL Transactions (whether or not such interest expense is consolidated for financial accounting purposes).

"Consolidated Net Income" shall mean, for any period, net income (or loss) for the Borrower and the Subsidiary Guarantors (but including income earned upon the Capital Stock of Arvida/JMB Partners, Ltd. held by St. Joe Capital I) for such period, determined on a consolidated basis in accordance with GAAP.

"Consolidated Net Worth" shall mean, as of any date of determination, the net worth of the Borrower and the Subsidiary Guarantors as of such date, determined on a consolidated basis in accordance with GAAP but excluding any Disqualified Capital Stock.

"Consolidated Secured Debt" shall mean, as of any date of determination, with respect to the Borrower and the Subsidiary Guarantors as of such date, determined on a consolidated basis in accordance with GAAP, the aggregate (without duplication) of all (i) Funded Debt, (ii) Contingent Obligations (but only to the extent they would be included as liabilities on a balance sheet prepared in accordance with GAAP), and (iii) Indebtedness incurred in connection with the DEVIL Transactions, but, in each case, only to the extent such Indebtedness is secured directly or indirectly by any Lien upon or with respect to any assets, whether now owned or hereafter acquired, that would, in accordance with GAAP, be classified as assets on a consolidated balance sheet of the Borrower and its Subsidiaries as of such date. Consolidated Secured Debt shall not include (x) the Obligations or the Medium Term Notes so long as such Indebtedness is included in Consolidated Unsecured Debt, (y) any Indebtedness directly related to forward sale transactions involving Margin Stock owned by Southeast Insurance Company, or (z) Indebtedness incurred in direct relation to the escrow deposits held in demand deposit accounts by Arvida Realty Services, Inc.

"Consolidated Total Assets" shall mean, as of any date of determination, all assets of the Borrower and the Subsidiary Guarantors that would, in accordance with GAAP, be classified on a consolidated balance sheet of the Borrower and its Subsidiaries as assets as of such date; provided, that (i) the amount of goodwill included as a part of Consolidated Total Assets shall not exceed the unamortized amount as of such date of goodwill arising from the acquisitions of Prudential Florida Realty (now Arvida Realty Services, Inc.), Goodman Segar GVA, and Florida Real Estate Advisors (now Advantis), (ii) Permitted Joint Venture Investments shall be valued based on the Borrower or Subsidiary Guarantor's pro rata share of the assets of each Joint Venture, (iii) timberland assets shall be valued at $750 per acre, and (iv) for purposes of calculating the Leverage Ratio only, the amount of cash used to offset Funded Debt in determining Consolidated Adjusted Debt shall be excluded from Consolidated Total Assets. Consolidated Total Assets (i) shall not include Margin Stock held by Southeast Insurance Company or any other assets directly related to forward sale transactions involving such Margin Stock, other than the net non-Margin Stock proceeds received by Southeast Insurance Company upon the final settlement of such forward sale transactions and (ii) shall include the assets included in the DEVIL Transactions (whether or not such assets are consolidated for financial accounting purposes).

"Consolidated Unencumbered Assets" shall mean, as of any date of determination, all assets of the Borrower and the Subsidiary Guarantors that would, in accordance with GAAP, be classified as assets on a consolidated balance sheet of the Borrower and its Subsidiaries as of such date, provided that such assets are not subject directly or indirectly to any Lien securing any Consolidated Secured Debt as of such date and, provided further that the amount of goodwill included as a part of Consolidated Unencumbered Assets shall not exceed the unamortized amount as of such date of goodwill arising from the acquisitions of Prudential Florida Realty (now Arvida Realty Services, Inc.), Goodman Segar GVA, and Florida Real Estate Advisors (now Advantis). To the extent timberland assets are included as Consolidated Unencumbered Assets, such assets shall be valued at $750 per acre. Consolidated Unencumbered Assets shall

include the real property that is subject to the mortgages securing the intercompany notes pledged pursuant to the Pledge Agreement so long as such mortgages remain unrecorded. Consolidated Unencumbered Assets shall not include Permitted Joint Venture Investments.

"Consolidated Unsecured Debt" shall mean, as of any date of determination, with respect to the Borrower and the Subsidiary Guarantors as of such date, determined on a consolidated basis in accordance with GAAP, all Funded Debt, but only to the extent such Indebtedness is not secured directly or indirectly by any Lien upon or with respect to any assets, whether now owned or hereafter acquired, that would, in accordance with GAAP, be classified as assets on a consolidated balance sheet of the Borrower and its Subsidiaries as of such date (but in all events including the Obligations and the Medium Term Notes).

"Contingent Obligation" shall mean, with respect to any Person, any direct or indirect liability of such Person with respect to any Indebtedness, liability or other obligation (the "primary obligation") of another Person (the "primary obligor"), whether or not contingent, (a) to purchase, repurchase or otherwise acquire such primary obligation or any property constituting direct or indirect security therefor, (b) to advance or provide funds (i) for the payment or discharge of any such primary obligation or (ii) to maintain working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency or any balance sheet item, level of income or financial condition of the primary obligor, (c) 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 in respect thereof to make payment of such primary obligation or (d) otherwise to assure or hold harmless the owner of any such primary obligation against loss or failure or inability to perform in respect thereof; provided, however, that, with respect to the Borrower and its Subsidiaries, the term Contingent Obligation shall not include (i) endorsements for collection or deposit in the ordinary course of business or (ii) the unfunded portion of any Funded Debt of the primary obligor.

"Covenant Compliance Worksheet" shall mean a fully completed worksheet in the form of Attachment A to EXHIBIT C.

"Credit Documents" shall mean this Agreement, the Notes, the Letters of Credit, the Fee Letter, the Subsidiary Guaranty, the Pledge Agreement and all other agreements, instruments, documents and certificates now or hereafter executed and delivered to the Agent or any Lender by or on behalf of the Borrower or any of its Subsidiaries with respect to this Agreement and the transactions contemplated hereby, in each case as amended, modified, supplemented or restated from time to time, but specifically excluding any Hedge Agreement to which the Borrower and any Lender or Affiliate of any Lender are parties.

"Default" shall mean any event or condition that, with the passage of time or giving of notice, or both, would constitute an Event of Default.

"Defaulting Lender" means, at any time, any Lender that, at such time, (i) has failed to make an extension or conversion of, or participation in, a Loan or the issuance or extension of, or participation in, a Letter of Credit, in either case as required pursuant to the terms of this Credit Agreement, (ii) has failed to pay to the Agent or any Lender an amount owned by such Lender pursuant to the terms of the Credit Agreement or any other of the Credit Documents, or (iii) has

been deemed insolvent or has become subject to a bankruptcy or insolvency proceeding or to a receiver, trustee or similar proceeding.

"DEVIL Transactions" shall mean certain structured facility and related transactions pursuant to which an unrelated developer entity will develop new real estate projects under the contractual direction and control of the Borrower, typically on land owned by the Borrower or its Subsidiaries, which transactions will have substantially the following attributes: (i) approximately 90% of the capital for such development will be provided through a loan facility to the developer entity that will be guaranteed by the Borrower; (ii) the Borrower (or a Subsidiary with a guaranty from the Borrower) will lease the completed projects and will have the option to purchase the projects for cost; and, (iii) the Borrower expects that such purchases will be made when they can be matched with land sales to create a tax-free exchange.

"Disqualified Capital Stock" shall mean, with respect to any Person, any Capital Stock of such Person that, by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable), or upon the happening of any event or otherwise, (i) matures or is mandatorily redeemable or subject to any mandatory repurchase requirement, pursuant to a sinking fund obligation or otherwise, (ii) is redeemable or subject to any mandatory repurchase requirement at the sole option of the holder thereof, or (iii) is convertible into or exchangeable for (whether at the option of the issuer or the holder thereof) (a) debt securities or (b) any Capital Stock referred to in (i) or (ii) above, in each case under (i), (ii) or (iii) above at any time on or prior to the first anniversary of the Maturity Date; provided, however, that only the portion of Capital Stock that so matures or is mandatorily redeemable, is so redeemable at the option of the holder thereof, or is so convertible or exchangeable on or prior to such date shall be deemed to be Disqualified Capital Stock.

"Distribution and Recapitalization Agreement" shall mean the Distribution and Recapitalization Agreement, dated as of October 26, 1999, between the Borrower and Florida East Coast Industries, Inc

"Dollars" or "$" shall mean dollars of the United States of America.

"ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended from time to time, and any successor statute, and all rules and regulations from time to time promulgated thereunder.

"ERISA Affiliate" shall mean any Person (including any trade or business, whether or not incorporated) that would be deemed to be under "common control" with, or a member of the same "controlled group" as, the Borrower or any of its Subsidiaries, within the meaning of Sections 414(b), (c), (m) or (o) of the Internal Revenue Code or Section 4001 of ERISA.

"ERISA Event" shall mean any of the following with respect to a Plan or Multiemployer Plan, as applicable: (i) a Reportable Event with respect to a Plan or a Multiemployer Plan, (ii) a complete or partial withdrawal by the Borrower or any ERISA Affiliate from a Multiemployer Plan that results in liability under Section 4201 or 4204 of ERISA, or the receipt by the Borrower or any ERISA Affiliate of notice from a Multiemployer Plan that it is in reorganization or insolvency pursuant to Section 4241 or 4245 of ERISA or that it intends to terminate or has

terminated under Section 4041A of ERISA, (iii) the distribution by the Borrower or any ERISA Affiliate under Section 4041 or 4041A of ERISA of a notice of intent to terminate any Plan or the taking of any action to terminate any Plan, (iv) the commencement of proceedings by the PBGC under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Plan, or the receipt by the Borrower or any ERISA Affiliate of a notice from any Multiemployer Plan that such action has been taken by the PBGC with respect to such Multiemployer Plan, (v) the institution of a proceeding by any fiduciary of any Multiemployer Plan against the Borrower or any ERISA Affiliate to enforce Section 515 of ERISA, which is not dismissed within thirty (30) days, (vi) the imposition upon the Borrower or any ERISA Affiliate of any liability under Title IV of ERISA, other than for PBGC premiums due but not delinquent under Section 4007 of ERISA, or the imposition or threatened imposition of any Lien upon any assets of the Borrower or any ERISA Affiliate as a result of any alleged failure to comply with the Internal Revenue Code or ERISA in respect of any Plan, (vii) the engaging in or otherwise becoming liable for a nonexempt Prohibited Transaction by the Borrower or any ERISA Affiliate, (viii) a violation of the applicable requirements of Section 404 or 405 of ERISA or the exclusive benefit rule under Section 401(a) of the Internal Revenue Code by any fiduciary of any Plan for which the Borrower or any of its ERISA Affiliates may be directly or indirectly liable or (ix) the adoption of an amendment to any Plan that, pursuant to Section 401(a)(29) of the Internal Revenue Code or Section 307 of ERISA, would result in the loss of tax-exempt status of the trust of which such Plan is a part if the Borrower or an ERISA Affiliate fails to timely provide security to such Plan in accordance with the provisions of such sections.

"Eligible Assignee" shall mean (i) a commercial bank organized under the laws of the United States or any state thereof and having total assets in excess of $1,000,000,000, (ii) a commercial bank organized under the laws of any other country that is a member of the Organization for Economic Cooperation and Development or any successor thereto (the "OECD") or a political subdivision of any such country and having total assets in excess of $1,000,000,000, provided that such bank or other financial institution is acting through a branch or agency located in the United States, in the country under the laws of which it is organized or in another country that is also a member of the OECD, (iii) the central bank of any country that is a member of the OECD, (iv) a finance company, insurance company or other financial institution or fund that is engaged in making, purchasing or otherwise investing in loans in the ordinary course of its business and having total assets in excess of $500,000,000, (v) any Affiliate of an existing Lender or (vi) any other Person approved by the Required Lenders, which approval shall not be unreasonably withheld.

"Environmental Claims" shall mean any and all administrative, regulatory or judicial actions, suits, demands, demand letters, claims, liens, accusations, allegations, notices of noncompliance or violation, investigations (other than internal reports prepared by any Person in the ordinary course of its business and not in response to any third party action or request of any kind) or proceedings relating in any way to any actual or alleged violation of or liability under any Environmental Law or relating to any permit issued, or any approval given, under any such Environmental Law (collectively, "Claims"), including, without limitation, (i) any and all Claims by Governmental Authorities for enforcement, cleanup, removal, response, remedial or other actions or damages pursuant to any applicable Environmental Law and (ii) any and all Claims by any third party seeking damages, contribution, indemnification, cost recovery, compensation or

injunctive relief resulting from Hazardous Substances or arising from alleged injury or threat of injury to human health or the environment.

"Environmental Laws" shall mean any and all federal, state and local laws, statutes, ordinances, rules, regulations, permits, licenses, approvals, rules of common law and orders of courts or Governmental Authorities, relating to the protection of human health or occupational safety or the environment, now or hereafter in effect and in each case as amended from time to time, including, without limitation, requirements pertaining to the manufacture, processing, distribution, use, treatment, storage, disposal, transportation, handling, reporting, licensing, permitting, investigation or remediation of Hazardous Substances.

"Event of Default" shall have the meaning given to such term in SECTION 9.1.

"Exchange Act" shall mean the Securities Exchange Act of 1934, as amended from time to time, and any successor statute, and all rules and regulations from time to time promulgated thereunder.

"Fair Market Value" shall mean, with respect to any Capital Stock of the Borrower given in connection with an Acquisition, the value given to such Capital Stock for purposes of such Acquisition by the parties thereto, as determined in good faith pursuant to the relevant acquisition agreement or otherwise in connection with such Acquisition.

"Federal Funds Rate" shall mean, for any period, a fluctuating per annum interest rate (rounded upwards, if necessary, to the nearest 1/100 of one percentage point) equal for each day during such period to the weighted average of the rates on overnight federal funds transactions with 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 that 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.

"Federal Reserve Board" shall mean the Board of Governors of the Federal Reserve System or any successor thereto.

"Fee Letter" shall mean the letter from First Union to the Borrower, dated November 26, 1999, relating to certain fees payable by the Borrower in respect of the transactions contemplated by this Agreement, as amended, modified or supplemented from time to time.

"Financial Condition Certificate" shall mean a fully completed and duly executed certificate, substantially in the form of EXHIBIT G, together with the attachments thereto.

"Financial Officer" shall mean, with respect to the Borrower, the chief financial officer, vice president - finance, principal accounting officer or treasurer of the Borrower, or David F. Childers, III so long as he remains an assistant treasurer of the Borrower.

"Funded Debt" shall mean, with respect to any Person, all Indebtedness for borrowed money of such Person.

"GAAP" shall mean generally accepted accounting principles, as set forth in the statements, opinions and pronouncements of the Accounting Principles Board, the American Institute of Certified Public Accountants and the Financial Accounting Standards Board, consistently applied and maintained, as in effect from time to time (subject to the provisions of SECTION 1.2).

"Governmental Authority" shall mean any nation or government, any state or other political subdivision thereof and any central bank thereof, any municipal, local, city or county government, and any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government, and any corporation or other entity owned or controlled, through stock or capital ownership or otherwise, by any of the foregoing.

"Guarantor Certificate" shall have the meaning given to such term in SECTION 4.2(a)(ii).

"Hazardous Substances" shall mean any substances or materials (i) that are or become defined as hazardous wastes, hazardous substances, pollutants, contaminants or toxic substances under any Environmental Law, (ii) that are defined by any Environmental Law as toxic, explosive, corrosive, ignitable, infectious, radioactive, mutagenic or otherwise hazardous, (iii) the presence of which require investigation or response under any Environmental Law, (iv) that constitute a nuisance, trespass or health or safety hazard to Persons or neighboring properties, (v) that consist of underground or aboveground storage tanks, whether empty, filled or partially filled with any substance, or (vi) that contain, without limitation, asbestos, polychlorinated biphenyls, urea formaldehyde foam insulation, petroleum hydrocarbons, petroleum derived substances or wastes, crude oil, nuclear fuel, natural gas or synthetic gas.

"Hedge Agreement" shall mean any interest or foreign currency rate swap, cap, collar, option, hedge, forward rate or other similar agreement or arrangement designed to protect against fluctuations in interest rates or currency exchange rates.

"Indebtedness" shall mean, with respect to any Person (without duplication), (i) all indebtedness and obligations of such Person for borrowed money or in respect of loans or advances of any kind, (ii) all obligations of such Person evidenced by notes, bonds, debentures or similar instruments (including the Medium Term Notes), (iii) all reimbursement obligations of such Person with respect to surety bonds, letters of credit and bankers' acceptances (in each case, whether or not drawn or matured and in the stated amount thereof), (iv) all obligations of such Person to pay the deferred purchase price of property or services, (v) all indebtedness created or arising under any conditional sale or other title retention agreement with respect to property acquired by such Person, (vi) all obligations of such Person as lessee under leases that are or are required to be, in accordance with GAAP, recorded as capital leases, to the extent such obligations are required to be so recorded, (vii) all Disqualified Capital Stock issued by such Person, with the amount of Indebtedness represented by such Disqualified Capital Stock being equal to the greater of its voluntary or involuntary liquidation preference and its maximum fixed repurchase price, but excluding accrued dividends, if any (for purposes hereof, the "maximum fixed repurchase price" of any Disqualified Capital Stock that does not have a fixed repurchase price shall be calculated in accordance with the terms of such Disqualified Capital Stock as if such Disqualified Capital Stock were purchased on any date on which Indebtedness shall be required to be determined pursuant to this Agreement, and if such price is based upon, or

measured by, the fair market value of such Disqualified Capital Stock, such fair market value shall be determined reasonably and in good faith by the board of directors or other governing body of the issuer of such Disqualified Capital Stock), (viii) the net termination obligations of such Person under any Hedge Agreements, calculated as of any date as if such agreement or arrangement were terminated as of such date, (ix) all Contingent Obligations of such Person and (x) all indebtedness referred to in clauses (i) through (ix) above secured by any Lien on any property or asset owned or held by such Person regardless of whether the indebtedness secured thereby shall have been assumed by such Person or is nonrecourse to the credit of such Person.

"Initial Agreement" shall have the meaning given to such term in the Recitals hereto.

"Initial Closing Date" shall mean March 30, 2000.

"Interest Coverage Ratio" shall mean, as of the last day of any fiscal quarter, the ratio of (i) Consolidated EBITDA for the period of two consecutive fiscal quarters then ending to (ii) Consolidated Interest Expense for such period.

"Interest Period" shall have the meaning given to such term in SECTION 2.10.

"Internal Revenue Code" shall mean the Internal Revenue Code of 1986, as amended from time to time, and any successor statute, and all rules and regulations from time to time promulgated thereunder.

"Investment" shall have the meaning given to such term in SECTION 8.5.

"Issuing Lender" shall mean First Union in its capacity as issuer of the Letters of Credit, and its successors in such capacity.

"Joint Venture" shall mean a Person in which the Borrower has made a Permitted Joint Venture Investment.

"LIBOR Loan" shall mean, at any time, any Loan that bears interest at such time at the Adjusted LIBOR Rate.

"LIBOR Rate" shall mean, with respect to each LIBOR Loan comprising part of the same Borrowing for any Interest Period, an interest rate per annum obtained by dividing (i)(y) the rate of interest (rounded upward, if necessary, to the nearest 1/16 of one percentage point) appearing on Telerate Page 3750 (or any successor page) or (z) if no such rate is available, the rate of interest determined by the Agent to be the rate or the arithmetic mean of rates (rounded upward, if necessary, to the nearest 1/16 of one percentage point) at which Dollar deposits in immediately available funds are offered by First Union to first-tier banks in the London interbank Eurodollar market, in each case under (y) and (z) above at approximately 11:00 a.m., London time, two (2) Business Days prior to the first day of such Interest Period for a period substantially equal to such Interest Period and in an amount substantially equal to the amount of First Union's LIBOR Loan comprising part of such Borrowing, by (ii) the amount equal to 1.00 minus the Reserve Requirement (expressed as a decimal) for such Interest Period.

"Lender" shall mean each financial institution signatory hereto and each other financial institution that becomes a "Lender" hereunder pursuant to SECTION 2.1(C) or SECTION 11.7, and their respective successors and assigns. For purposes of the Subsidiary Guaranty only, the term "Lender" shall also mean any Affiliate of any Lender in its capacity as a counterparty to any Hedge Agreement with the Borrower required or permitted under this Agreement.

"Lending Office" shall mean, with respect to any Lender, the office of such Lender designated as its "Lending Office" on its signature page hereto or in an Assignment and Acceptance, or such other office as may be otherwise designated in writing from time to time by such Lender to the Borrower and the Agent. A Lender may designate separate Lending Offices as provided in the foregoing sentence for the purposes of making or maintaining different Types of Loans, and, with respect to LIBOR Loans, such office may be a domestic or foreign branch or Affiliate of such Lender.

"Letter of Credit Exposure" shall mean, with respect to any Lender at any time, such Lender's ratable share (based on the proportion that its Commitment bears to the aggregate Commitments at such time) of the sum of (i) the aggregate Stated Amount of all Letters of Credit outstanding at such time and (ii) the aggregate amount of all Reimbursement Obligations outstanding at such time.

"Letter of Credit Notice" shall have the meaning given to such term in SECTION 3.2.

"Letters of Credit" shall have the meaning given to such term in SECTION 3.1.

"Leverage Ratio" shall mean, as of the last day of any fiscal quarter, the ratio of (i) Consolidated Adjusted Debt as of such date to (ii) Consolidated Total Assets.

"Lien" shall mean any mortgage, pledge, hypothecation, assignment, security interest, lien (statutory or otherwise), preference, priority, charge or other encumbrance of any nature, whether voluntary or involuntary, including, without limitation, the interest of any vendor or lessor under any conditional sale agreement, title retention agreement, capital lease or any other lease or arrangement having substantially the same effect as any of the foregoing.

"Loans" shall mean any or all of the Revolving Loans and the Swingline Loans.

"Margin Stock" shall have the meaning given to such term in Regulation U.

"Material Adverse Change" shall mean a material adverse change in the condition (financial or otherwise), operations, prospects, business, properties or assets of the Borrower and its Subsidiaries, taken as a whole; provided that the transactions substantially as provided for in the Distribution and Recapitalization Agreement shall not be deemed to constitute a Material Adverse Change.

"Material Adverse Effect" shall mean a material adverse effect upon (i) the condition (financial or otherwise), operations, prospects, business, properties or assets of the Borrower and its Subsidiaries, taken as a whole, (ii) the ability of the Borrower or any Subsidiary to perform its obligations under this Agreement or any of the other Credit Documents to which it is a party or (iii) the legality, validity or enforceability of this Agreement or any of the other Credit

Documents or the rights and remedies of the Agent and the Lenders hereunder and thereunder; provided that the transactions substantially as provided for in the Distribution and Recapitalization Agreement shall not be deemed to have a Material Adverse Effect.

"Material Contract" shall have the meaning given to such term in SECTION 5.18.

"Maturity Date" shall mean March 30, 2004; provided, however, that the Maturity Date may be extended for additional one-year periods if (i) the Agent receives a request for such extension at least fourteen (14) months prior to the stated Maturity Date then in effect and (ii) one hundred percent (100%) of the Lenders (including any replacement Lenders acceptable to Borrower and Agent) approve such extension within one (1) year prior to the Maturity Date in effect at such time.

"Medium Term Notes" shall mean the senior notes of the Borrower issued on or about the date hereof in the aggregate principal amount of $175,000,000 and with varying maturities of up to ten years, which notes rank pari passu in right of repayment with the Obligations.

"Multiemployer Plan" shall mean any "multiemployer plan" within the meaning of Section 4001(a)(3) of ERISA to which the Borrower or any ERISA Affiliate makes, is making or is obligated to make contributions or has made or been obligated to make contributions.

"Notes" shall mean any or all of the Revolving Notes and the Swingline Note.

"Notice of Borrowing" shall have the meaning given to such term in SECTION 2.2(b).

"Notice of Conversion/Continuation" shall have the meaning given to such term in SECTION 2.11(b).

"Notice of Swingline Borrowing" shall have the meaning given to such term in SECTION 2.2(d).

"Obligations" shall mean all principal of and interest (including, to the greatest extent permitted by law, post-petition interest) on the Loans, all Reimbursement Obligations and all fees, expenses, indemnities and other obligations owing, due or payable at any time by the Borrower to the Agent, any Lender, the Issuing Lender or any other Person entitled thereto, under this Agreement or any of the other Credit Documents.

"PBGC" shall mean the Pension Benefit Guaranty Corporation and any successor thereto.

"Participant" shall have the meaning given to such term in SECTION 11.7(d).

"Permitted Acquisition" shall mean (a) any Acquisition with respect to which all of the following conditions are satisfied: (i) each business acquired shall be within the permitted lines of business described in SECTION 8.9, (ii) any Capital Stock given as consideration in connection therewith shall be Capital Stock of the Borrower, (iii) in the case of an Acquisition involving the acquisition of control of Capital Stock of any Person, immediately after giving effect to such Acquisition such Person (or the surviving Person, if the Acquisition is effected through a merger or consolidation) shall be the Borrower or a Wholly Owned Subsidiary Guarantor, and (iv) all of

the conditions and requirements of SECTIONS 6.8 and 6.9 applicable to such Acquisition are satisfied; or (b) any other Acquisition to which the Required Lenders (or the Agent on their behalf) shall have given their prior written consent (which consent may be in their sole discretion and may be given subject to such additional terms and conditions as the Required Lenders shall establish) and with respect to which all of the conditions and requirements set forth in this definition and in SECTION 6.8, and in or pursuant to any such consent, have been satisfied or waived in writing by the Required Lenders (or the Agent on their behalf).

"Permitted Joint Venture Investment" shall mean (a) any Investment by the Borrower or any Wholly-Owned Subsidiary Guarantor with respect to which all of the following conditions are satisfied: (i) the Person in which the Investment is made is engaged principally in the real estate development business or otherwise in one or more of the permitted lines of business described in SECTION 8.9, and (ii) all of the conditions and requirements of SECTION 6.10 applicable to such Investment are satisfied; or (b) any other Investment to which the Required Lenders (or the Agent on their behalf) shall have given their prior written consent (which consent may be in their sole discretion and may be given subject to such additional terms and conditions as the Required Lenders shall establish) and with respect to which all of the conditions and requirements set forth in this definition and in SECTION 6.10, and in or pursuant to any such consent, have been satisfied or waived in writing by the Required Lenders (or the Agent on their behalf).

"Permitted Liens" shall have the meaning given to such term in SECTION 8.3.

"Person" shall mean any corporation, association, joint venture, partnership, limited liability company, organization, business, individual, trust, government or agency or political subdivision thereof or any other legal entity.

"Plan" shall mean any "employee pension benefit plan" within the meaning of Section 3(2) of ERISA that is subject to the provisions of Title IV of ERISA (other than a Multiemployer Plan) and to which the Borrower or any ERISA Affiliate may have any liability.

"Pledge Agreement' shall mean the Amended and Restated Pledge Agreement, dated on or about the Second Amendment Closing Date, between St. Joe Finance Company, First Union, as collateral agent, the Lenders and the holders of the Medium Term Notes, as amended, modified or supplemented from time to time.

"Pro Forma Balance Sheet" shall have the meaning given to such term in SECTION 5.11(b).

"Prohibited Transaction" shall mean any transaction described in (i) Section 406 of ERISA that is not exempt by reason of Section 408 of ERISA or by reason of a Department of Labor prohibited transaction individual or class exemption or (ii) Section 4975(c) of the Internal Revenue Code that is not exempt by reason of Section 4975(c)(2) or 4975(d) of the Internal Revenue Code.

"Project" shall mean any real estate development project in which either the Borrower or its Subsidiaries has a financial interest, either directly or through any Joint Venture.

"Project Contingent Liabilities" shall mean, with respect to each Project as of any date of determination, the greater of (i) all guarantees of the Borrower and its Subsidiary Guarantors of funded indebtedness relating to such Project (other than completion-only guarantees), (ii) the Borrower's and its Subsidiary Guarantors' pro rata share of non-recourse funded indebtedness relating to the Project and (iii) completion-only guarantees, which shall be assigned a value equivalent to (A) ten percent (10%) of total projected Project costs (excluding land) if the general contractor on such project has delivered a completion bond on customary terms for such Project and (B) twenty percent (20%) of total projected Project costs (excluding land) if no such bond has been delivered. For purposes of this definition, "completion-only guarantees" means a guaranty obligation that terminates upon the issuance of (i) a certificate of occupancy (or its equivalent) and (ii) a final lien release from the general contractor. Project Contingent Liabilities shall also include all guarantees or other Contingent Obligations or Indebtedness, without duplication, that are made or incurred by the Borrower or any Subsidiary in connection with the DEVIL Transactions.

"Projections" shall have the meaning given to such term in SECTION 5.11(c).

"Refunded Swingline Loan" shall have the meaning given to such term in SECTION 2.2(e).

"Register" shall have the meaning given to such term in SECTION 11.7(b).

"Regulations D, T, U and X" shall mean Regulations D, T, U and X, respectively, of the Federal Reserve Board, and any successor regulations.

"Reimbursement Obligation" shall have the meaning given to such term in SECTION 3.4.

"Reportable Event" shall mean (i) any "reportable event" within the meaning of Section 4043(c) of ERISA for which the 30-day notice under Section 4043(a) of ERISA has not been waived by the PBGC (including any failure to meet the minimum funding standard of, or timely make any required installment under, Section 412 of the Internal Revenue Code or Section 302 of ERISA, regardless of the issuance of any waivers in accordance with Section 412(d) of the Internal Revenue Code), (ii) any such "reportable event" subject to advance notice to the PBGC under Section 4043(b)(3) of ERISA, (iii) any application for a funding waiver or an extension of any amortization period pursuant to Section 412 of the Internal Revenue Code, and (iv) a cessation of operations described in Section 4062(e) of ERISA.

"Required Lenders" shall mean the Lenders holding outstanding Loans and Unutilized Commitments (or, after the termination of the Commitments, outstanding Loans and Letter of Credit Exposure) representing more than sixty-six and two-thirds percent (66-2/3%) of the aggregate at such time of all outstanding Loans and Unutilized Commitments (or, after the termination of the Commitments, the aggregate at such time of all outstanding Loans and Letter of Credit Exposure); provided that the Commitments of, and outstanding principal amount of outstanding Loans and Letter of Credit Exposure owing to, a Defaulting Lender shall be excluded for purposes hereof in making a determination of Required Lenders.

"Requirement of Law" shall mean, with respect to any Person, the charter, articles or certificate of organization or incorporation and bylaws or other organizational or governing documents of such Person, and any statute, law, treaty, rule, regulation, order, decree, writ,

injunction or determination of any arbitrator or court or other Governmental Authority, in each case applicable to or binding upon such Person or any of its property or to which such Person or any of its property is subject or otherwise pertaining to any or all of the transactions contemplated by this Agreement and the other Credit Documents.

"Reserve Requirement" shall mean, with respect to any Interest Period, the reserve percentage (expressed as a decimal) in effect from time to time during such Interest Period, as provided by the Federal Reserve Board, applied for determining the maximum reserve requirements (including, without limitation, basic, supplemental, marginal and emergency reserves) applicable to First Union under Regulation D with respect to "Eurocurrency liabilities" within the meaning of Regulation D, or under any similar or successor regulation with respect to Eurocurrency liabilities or Eurocurrency funding.

"Responsible Officer" shall mean, with respect to the Borrower, the president, the chief executive officer, the chief financial officer, any executive officer, or any other Financial Officer of the Borrower, and any other officer or similar official thereof responsible for the administration of the obligations of the Borrower in respect of this Agreement.

"Revolving Notes" shall mean the promissory notes of the Borrower in substantially the form of EXHIBIT A-1, together with any amendments, modifications and supplements thereto, substitutions therefor and restatements thereof.

"Second Restatement" shall mean this Second Amended and Restated Credit Agreement.

"Second Restatement Closing Date" shall mean the date hereof.

"Second Restatement Fee Letter" shall mean the letter from First Union to the Borrower relating to certain fees payable by the Borrower in respect of the transactions contemplated by the Second Restatement, as amended, modified or supplemented from time to time.

"St. Joe Capital I" shall mean St. Joe Capital I, Inc., a Delaware corporation that, among other things, owns 99.9% of the Capital Stock of St. Joe Finance Company.

"St. Joe Finance Company" shall mean St. Joe Finance Company, a Florida corporation qualified as a real estate investment trust for federal income tax purposes and capitalized primarily with promissory notes from the Borrower and certain Subsidiary Guarantors, which notes are secured by unrecorded mortgages on substantially all of the real property owned by the Borrower and such Subsidiary Guarantors.

"Stated Amount" shall mean, with respect to any Letter of Credit at any time, the aggregate amount available to be drawn thereunder at such time (regardless of whether any conditions for drawing could then be met).

"Subsidiary" shall mean, with respect to any Person, any corporation or other Person of which more than fifty percent (50%) of the outstanding Capital Stock having ordinary voting power to elect a majority of the board of directors, board of managers or other governing body of such Person, is at the time, directly or indirectly, owned or controlled by such Person and one or more of its other Subsidiaries or a combination thereof (irrespective of whether, at the time,

securities of any other class or classes of any such corporation or other Person shall or might have voting power by reason of the happening of any contingency). When used without reference to a parent entity, the term "Subsidiary" shall be deemed to refer to a Subsidiary of the Borrower.

"Subsidiary Guarantor" shall mean any Subsidiary of the Borrower that is a guarantor under the Subsidiary Guaranty, including as of the Second Restatement Closing Date each Subsidiary listed as a Subsidiary Guarantor on SCHEDULE 5.7.

"Subsidiary Guaranty" shall mean the guaranty agreement in the form attached hereto as EXHIBIT E, initially made by the Subsidiary Guarantors as of March 30, 2000, in favor of the Agent and the Lenders, as amended, modified or supplemented from time to time.

"Swingline Commitment" shall mean Five Million Dollars ($5,000,000) or, if less, the aggregate Commitments at the time of determination, as such amount may be reduced at or prior to such time pursuant to the terms hereof.

"Swingline Lender" shall mean First Union in its capacity as maker of Swingline Loans, and its successors in such capacity.

"Swingline Loan" shall have the meaning given to such term in SECTION 2.1(b).

"Swingline Maturity Date" shall mean the date that is five (5) Business Days prior to the Maturity Date.

"Swingline Note" shall mean the promissory note of the Borrower in substantially the form of EXHIBIT A-2, together with any amendments, modifications, and supplements thereto, substitutions therefor and restatements thereof.

"Termination Date" shall mean the Maturity Date or such earlier date of termination of the Commitments pursuant to SECTION 2.5 or SECTION 9.2.

"Type" shall have the meaning given to such term in SECTION 2.2(a).

"Unfunded Pension Liability" shall mean, with respect to any Plan or Multiemployer Plan, the excess of its benefit liabilities under Section 4001(a)(16) of ERISA over the current value of its assets, determined in accordance with the applicable assumptions used for funding under Section 412 of the Internal Revenue Code for the applicable plan year.

"Unutilized Commitment" shall mean, with respect to any Lender at any time, such Lender's Commitment at such time less the sum of (i) the aggregate principal amount of all Revolving Loans made by such Lender that are outstanding at such time and (ii) such Lender's Letter of Credit Exposure at such time.

"Unutilized Swingline Commitment" shall mean, with respect to the Swingline Lender at any time, the Swingline Commitment at such time less the aggregate principal amount of all Swingline Loans outstanding at such time.

"Wholly Owned" shall mean, with respect to any Subsidiary of any Person, that 100% of the outstanding Capital Stock of such Subsidiary is owned, directly or indirectly, by such Person. Notwithstanding the foregoing, St. Joe Finance Company shall be considered a Wholly Owned Subsidiary of the Borrower so long as not less than 99% (measured by both voting power and economic interest) of the outstanding Capital Stock of St. Joe Finance Company is owned, directly or indirectly, by the Borrower.

1.2 Accounting Terms. Except as specifically provided otherwise in this Agreement, all accounting terms used herein that are not specifically defined shall have the meanings customarily given them in accordance with GAAP. Notwithstanding anything to the contrary in this Agreement, for purposes of calculation of the financial covenants set forth in ARTICLE VII, all accounting determinations and computations hereunder shall be made in accordance with GAAP as in effect as of the date of this Agreement applied on a basis consistent with the application used in preparing the most recent financial statements of the Borrower referred to in SECTION 5.11(a). In the event that any changes in GAAP after such date are required to be applied to the Borrower and would affect the computation of the financial covenants contained in ARTICLE VII, such changes shall be followed only from and after the date this Agreement shall have been amended to take into account any such changes.

1.3 Other Terms; Construction. Unless otherwise specified or unless the context otherwise requires, all references herein to sections, annexes, schedules and exhibits are references to sections, annexes, schedules and exhibits in and to this Agreement, and all terms defined in this Agreement shall have the defined meanings when used in any other Credit Document or any certificate or other document made or delivered pursuant hereto. All references herein to the Lenders or any of them shall be deemed to include the Issuing Lender unless specifically provided otherwise or unless the context otherwise requires.

ARTICLE II

AMOUNT AND TERMS OF THE LOANS

2.1 Commitments; Commitment Increase.

(a) Each Lender severally agrees, subject to and on the terms and conditions of this Agreement, to make loans (each, a "Revolving Loan," and collectively, the "Revolving Loans") to the Borrower, from time to time on any Business Day during the period from and including the Initial Closing Date to but not including the Termination Date, in an aggregate principal amount at any time outstanding not greater than the excess, if any, of its Commitment at such time over its Letter of Credit Exposure at such time, provided that no Borrowing of Revolving Loans shall be made if, immediately after giving effect thereto, the sum of (x) the aggregate principal amount of Revolving Loans outstanding at such time and (y) the aggregate Letter of Credit Exposure of all Lenders at such time and (z) the aggregate principal amount of Swingline Loans outstanding at such time (excluding the aggregate amount of any Swingline Loans to be repaid with proceeds of Revolving Loans made pursuant to such Borrowing) would exceed the aggregate Commitments at such time. Subject to and on the terms and conditions of this Agreement, the Borrower may borrow, repay and reborrow Revolving Loans.

(b) The Swingline Lender agrees, subject to and on the terms and conditions of this Agreement, to make loans (each, a "Swingline Loan," and collectively, the "Swingline Loans") to the Borrower, from time to time on any Business Day during the period from the Initial Closing Date to but not including the Swingline Maturity Date (or, if earlier, the Termination Date), in any aggregate principal amount at any time outstanding not exceeding the Swingline Commitment, notwithstanding that the aggregate principal amount of Swingline Loans outstanding at any time, when added to the aggregate principal amount of the Revolving Loans made by the Swingline Lender in its capacity as a Lender outstanding at such time and its Letter of Credit Exposure at such time, may exceed its Commitment at such time, but provided that no Borrowing of Swingline Loans shall be made if, immediately after giving effect thereto, the sum of (x) the aggregate principal amount of Revolving Loans outstanding at such time, (y) the aggregate Letter of Credit Exposure of all Lenders at such time and (z) the aggregate principal amount of Swingline Loans outstanding at such time would exceed the aggregate Commitments at such time. Subject to and on the terms and conditions of this Agreement, the Borrower may borrow, repay (including by means of a Borrowing of Revolving Loans pursuant to SECTION 2.2(e)) and reborrow Swingline Loans.

(c) Subject to the terms and conditions set forth herein, upon thirty (30) days advance written notice to the Agent, the Borrower shall have the right, at any time prior to the Termination Date, to increase the Commitments by up to $50,000,000 in the aggregate (to an aggregate Commitment of up to $300,000,000); provided that any such increase shall be in a minimum principal amount of $10,000,000 and integral multiples of $5,000,000 in excess thereof (or the remaining available amount, if less). An increase in the Commitments hereunder shall be offered first to the existing Lenders. If the amount of the additional Commitments requested by the Borrower exceeds the amount that the existing Lenders are willing to take, then the Borrower may invite other financial institutions that meet the qualifications for an Eligible Assignee and are otherwise reasonably acceptable to the Agent to become Lenders under the Credit Agreement for the amount of the additional Commitments not taken by existing Lenders. Nothing herein shall require any Lender to increase its Commitment without such Lender's express written consent given in its sole discretion.

(d) Each increase in the Commitments shall be subject to (i) the satisfaction of the conditions for Borrowings set forth in SECTION 4.3, (ii) the receipt by the Agent of a joinder agreement of each new Lender, a written confirmation of its additional Commitment from each applicable existing Lender and such other documentation as the Agent may reasonably request, and (iii) the delivery of new or replacement Revolving Notes reflecting the additional Commitments. If any Revolving Loans are outstanding at the time of any such increase, the Borrower shall request, and the Lenders making the additional Commitments shall make, Revolving Loans in an amount sufficient to repay the other Lenders as necessary to give effect to the revised Commitments and revised Commitment percentages of the Lenders. Such repayments shall include payment of any break-funding amount owing under SECTION 2.18.

2.2 Borrowings.

(a) The Revolving Loans shall, at the option of the Borrower and subject to the terms and conditions of this Agreement, be either Base Rate Loans or LIBOR Loans (each, a "Type" of Loan), provided that all Revolving Loans comprising the same Borrowing shall, unless otherwise

specifically provided herein, be of the same Type. The Swingline Loans shall be made and maintained as Base Rate Loans at all times.

(b) In order to make a Borrowing (other than (x) Borrowings of Swingline Loans, which shall be made pursuant to SECTION 2.2(d), (y) Borrowings for the purpose of repaying Refunded Swingline Loans, which shall be made pursuant to SECTION 2.2(e), and (z) Borrowings involving continuations or conversions of outstanding Revolving Loans, which shall be made pursuant to SECTION 2.11), the Borrower will give the Agent written notice not later than 11:00 a.m., Charlotte time, three (3) Business Days prior to each Borrowing to be comprised of LIBOR Loans and one (1) Business Day prior to each Borrowing to be comprised of Base Rate Loans; provided, however, that requests for the Borrowing of any Revolving Loans to be made on the Initial Closing Date may, at the discretion of the Agent, be given later than the times specified hereinabove. Each such notice (each, a "Notice of Borrowing") shall be irrevocable, shall be given in the form of EXHIBIT B-1 and shall specify (1) the aggregate principal amount and initial Type of the Revolving Loans to be made pursuant to such Borrowing, (2) in the case of a Borrowing of LIBOR Loans, the initial Interest Period to be applicable thereto, and (3) the requested date of such Borrowing (the "Borrowing Date"), which shall be a Business Day. Upon its receipt of a Notice of Borrowing, the Agent will promptly notify each Lender of the proposed Borrowing. Notwithstanding anything to the contrary contained herein:

(i) the aggregate principal amount of each Borrowing comprised of Base Rate Loans shall not be less than $5,000,000 or, if greater, an integral multiple of $1,000,000 in excess thereof (or, if the aggregate Unutilized Commitments are less than $5,000,000, in the amount of the aggregate Unutilized Commitments), and the aggregate principal amount of each Borrowing comprised of LIBOR Loans shall not be less than $5,000,000 or, if greater, an integral multiple of $1,000,000 in excess thereof;

(ii) if the Borrower shall have failed to designate the Type of Loans comprising a Borrowing, the Borrower shall be deemed to have requested a Borrowing comprised of Base Rate Loans; and

(iii) if the Borrower shall have failed to select the duration of the Interest Period to be applicable to any Borrowing of LIBOR Loans, then the Borrower shall be deemed to have selected an Interest Period with a duration of one month.

(c) Not later than 1:00 p.m., Charlotte time, on the requested Borrowing Date, each Lender will make available to the Agent at its office referred to in SECTION 11.5 (or at such other location as the Agent may designate) an amount, in Dollars and in immediately available funds, equal to the amount of the Revolving Loan to be made by such Lender. To the extent the Lenders have made such amounts available to the Agent as provided hereinabove, the Agent will make the aggregate of such amounts available to the Borrower in accordance with SECTION 2.3(b) and in like funds as received by the Agent.

(d) In order to make a Borrowing of a Swingline Loan, the Borrower will give the Agent and the Swingline Lender written notice not later that 11:00 a.m., Charlotte time, on the date of such Borrowing. Each such notice (each, a "Notice of Swingline Borrowing") shall be irrevocable, shall be given in the form of EXHIBIT B-2 and shall specify (i) the principal amount

of the Swingline Loan to be made pursuant to such Borrowing (which shall not be less than $500,000 and, if greater, shall be in an integral multiple of $100,000 in excess thereof (or, if less, in the amount of the Unutilized Swingline Commitment)) and (ii) the requested Borrowing Date, which shall be a Business Day. Not later than 1:00 p.m., Charlotte time, on the requested Borrowing Date, the Swingline Lender will make available to the Agent at its office referred to in SECTION 11.5 (or at such other location as the Agent may designate) an amount, in Dollars and in immediately available funds, equal to the amount of the requested Swingline Loan. To the extent the Swingline Lender has made such amount available to the Agent as provided hereinabove, the Agent will make such amount available to the Borrower in accordance with SECTION 2.3(A) and in like funds as received by the Agent.

(e) With respect to any outstanding Swingline Loans, the Swingline Lender may at any time (whether or not an Event of Default has occurred and is continuing) in its sole and absolute discretion, and is hereby authorized and empowered by the Borrower to, cause a Borrowing of Revolving Loans to be made for the purpose of repaying such Swingline Loans by delivering to the Agent (if the Agent is different from the Swingline Lender) and each other Lender (on behalf of, and with a copy to, the Borrower), not later than 11:00 a.m., Charlotte time, one (1) Business Day prior to the proposed Borrowing Date therefor, a notice (which shall be deemed to be a Notice of Borrowing given by the Borrower) requesting the Lenders to make Revolving Loans (which shall be made initially as Base Rate Loans) on such Borrowing Date in an aggregate amount equal to the amount of such Swingline Loans (the "Refunded Swingline Loans") outstanding on the date such notice is given that the Swingline Lender requests to be repaid. Not later than 1:00 p.m., Charlotte time, on the requested Borrowing Date, each Lender (other than the Swingline Lender) will make available to the Agent at its office referred to in SECTION 11.5 (or at such other location as the Agent may designate) an amount, in Dollars and in immediately available funds, equal to the amount of the Revolving Loan to be made by such Lender. To the extent the Lenders have made such amounts available to the Agent as provided hereinabove, the Agent will make the aggregate of such amounts available to the Swingline Lender in like funds as received by the Agent, which shall apply such amounts in repayment of the Refunded Swingline Loans. Notwithstanding any provision of this Agreement to the contrary, on the relevant Borrowing Date, the Refunded Swingline Loans (including the Swingline Lender's ratable share thereof, in its capacity as a Lender) shall be deemed to be repaid with the proceeds of the Revolving Loans made as provided above (including a Revolving Loan deemed to have been made by the Swingline Lender), and such Refunded Swingline Loans deemed to be so repaid shall no longer be outstanding as Swingline Loans but shall be outstanding as Revolving Loans. If any portion of any such amount repaid (or deemed to be repaid) to the Swingline Lender shall be recovered by or on behalf of the Borrower from the Swingline Lender in any bankruptcy, insolvency or similar proceeding or otherwise, the loss of the amount so recovered shall be shared ratably among all the Lenders in the manner contemplated by SECTION 2.15(b).

(f) If, as a result of any bankruptcy, insolvency or similar proceeding with respect to the Borrower, Revolving Loans are not made pursuant to subsection (e) above in an amount sufficient to repay any amounts owed to the Swingline Lender in respect of any outstanding Swingline Loans, or if the Swingline Lender is otherwise precluded for any reason from giving a notice on behalf of the Borrower as provided for hereinabove, the Swingline Lender shall be deemed to have sold without recourse, representation or warranty, and each Lender shall be

deemed to have purchased and hereby agrees to purchase, a participation in such outstanding Swingline Loans in an amount equal to its ratable share (based on the proportion that its Commitment bears to the aggregate Commitments at such time) of the unpaid amount thereof together with accrued interest thereon. Upon one (1) Business Day's prior notice from the Swingline Lender, each Lender (other than the Swingline Lender) will make available to the Agent at its office referred to in SECTION 11.5 (or at such other location as the Agent may designate) an amount, in Dollars and in immediately available funds, equal to its respective participation. To the extent the Lenders have made such amounts available to the Agent as provided hereinabove, the Agent will make the aggregate of such amounts available to the Swingline Lender in like funds as received by the Agent. In the event any such Lender fails to make available to the Agent the amount of such Lender's participation as provided in this subsection (f), the Swingline Lender shall be entitled to recover such amount on demand from such Lender, together with interest thereon for each day from the date such amount is required to be made available for the account of the Swingline Lender until the date such amount is made available to the Swingline Lender at the Federal Funds Rate for the first three (3) Business Days and thereafter at the Base Rate applicable to Loans. Promptly following its receipt of any payment by or on behalf of the Borrower in respect of a Swingline Loan, the Swingline Lender will pay to each Lender that has acquired a participation therein such Lender's ratable share of such payment.

(g) Notwithstanding any provision of this Agreement to the contrary, the obligation of each Lender (other than the Swingline Lender) to make Revolving Loans for the purpose of repaying any Refunded Swingline Loans pursuant to subsection (e) above and each such Lender's obligation to purchase a participation in any unpaid Swingline Loans pursuant to subsection (f) above shall be absolute and unconditional and shall not be affected by any circumstance or event whatsoever, including, without limitation, (i) any set-off, counterclaim, recoupment, defense or other right that such Lender may have against the Swingline Lender, the Agent, the Borrower or any other Person for any reason whatsoever, (ii) the occurrence or continuance of any Default or Event of Default, (iii) any adverse change in the business, operations, properties, assets, condition (financial or otherwise) or prospects of the Borrower or any of its Subsidiaries, or (iv) any breach of this Agreement by any party hereto.

2.3 Disbursements; Funding Reliance; Domicile of Loans.

(a) The Borrower hereby authorizes the Agent to disburse the proceeds of each Borrowing in accordance with the terms of any written instructions from any of the Authorized Officers, provided that the Agent shall not be obligated under any circumstances to forward amounts to any account not listed in an Account Designation Letter. The Borrower may at any time deliver to the Agent an Account Designation Letter listing any additional accounts or deleting any accounts listed in a previous Account Designation Letter.

(b) Unless the Agent has received, prior to 1:00 p.m., Charlotte time, on the relevant Borrowing Date, written notice from a Lender that such Lender will not make available to the Agent such Lender's ratable portion of the relevant Borrowing, the Agent may assume that such Lender has made such portion available to the Agent in immediately available funds on such Borrowing Date in accordance with the applicable provisions of SECTION 2.2, and the Agent may, in reliance upon such assumption, but shall not be obligated to, make a corresponding amount

available to the Borrower on such Borrowing Date. If and to the extent that such Lender shall not have made such portion available to the Agent, and the Agent shall have made such corresponding amount available to the Borrower, such Lender, on the one hand, and the Borrower, on the other, severally agree to pay to the Agent forthwith on demand such corresponding amount, together with interest thereon for each day from the date such amount is made available to the Borrower until the date such amount is repaid to the Agent, (i) in the case of such Lender, at the Federal Funds Rate, and (ii) in the case of the Borrower, at the rate of interest applicable at such time to the Type of Revolving Loans comprising such Borrowing, as determined under the provisions of SECTION 2.8; provided, that Borrower shall not be in default of its obligation to make such repayment to the Agent if the repayment is made within one Business Day of Borrower's receipt of notice of such obligation. If such Lender shall repay to the Agent such corresponding amount, such amount shall constitute such Lender's Revolving Loan as part of such Borrowing for purposes of this Agreement. The failure of any Lender to make any Revolving Loan required to be made by it as part of any Borrowing shall not relieve any other Lender of its obligation, if any, hereunder to make its Revolving Loan as part of such Borrowing, but no Lender shall be responsible for the failure of any other Lender to make the Revolving Loan to be made by such other Lender as part of any Borrowing.

(c) Each Lender may, at its option, make and maintain any Revolving Loan at, to or for the account of any of its Lending Offices, provided that any exercise of such option shall not affect the obligation of the Borrower to repay such Revolving Loan to or for the account of such Lender in accordance with the terms of this Agreement.

2.4 Notes.

(a) The Revolving Loans made by each Lender shall be evidenced by a Revolving Note appropriately completed in substantially the form of EXHIBIT A-1. The Swingline Loans made by the Swingline Lender shall be evidenced by a Swingline Note appropriately completed in substantially the form of EXHIBIT A-2.

(b) Each Revolving Note issued to a Lender shall (i) be executed by the Borrower, (ii) be payable to the order of such Lender, (iii) be dated as of the Initial Closing Date (or, in the case of a Revolving Note issued after the Initial Closing Date, dated the effective date of the applicable Assignment and Acceptance), (iv) be in a stated principal amount equal to such Lender's Commitment, (v) bear interest in accordance with the provisions of SECTION 2.8, as the same may be applicable from time to time to the Revolving Loans made by such Lender, and (vi) be entitled to all of the benefits of this Agreement and the other Credit Documents and subject to the provisions hereof and thereof.

(c) The Swingline Note shall (i) be executed by the Borrower, (ii) be payable to the order of the Swingline Lender, (iii) be dated as of the Initial Closing Date, (iv) be in a stated principal amount equal to the Swingline Commitment, (v) bear interest in accordance with the provisions of SECTION 2.8, as the same may be applicable from time to time to the Swingline Loans, and (vi) be entitled to all the benefits of this Agreement and the other Credit Documents and subject to the provisions hereof and thereof.

(d) Each Lender will record on its internal records the amount and Type of each Revolving Loan made by it and each payment received by it in respect thereof and will, in the event of any transfer of any of its Revolving Notes, either endorse on the reverse side thereof or on a schedule attached thereto (or any continuation thereof) the outstanding principal amount and Type of the Revolving Loans evidenced thereby as of the date of transfer or provide such information on a schedule to the Assignment and Acceptance relating to such transfer; provided, however, that the failure of any Lender to make any such recordation or provide any such information, or any error therein, shall not affect the Borrower's obligations under this Agreement or the Revolving Notes.

2.5 Termination and Reduction of Commitments.

(a) The Commitments shall be automatically and permanently terminated on the Termination Date. The Swingline Commitment shall be automatically and permanently terminated on the Swingline Maturity Date, unless sooner terminated pursuant to any other provision of this section or SECTION 9.2.

(b) At any time and from time to time after the date hereof, upon not less than five (5) Business Days' prior written notice to the Agent, the Borrower may terminate in whole or reduce in part the aggregate Unutilized Commitments, provided that any such partial reduction shall be in an aggregate amount of not less than $5,000,000 ($1,000,000 in the case of the Swingline Commitment) or an integral multiple thereof. The amount of any termination or reduction made under this subsection (b) may not thereafter be reinstated.

(c) Each reduction of the Commitments pursuant to this Section shall be applied ratably among the Lenders according to their respective Commitments. Notwithstanding any provision of this Agreement to the contrary, any reduction of Commitments pursuant to this Section that has the effect of reducing the aggregate Commitments to an amount less than the amount of the Swingline Commitment at such time, shall result in an automatic corresponding reduction of the Swingline Commitment to the amount of the aggregate Commitments (as so reduced), without any further action on the part of the Borrower or the Swingline Lender.

2.6 Mandatory Payments and Prepayments.

(a) Except to the extent due or paid sooner pursuant to the provisions of this Agreement, the aggregate outstanding principal of the Revolving Loans shall be due and payable in full on the Maturity Date and the aggregate outstanding principal of the Swingline Loans shall be due and payable in full on the Swingline Maturity Date.

(b) In the event that, at any time, the sum of (x) the aggregate principal amount of Revolving Loans outstanding at such time, (y) the aggregate Letter of Credit Exposure of all Lenders at such time and (z) the aggregate principal amount of Swingline Loans outstanding at such time (excluding the aggregate amount of any Swingline Loans to be repaid with proceeds of Revolving Loans made on the date of determination) shall exceed the aggregate Commitments at such time (after giving effect to any concurrent termination or reduction thereof), the Borrower will immediately prepay outstanding principal amount of the Swingline Loans and, to the extent of any excess remaining after prepayment in full of outstanding Swingline Loans, the Borrower

will immediately prepay the outstanding principal amount of the Revolving Loans in the amount of such excess; provided that, to the extent such excess amount is greater than the aggregate principal amount of Swingline Loans and Revolving Loans outstanding immediately prior to the application of such prepayment, the amount so prepaid shall be retained by the Agent and held in the Cash Collateral Account as cover for Letter of Credit Exposure, as more particularly described in SECTION 3.8, and thereupon such cash shall be deemed to reduce the aggregate Letter of Credit Exposure by an equivalent amount.

(c) Each payment or prepayment of a LIBOR Loan made pursuant to the provisions of this Section on a day other than the last day of the Interest Period applicable thereto shall be made together with all amounts required under SECTION 2.18 to be paid as a consequence thereof.

2.7 Voluntary Prepayments.

(a) At any time and from time to time, the Borrower shall have the right to prepay the Loans, in whole or in part, without premium or penalty (except as provided in clause (iii) below), upon written notice given to the Agent not later than 11:00 a.m., Charlotte time, three (3) Business Days prior to each intended prepayment of LIBOR Loans, one (1) Business Day prior to each intended prepayment of Base Rate Loans (other than Swingline Loans) and the day of each intended prepayment of Swingline Loans, provided that (i) each partial prepayment shall be in an aggregate principal amount of not less than $5,000,000 or, if greater, an integral multiple of $1,000,000 in excess thereof, ($100,000 and $100,000, respectively, in the case of Swingline Loans), (ii) no partial prepayment of LIBOR Loans made pursuant to any single Borrowing shall reduce the aggregate outstanding principal amount of the remaining LIBOR Loans under such Borrowing to less than $5,000,000 or to any greater amount not an integral multiple of $1,000,000 in excess thereof, and (iii) unless made together with all amounts required under SECTION 2.18 to be paid as a consequence of such prepayment, a prepayment of a LIBOR Loan may be made only on the last day of the Interest Period applicable thereto. Each such notice shall specify the proposed date of such prepayment and the aggregate principal amount and Type of the Loans to be prepaid (and, in the case of LIBOR Loans, the Interest Period of the Borrowing pursuant to which made), and shall be irrevocable and shall bind the Borrower to make such prepayment on the terms specified therein. Revolving Loans and Swingline Loans prepaid pursuant to this subsection (a) may be reborrowed, subject to the terms and conditions of this Agreement.

(b) Each prepayment of the Loans made pursuant to subsection (a) above shall be applied ratably among the Lenders holding the Loans being prepaid, in proportion to the principal amount held by each.

2.8 Interest.

(a) The Borrower will pay interest in respect of the unpaid principal amount of each Loan, from the date of Borrowing thereof until such principal amount shall be paid in full, (i) at the Base Rate, as in effect from time to time during such periods as such Loan is a Base Rate Loan, and (ii) at the Adjusted LIBOR Rate, as in effect from time to time during such periods as such Loan is a LIBOR Loan.

(b) Upon the occurrence and during the continuance of any default by the Borrower in the payment of any principal of or interest on any Loan, any fees or other amount hereunder when due (whether at maturity, pursuant to acceleration or otherwise), and (at the election of the Required Lenders) upon the occurrence and during the continuance of any Event of Default, all outstanding principal amounts of the Loans and, to the greatest extent permitted by law, all interest accrued on the Loans and all other accrued and outstanding fees and other amounts hereunder, shall bear interest at a rate per annum equal to the interest rate applicable from time to time thereafter to such Loans (whether the Base Rate or the Adjusted LIBOR Rate) plus 4% (or, in the case of fees and other amounts, at the Base Rate plus 4%), and, in each case, such default interest shall be payable on demand. To the greatest extent permitted by law, interest shall continue to accrue after the filing by or against the Borrower of any petition seeking any relief in bankruptcy or under any law pertaining to insolvency or debtor relief.

(c) Accrued (and theretofore unpaid) interest shall be payable as follows:

(i) in respect of each Base Rate Loan (including any Base Rate Loan or portion thereof paid or prepaid pursuant to the provisions of SECTION 2.6, except as provided hereinbelow), in arrears on the last Business Day of each calendar quarter, beginning with the first such day to occur after the Initial Closing Date; provided, that in the event the Loans are repaid or prepaid in full and the Commitments have been terminated, then accrued interest in respect of all Base Rate Loans shall be payable together with such repayment or prepayment on the date thereof;

(ii) in respect of each LIBOR Loan (including any LIBOR Loan or portion thereof paid or prepaid pursuant to the provisions of SECTION 2.6, except as provided hereinbelow), in arrears (y) on the last Business Day of the Interest Period applicable thereto (subject to the provisions of clause (iv) in SECTION 2.10) and (z) in addition, in the case of a LIBOR Loan with an Interest Period having a duration of six months, on each date on which interest would have been payable under clause (y) above had successive Interest Periods of three months' duration been applicable to such LIBOR Loan; provided, that in the event all LIBOR Loans made pursuant to a single Borrowing are repaid or prepaid in full, then accrued interest in respect of such LIBOR Loans shall be payable together with such repayment or prepayment on the date thereof; and

(iii) in respect of any Loan, at maturity (whether pursuant to acceleration or otherwise) and, after maturity, on demand.

(d) Nothing contained in this Agreement or in any other Credit Document shall be deemed to establish or require the payment of interest to any Lender at a rate in excess of the maximum rate permitted by applicable law. If the amount of interest payable for the account of any Lender on any interest payment date would exceed the maximum amount permitted by applicable law to be charged by such Lender, the amount of interest payable for its account on such interest payment date shall be automatically reduced to such maximum permissible amount. In the event of any such reduction affecting any Lender, if from time to time thereafter the amount of interest payable for the account of such Lender on any interest payment date would be less than the maximum amount permitted by applicable law to be charged by such Lender, then the amount of interest payable for its account on such subsequent interest payment date shall be

automatically increased to such maximum permissible amount, provided that at no time shall the aggregate amount by which interest paid for the account of any Lender has been increased pursuant to this sentence exceed the aggregate amount by which interest paid for its account has theretofore been reduced pursuant to the previous sentence.

(e) The Agent shall promptly notify the Borrower and the Lenders upon determining the interest rate for each Borrowing of LIBOR Loans after its receipt of the relevant Notice of Borrowing or Notice of Conversion/Continuation, and upon each change in the Base Rate; provided, however, that the failure of the Agent to provide the Borrower or the Lenders with any such notice shall neither affect any obligations of the Borrower or the Lenders hereunder nor result in any liability on the part of the Agent to the Borrower or any Lender. Each such determination (including each determination of the Reserve Requirement) shall, absent manifest error, be conclusive and binding on all parties hereto.

2.9 Fees. The Borrower agrees to pay:

(a) To the Agent, for the account of each Lender, a facility fee for each calendar quarter (or portion thereof) for the period from the Initial Closing Date to the Termination Date, at a per annum rate equal to the Applicable Margin Percentage in effect for such fee from time to time during such quarter, on such Lender's Commitment, payable in arrears (i) on the last Business Day of each calendar quarter, beginning with the first such day to occur after the Initial Closing Date, and (ii) on the Termination Date;

(b) To the Agent, for the account of each Lender, a letter of credit fee for each calendar quarter (or portion thereof) in respect of all Letters of Credit outstanding during such quarter, at a per annum rate equal to the Applicable Margin Percentage in effect from time to time during such quarter for Loans that are maintained as LIBOR Loans, on such Lender's ratable share (based on the proportion that its Commitment bears to the aggregate Commitments) of the daily average aggregate Stated Amount of such Letters of Credit, payable in arrears (i) on the last Business Day of each calendar quarter, beginning with the first such day to occur after the Initial Closing Date, and (ii) on the later of the Termination Date and the date of termination of the last outstanding Letter of Credit;

(c) To the Issuing Lender, for its own account, a facing fee for each calendar quarter (or portion thereof) in respect of all Letters of Credit outstanding during such quarter, at a per annum rate of 0.125% on the daily average aggregate Stated Amount of such Letters of Credit, payable in arrears (i) on the last Business Day of each calendar quarter, beginning with the first such day to occur after the Initial Closing Date, and (ii) on the later of the Termination Date and the date of termination of the last outstanding Letter of Credit;

(d) To the Agent, for its own account, the annual administrative fee described in the Fee Letter, on the terms, in the amount and at the times set forth therein; and

(e) To the Agent, for its own account and for the account of the Lenders, on the Second Restatement Closing Date, the fees set forth in the Second Restatement Fee Letter, including the amendment and extension fees payable to the Agent on behalf of the Lenders.

2.10 Interest Periods. Concurrently with the giving of a Notice of Borrowing or Notice of Conversion/Continuation in respect of any Borrowing comprised of Base Rate Loans to be converted into, or LIBOR Loans to be continued as, LIBOR Loans, the Borrower shall have the right to elect, pursuant to such notice, the interest period (each, an "Interest Period") to be applicable to such LIBOR Loans, which Interest Period shall, at the option of the Borrower, be a one, two, three or six-month period; provided, however, that:

(i) all LIBOR Loans comprising a single Borrowing shall at all times have the same Interest Period (and the foregoing shall not be deemed to prevent the Borrower from making separate Borrowings on the same day of LIBOR Loans with different Interest Periods, subject to the limitation of clause (iii) below);

(ii) the initial Interest Period for any LIBOR Loan shall commence on the date of the Borrowing of such LIBOR Loan (including the date of any continuation of, or conversion into, such LIBOR Loan), and each successive Interest Period applicable to such LIBOR Loan shall commence on the day on which the next preceding Interest Period applicable thereto expires;

(iii) LIBOR Loans may not be outstanding under more than five (5) separate Interest Periods at any one time (for which purpose Interest Periods shall be deemed to be separate even if they are coterminous);

(iv) if any Interest Period otherwise would expire on a day that is not a Business Day, such Interest Period shall expire on the next succeeding Business Day unless such next succeeding Business Day falls in another calendar month, in which case such Interest Period shall expire on the next preceding Business Day;

(v) the Borrower may not select any Interest Period that begins prior to the third (3rd) Business Day after the Initial Closing Date or that expires after the Maturity Date; and

(vi) if any Interest Period begins on a day for which there is no numerically corresponding day in the calendar month during which such Interest Period would otherwise expire, such Interest Period shall expire on the last Business Day of such calendar month.

2.11 Conversions and Continuations.

(a) Except in the case of any Swingline Loan, the Borrower shall have the right, on any Business Day occurring on or after the Initial Closing Date, to elect (i) to convert all or a portion of the outstanding principal amount of any Base Rate Loans into one or more LIBOR Loans, or to convert any LIBOR Loans the Interest Periods for which end on the same day into Base Rate Loans, or (ii) upon the expiration of any Interest Period, to continue all or a portion of the outstanding principal amount of any LIBOR Loans the Interest Periods for which end on the same day for an additional Interest Period, provided that (x) any such conversion of LIBOR Loans into Base Rate Loans shall involve an aggregate principal amount of not less than $5,000,000 or, if greater, an integral multiple of $1,000,000 in excess thereof; any such conversion of Base Rate Loans into, or continuation of, LIBOR Loans shall involve an aggregate

principal amount of not less than $5,000,000 or, if greater, an integral multiple of $1,000,000 in excess thereof; and no partial conversion of LIBOR Loans made pursuant to a single Borrowing shall reduce the outstanding principal amount of such LIBOR Loans to less than $5,000,000 or to any greater amount not an integral multiple of $1,000,000 in excess thereof, (y) except as otherwise provided in SECTION 2.16(d), LIBOR Loans may be converted into Base Rate Loans only on the last day of the Interest Period applicable thereto (and, in any event, if a LIBOR Loan is converted into a Base Rate Loan on any day other than the last day of the Interest Period applicable thereto, the Borrower will pay, upon such conversion, all amounts required under SECTION 2.18 to be paid as a consequence thereof), and (z) no conversion of Base Rate Loans into LIBOR Loans or continuation of LIBOR Loans shall be permitted during the continuance of a Default or Event of Default.

(b) The Borrower shall make each such election by giving the Agent written notice not later than 11:00 a.m., Charlotte time, three (3) Business Days prior to the intended effective date of any conversion of Base Rate Loans into, or continuation of, LIBOR Loans and one (1) Business Day prior to the intended effective date of any conversion of LIBOR Loans into Base Rate Loans. Each such notice (each, a "Notice of Conversion/Continuation") shall be irrevocable, shall be given in the form of EXHIBIT B-3 and shall specify (x) the date of such conversion or continuation (which shall be a Business Day), (y) in the case of a conversion into, or a continuation of, LIBOR Loans, the Interest Period to be applicable thereto, and (z) the aggregate amount and Type of the Loans being converted or continued. Upon the receipt of a Notice of Conversion/Continuation, the Agent will promptly notify each Lender of the proposed conversion or continuation. In the event that the Borrower shall fail to deliver a Notice of Conversion/Continuation as provided herein with respect to any outstanding LIBOR Loans, such LIBOR Loans shall automatically be converted to Base Rate Loans upon the expiration of the then current Interest Period applicable thereto (unless repaid pursuant to the terms hereof). In the event the Borrower shall have failed to select in a Notice of Conversion/Continuation the duration of the Interest Period to be applicable to any conversion into, or continuation of, LIBOR Loans, then the Borrower shall be deemed to have selected an Interest Period with a duration of one month.

2.12 Method of Payments; Computations.

(a) All payments by the Borrower hereunder shall be made without setoff, counterclaim or other defense, in Dollars and in immediately available funds to the Agent, for the account of the Lenders entitled to such payment or the Swingline Lender, as applicable (except as otherwise expressly provided herein as to payments required to be made directly to the Issuing Lender and the Lenders) at its office referred to in SECTION 11.5, prior to 12:00 noon, Charlotte time, on the date payment is due. Any payment made as required hereinabove, but after 12:00 noon, Charlotte time, shall be deemed to have been made on the next succeeding Business Day. If any payment falls due on a day that is not a Business Day, then such due date shall be extended to the next succeeding Business Day (except that in the case of LIBOR Loans to which the provisions of clause (iv) in SECTION 2.10 are applicable, such due date shall be the next preceding Business Day), and such extension of time shall then be included in the computation of payment of interest, fees or other applicable amounts.

(b) The Agent will distribute to the Lenders like amounts relating to payments made to the Agent for the account of the Lenders as follows: (i) if the payment is received by 12:00 noon, Charlotte time, in immediately available funds, the Agent will make available to each relevant Lender on the same date, by wire transfer of immediately available funds, such Lender's ratable share of such payment (based on the percentage that the amount of the relevant payment owing to such Lender bears to the total amount of such payment owing to all of the relevant Lenders), and (ii) if such payment is received after 12:00 noon, Charlotte time, or in other than immediately available funds, the Agent will make available to each such Lender its ratable share of such payment by wire transfer of immediately available funds on the next succeeding Business Day (or in the case of uncollected funds, as soon as practicable after collected). If the Agent shall not have made a required distribution to the appropriate Lenders as required hereinabove after receiving a payment for the account of such Lenders, the Agent will pay to each such Lender, on demand, its ratable share of such payment with interest thereon at the Federal Funds Rate for each day from the date such amount was required to be disbursed by the Agent until the date repaid to such Lender. The Agent will distribute to the Issuing Lender like amounts relating to payments made to the Agent for the account of the Issuing Lender in the same manner, and subject to the same terms and conditions, as set forth hereinabove with respect to distributions of amounts to the Lenders.

(c) Unless the Agent shall have received written notice from the Borrower prior to the date on which any payment is due to any Lender hereunder that such payment will not be made in full, the Agent may assume that the Borrower has made such payment in full to the Agent on such date, and the Agent may, in reliance on such assumption, but shall not be obligated to, cause to be distributed to such Lender on such due date an amount equal to the amount then due to such Lender. If and to the extent the Borrower shall not have so made such payment in full to the Agent, and without limiting the obligation of the Borrower to make such payment in accordance with the terms hereof, such Lender shall repay to the Agent forthwith on demand such amount so distributed to such Lender, together with interest thereon for each day from the date such amount is so distributed to such Lender until the date repaid to the Agent, at the Federal Funds Rate.

(d) All computations of interest and fees hereunder (including computations of the Reserve Requirement) shall be made on the basis of a year consisting of (i) in the case of Base Rate Loans, 365 or 366 days, as the case may be and (ii) in all other instances, 360 days and the actual number of days (including the first day, but excluding the last day) elapsed.

2.13 Recovery of Payments.

(a) The Borrower agrees that to the extent the Borrower makes a payment or payments to or for the account of the Agent, any Lender or the Issuing Lender, which payment or payments or any part thereof are subsequently invalidated, declared to be fraudulent or preferential, set aside or required to be repaid to a trustee, receiver or any other party under any bankruptcy, insolvency or similar state or federal law, common law or equitable cause, then, to the extent of such payment or repayment, the Obligation intended to be satisfied shall be revived and continued in full force and effect as if such payment had not been received.

(b) If any amounts distributed by the Agent to any Lender are subsequently returned or repaid by the Agent to the Borrower or its representative or successor in interest, whether by court order or by settlement approved by the Lender in question, such Lender will, promptly upon receipt of notice thereof from the Agent, pay the Agent such amount. If any such amounts are recovered by the Agent from the Borrower or its representative or successor in interest, the Agent will redistribute such amounts to the Lenders on the same basis as such amounts were originally distributed.

2.14 Use of Proceeds. The proceeds of the Loans shall be used, in accordance with the terms and provisions of this Agreement, solely (i) to pay or reimburse reasonable transaction fees and expenses in connection with the closing of the transactions contemplated hereby, and (ii) to provide for working capital and general corporate requirements of the Borrower and its Subsidiary Guarantors, including repurchases by the Borrower of its outstanding common stock as permitted pursuant to SECTION 8.6.

2.15 Pro Rata Treatment.

(a) Except in the case of Swingline Loans, all fundings, continuations and conversions of Loans shall be made by the Lenders pro rata on the basis of their respective Commitments (in the case of the initial funding of Loans pursuant to SECTION 2.2) or on the basis of their respective outstanding Loans (in the case of continuations and conversions of Loans pursuant to SECTION 2.11, and additionally in all cases in the event the Commitments have expired or have been terminated), as the case may be from time to time. All payments on account of principal of or interest on any Loans, fees or any other Obligations owing to or for the account of any one or more Lenders shall be apportioned ratably among such Lenders in proportion to the amounts of such principal, interest, fees or other Obligations owed to them respectively.

(b) Each Lender agrees that if it shall receive any amount hereunder (whether by voluntary payment, realization upon security, exercise of the right of setoff or banker's lien, counterclaim or cross action, or otherwise, other than pursuant to SECTION 11.7) applicable to the payment of any of the Obligations that exceeds its ratable share (according to the proportion of (i) the amount of such Obligations due and payable to such Lender at such time to (ii) the aggregate amount of such Obligations due and payable to all Lenders at such time) of payments on account of such Obligations then or therewith obtained by all the Lenders to which such payments are required to have been made, such Lender shall forthwith purchase from the other Lenders such participations in such Obligations as shall be necessary to cause such purchasing Lender to share the excess payment or other recovery ratably with each of them; provided, however, that if all or any portion of such excess payment is thereafter recovered from such purchasing Lender, such purchase from each such other Lender shall be rescinded and each such other Lender shall repay to the purchasing Lender the purchase price to the extent of such recovery, together with an amount equal to such other Lender's ratable share (according to the proportion of (i) the amount of such other Lender's required repayment to (ii) the total amount so recovered from the purchasing Lender) of any interest or other amount paid or payable by the purchasing Lender in respect of the total amount so recovered. The Borrower agrees that any Lender so purchasing a participation from another Lender pursuant to the provisions of this subsection may, to the fullest extent permitted by law, exercise any and all rights of payment

(including, without limitation, setoff, banker's lien or counterclaim) with respect to such participation as fully as if such participant were a direct creditor of the Borrower in the amount of such participation. If under any applicable bankruptcy, insolvency or similar law, any Lender receives a secured claim in lieu of a setoff to which this subsection applies, such Lender shall, to the extent practicable, exercise its rights in respect of such secured claim in a manner consistent with the rights of the Lenders entitled under this subsection to share in the benefits of any recovery on such secured claim.

2.16 Increased Costs; Change in Circumstances; Illegality; etc.

(a) If, at any time after the date hereof and from time to time, the introduction of or any change in any applicable law, rule or regulation or in the interpretation or administration thereof by any Governmental Authority charged with the interpretation or administration thereof, or compliance by any Lender with any guideline or request from any such Governmental Authority (whether or not having the force of law), shall (i) subject such Lender to any tax or other charge, or change the basis of taxation of payments to such Lender, in respect of any of its LIBOR Loans or any other amounts payable hereunder or its obligation to make, fund or maintain any LIBOR Loans (other than any change in the rate or basis of tax on the overall net income of such Lender or its applicable Lending Office), (ii) impose, modify or deem applicable any reserve, special deposit or similar requirement (but excluding any reserves to the extent actually included within the Reserve Requirement in the calculation of the LIBOR Rate) against assets of, deposits with or for the account of, or credit extended by, such Lender or its applicable Lending Office, or (iii) impose on such Lender or its applicable Lending Office any other condition, and the result of any of the foregoing shall be to increase the cost to such Lender of making or maintaining any LIBOR Loans or issuing or participating in Letters of Credit or to reduce the amount of any sum received or receivable by such Lender hereunder (including in respect of Letters of Credit), the Borrower will, promptly upon demand therefor by such Lender, pay to such Lender such additional amounts as shall compensate such Lender for such increase in costs or reduction in return.

(b) If, at any time after the date hereof and from time to time, any Lender shall have reasonably determined that the introduction of or any change in any applicable law, rule or regulation regarding capital adequacy or in the interpretation or administration thereof by any Governmental Authority charged with the interpretation or administration thereof, or compliance by such Lender with any guideline or request from any such Governmental Authority (whether or not having the force of law), has or would have the effect, as a consequence of such Lender's Commitment, Loans or issuance of or participations in Letters of Credit hereunder, of reducing the rate of return on the capital of such Lender or any Person controlling such Lender to a level below that which such Lender or controlling Person could have achieved but for such introduction, change or compliance (taking into account such Lender's or controlling Person's policies with respect to capital adequacy), the Borrower will, promptly upon demand therefor by such Lender therefor, pay to such Lender such additional amounts as will compensate such Lender or controlling Person for such reduction in return.

(c) If, on or prior to the first day of any Interest Period, (y) the Agent shall have determined that adequate and reasonable means do not exist for ascertaining the applicable LIBOR Rate for such Interest Period or (z) the Agent shall have received written notice from the

Required Lenders of their reasonable determination that, due to material market or regulatory changes after the date hereof, the rate of interest referred to in the definition of "LIBOR Rate" upon the basis of which the Adjusted LIBOR Rate for LIBOR Loans for such Interest Period is to be determined will not adequately and fairly reflect the cost to such Lenders of making or maintaining LIBOR Loans during such Interest Period, the Agent will forthwith so notify the Borrower and the Lenders. Upon such notice, (i) all then outstanding LIBOR Loans shall automatically, on the expiration date of the respective Interest Periods applicable thereto (unless then repaid in full), be converted into Base Rate Loans, (ii) the obligation of the Lenders to make, to convert Base Rate Loans into, or to continue, LIBOR Loans shall be suspended (including pursuant to the Borrowing to which such Interest Period applies), and (iii) any Notice of Borrowing or Notice of Conversion/Continuation given at any time thereafter with respect to LIBOR Loans shall be deemed to be a request for Base Rate Loans, in each case until the Agent or the Required Lenders, as the case may be, shall have determined that the circumstances giving rise to such suspension no longer exist (and the Required Lenders, if making such determination, shall have so notified the Agent), and the Agent shall have so notified the Borrower and the Lenders.

(d) Notwithstanding any other provision in this Agreement, if, at any time after the date hereof and from time to time, any Lender shall have determined in good faith that the introduction of or any change in any applicable law, rule or regulation or in the interpretation or administration thereof by any Governmental Authority charged with the interpretation or administration thereof, or compliance with any guideline or request from any such Governmental Authority (whether or not having the force of law), has or would have the effect of making it unlawful for such Lender to make or to continue to make or maintain LIBOR Loans, such Lender will forthwith so notify the Agent and the Borrower. Upon such notice, (i) each of such Lender's then outstanding LIBOR Loans shall automatically, on the expiration date of the respective Interest Period applicable thereto (or, to the extent any such LIBOR Loan may not lawfully be maintained as a LIBOR Loan until such expiration date, upon such notice), be converted into a Base Rate Loan (and if such conversion is made pursuant to the preceding parenthetical Borrower shall not be liable to Lender for any compensation under SECTION 2.18 in connection therewith), (ii) the obligation of such Lender to make, to convert Base Rate Loans into, or to continue, LIBOR Loans shall be suspended (including pursuant to any Borrowing for which the Agent has received a Notice of Borrowing but for which the Borrowing Date has not arrived), and (iii) any Notice of Borrowing or Notice of Conversion/Continuation given at any time thereafter with respect to LIBOR Loans shall, as to such Lender, be deemed to be a request for a Base Rate Loan, in each case until such Lender shall have determined that the circumstances giving rise to such suspension no longer exist and shall have so notified the Agent, and the Agent shall have so notified the Borrower.

(e) Determinations by the Agent or any Lender for purposes of this Section of any increased costs, reduction in return, market contingencies, illegality or any other matter shall, absent manifest error, be conclusive, provided that such determinations are made in good faith. No failure by the Agent or any Lender at any time to demand payment of any amounts payable under this Section shall constitute a waiver of its right to demand payment of any additional amounts arising at any subsequent time. Nothing in this Section shall require or be construed to require the Borrower to pay any interest, fees, costs or other amounts in excess of that permitted by applicable law.

2.17 Taxes.

(a) Any and all payments by the Borrower hereunder or under any Note shall be made, in accordance with the terms hereof and thereof, free and clear of and without deduction for any and all present or future taxes, levies, imposts, deductions, charges or withholdings, and all liabilities with respect thereto, excluding (y) any taxes imposed on the Agent or any Lender on the date hereof, and (z) taxes imposed on, or measured by, the overall net income (or franchise taxes imposed in lieu thereof) of the Agent or any Lender by reason of any present or former connection between the Agent or such Lender and the jurisdiction of the Governmental Authority imposing such tax or any political subdivision thereof, other than such a connection arising solely from the Agent or such Lender having executed, delivered or performed its obligations or received a payment under, or enforced, this Agreement or the Notes (all such nonexcluded taxes, levies, imposts, deductions, charges, withholdings and liabilities being hereinafter referred to as "Taxes"). If the Borrower shall be required by law to deduct any Taxes from or in respect of any sum payable hereunder or under any Note to the Agent or any Lender, (i) the sum payable shall be increased as may be necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section), the Agent or such Lender, as the case may be, receives an amount equal to the sum it would have received had no such deductions been made, (ii) the Borrower will make such deductions, (iii) the Borrower will pay the full amount deducted to the relevant taxation authority or other authority in accordance with applicable law and (iv) the Borrower will deliver to the Agent or such Lender, as the case may be, evidence of such payment.

(b) The Borrower will indemnify the Agent and each Lender for the full amount of Taxes (including, without limitation, any Taxes imposed by any jurisdiction on amounts payable under this Section) paid by the Agent or such Lender, as the case may be, and any liability (including penalties, interest and expenses) arising therefrom or with respect thereto, whether or not such Taxes were correctly or legally asserted. This indemnification shall be made within 30 days from the date the Agent or such Lender, as the case may be, makes written demand therefor.

(c) If the Agent or any Lender shall become aware of the reasonable possibility that it is entitled to claim a refund of Taxes paid or indemnified by Borrower pursuant to subsections (a) or (b) above, it shall promptly notify of the Borrower of such potential refund claim and shall, within 30 days after receipt of a request by the Borrower, make a claim to the applicable governmental Authority for such refund at Borrower's expense. Each of the Agent and the Lenders agrees that if it subsequently recovers, or receives a permanent net tax benefit with respect to, any amount of Taxes (i) previously paid by it and as to which it has been indemnified by or on behalf of the Borrower or (ii) previously deducted by the Borrower (including, without limitation, any Taxes deducted from any additional sums payable under clause (i) of subsection (a) above), the Agent or such Lender, as the case may be, shall reimburse the Borrower to the extent of the amount of any such recovery or permanent net tax benefit (but only to the extent of indemnity payments made, or additional amounts paid, by or on behalf of the Borrower under this Section with respect to the Taxes giving rise to such recovery or tax benefit); provided, however, that the Borrower, upon the request of the Agent or such Lender, agrees to repay to the Agent or such Lender, as the case may be, the amount paid over to the Borrower (together with any penalties, interest or other charges), in the event the Agent or such Lender is required to repay such amount to the relevant taxing authority or other Governmental

Authority. The determination by the Agent or any Lender of the amount of any such recovery or permanent net tax benefit shall, in the absence of manifest error, be conclusive and binding.

(d) If any Lender is incorporated or organized under the laws of a jurisdiction other than the United States of America or any state thereof (a "Non-U.S. Lender") and claims exemption from United States withholding tax pursuant to the Internal Revenue Code, such Non-U.S. Lender will deliver to each of the Agent and the Borrower, on or prior to the Initial Closing Date (or, in the case of a Non-U.S. Lender that becomes a party to this Agreement as a result of an assignment after the Initial Closing Date, on the effective date of such assignment), (i) in the case of a Non-U.S. Lender that is a "bank" for purposes of Section 881(c)(3)(A) of the Internal Revenue Code, a properly completed Internal Revenue Service Form 4224, 1001, W-8BEN, W-8ECI or W-8 EXP, as applicable (or successor forms), certifying that such Non-U.S. Lender is entitled to an exemption from or a reduction of withholding or deduction for or on account of United States federal income taxes in connection with payments under this Agreement or any of the Notes, together with a properly completed Internal Revenue Service Form W-8 or W-9, as applicable (or successor forms), and (ii) in the case of a Non-U.S. Lender that is not a "bank" for purposes of Section 881(c)(3)(A) of the Internal Revenue Code, a certificate in form and substance reasonably satisfactory to the Agent and the Borrower and to the effect that (x) such Non-U.S. Lender is not a "bank" for purposes of Section 881(c)(3)(A) of the Internal Revenue Code, is not subject to regulatory or other legal requirements as a bank in any jurisdiction, and has not been treated as a bank for purposes of any tax, securities law or other filing or submission made to any governmental authority, any application made to a rating agency or qualification for any exemption from any tax, securities law or other legal requirements, (y) is not a 10-percent shareholder for purposes of Section 881(c)(3)(B) of the Internal Revenue Code and (z) is not a controlled foreign corporation receiving interest from a related person for purposes of Section 881(c)(3)(C) of the Internal Revenue Code, together with a properly completed Internal Revenue Service Form W-8 or W-9, as applicable (or successor forms). Each such Non-U.S. Lender further agrees to deliver to each of the Agent and the Borrower an additional copy of each such relevant form on or before the date that such form expires or becomes obsolete or after the occurrence of any event (including a change in its applicable Lending Office) requiring a change in the most recent forms so delivered by it, in each case certifying that such Non-U.S. Lender is entitled to an exemption from or a reduction of withholding or deduction for or on account of United States federal income taxes in connection with payments under this Agreement or any of the Notes, unless an event (including, without limitation, any change in treaty, law or regulation) has occurred prior to the date on which any such delivery would otherwise be required, which event renders all such forms inapplicable or the exemption to which such forms relate unavailable and such Non-U.S. Lender notifies the Agent and the Borrower that it is not entitled to receive payments without deduction or withholding of United States federal income taxes. Each such Non-U.S. Lender will promptly notify the Agent and the Borrower of any changes in circumstances that would modify or render invalid any claimed exemption or reduction.

(e) If any Lender is entitled to a reduction in (and not a complete exemption from) the applicable withholding tax, the Borrower and the Agent may withhold from any interest payment to such Lender an amount equivalent to the applicable withholding tax after taking into account such reduction. If any of the forms or other documentation required under subsection (d) above are not delivered to the Agent as therein required, then the Borrower and

the Agent may withhold from any interest payment to such Lender not providing such forms or other documentation an amount equivalent to the applicable withholding tax.

2.18 Compensation. The Borrower will compensate each Lender upon demand for all losses, expenses and liabilities (including, without limitation, any loss, expense or liability incurred by reason of the liquidation or reemployment of deposits or other funds required by such Lender to fund or maintain LIBOR Loans) that such Lender may incur or sustain (i) if for any reason (other than a default by such Lender) a Borrowing or continuation of, or conversion into, a LIBOR Loan does not occur on a date specified therefor in a Notice of Borrowing or Notice of Conversion/Continuation, (ii) if any repayment, prepayment or conversion of any LIBOR Loan occurs on a date other than the last day of an Interest Period applicable thereto (including as a consequence of acceleration of the maturity of the Loans pursuant to SECTION 9.2), (iii) if any prepayment of any LIBOR Loan is not made on any date specified in a notice of prepayment given by the Borrower or (iv) as a consequence of any other failure by the Borrower to make any payments with respect to any LIBOR Loan when due hereunder. Calculation of all amounts payable to a Lender under this Section shall be made as though such Lender had actually funded its relevant LIBOR Loan through the purchase of a Eurodollar deposit bearing interest at the LIBOR Rate in an amount equal to the amount of such LIBOR Loan, having a maturity comparable to the relevant Interest Period; provided, however, that each Lender may fund its LIBOR Loans in any manner it sees fit and the foregoing assumption shall be utilized only for the calculation of amounts payable under this Section. Determinations by any Lender for purposes of this Section of any such losses, expenses or liabilities shall, absent manifest error, be conclusive, provided that such determinations are made in good faith.

2.19 Replacement of Defaulting Lender. The Borrower shall have the right, if no Default or Event of Default then exists, to replace a Defaulting Lender with one or more additional banks or financial institutions (collectively, the "Replacement Lender"), provided, that (a) at the time of any replacement pursuant to this SECTION 2.19, the Replacement Lender shall enter into one or more Assignment and Acceptance agreements pursuant to, and in accordance with the terms of, SECTION 11.7(a) (and with all processing and recordation fees payable pursuant to said SECTION 11.7(a) to be paid by the Replacement Lender or, at its option, the Borrower) pursuant to which the Replacement Lender shall acquire all of the rights and obligations of the Defaulting Lender hereunder and, in connection therewith, shall pay to the Defaulting Lender in respect thereof an amount equal to the sum of (i) the principal of, and all accrued interest on, all outstanding Loans of the Defaulting Lender, and (ii) all accrued, but theretofore unpaid, fees owing to the Defaulting Lender pursuant to SECTION 2.9, and (b) all other obligations of the Borrower owing to the Defaulting Lender (including all other obligations, if any, owing pursuant to SECTIONS 2.16, 2.17 and 2.18) shall be paid in full to such Defaulting Lender concurrently with such replacement.

ARTICLE III

LETTERS OF CREDIT

3.1 Issuance. Subject to and upon the terms and conditions herein set forth, so long as no Default or Event of Default has occurred and is continuing, the Issuing Lender will, at any

time and from time to time on and after the Initial Closing Date and prior to the earlier of (i) the seventh day prior to the Maturity Date and (ii) the Termination Date, and upon request by the Borrower in accordance with the provisions of SECTION 3.2, issue for the account of the Borrower one or more irrevocable standby letters of credit denominated in Dollars and in a form customarily used or otherwise approved by the Issuing Lender (together with all amendments, modifications and supplements thereto, substitutions therefor and renewals and restatements thereof, collectively, the "Letters of Credit"). The Stated Amount of each Letter of Credit shall not be less than such amount as may be acceptable to the Issuing Lender. Notwithstanding the foregoing:

(a) No Letter of Credit shall be issued the Stated Amount upon issuance of which (i) when added to the aggregate Letter of Credit Exposure of the Lenders at such time, would exceed $20,000,000 or (ii) when added to the sum of (x) the aggregate Letter of Credit Exposure of all Lenders at such time, (y) the aggregate principal amount of all Revolving Loans then outstanding, and (z) the aggregate amount of all Swingline Loans then outstanding, would exceed the aggregate Commitments at such time;

(b) No Letter of Credit shall be issued that by its terms expires later than the seventh day prior to the Maturity Date or, in any event, more than one (1) year after its date of issuance; provided, however, that a Letter of Credit may, if requested by the Borrower, provide by its terms, and on terms acceptable to the Issuing Lender, for renewal for successive periods of one year or less (but not beyond the seventh day prior to the Maturity Date), unless and until the Issuing Lender shall have delivered a notice of nonrenewal to the beneficiary of such Letter of Credit; and

(c) The Issuing Lender shall be under no obligation to issue any Letter of Credit if, at the time of such proposed issuance, (i) any order, judgment or decree of any Governmental Authority or arbitrator shall purport by its terms to enjoin or restrain the Issuing Lender from issuing such Letter of Credit, or any Requirement of Law applicable to the Issuing Lender or any request or directive (whether or not having the force of law) from any Governmental Authority with jurisdiction over the Issuing Lender shall prohibit, or request that the Issuing Lender refrain from, the issuance of letters of credit generally or such Letter of Credit in particular or shall impose upon the Issuing Lender with respect to such Letter of Credit any restriction or reserve or capital requirement (for which the Issuing Lender is not otherwise compensated) not in effect on the Initial Closing Date, or any unreimbursed loss, cost or expense that was not applicable, in effect or known to the Issuing Lender as of the Initial Closing Date and that the Issuing Lender in good faith deems material to it, or (ii) the Issuing Lender shall have actual knowledge, or shall have received notice from any Lender, prior to the issuance of such Letter of Credit that one or more of the conditions specified in SECTIONS 4.1 (if applicable) or 4.3 are not then satisfied (or have not been waived in writing as required herein) or that the issuance of such Letter of Credit would violate the provisions of subsection (a) above.

3.2 Notices. Whenever the Borrower desires the issuance of a Letter of Credit, the Borrower will give the Issuing Lender written notice with a copy to the Agent not later than 11:00 a.m., Charlotte time, three (3) Business Days (or such shorter period as is acceptable to the Issuing Lender in any given case) prior to the requested date of issuance thereof. Each such notice (each, a "Letter of Credit Notice") shall be irrevocable, shall be given in the form of

EXHIBIT B-4 and shall specify (i) the requested date of issuance, which shall be a Business Day, (ii) the requested Stated Amount and expiry date of the Letter of Credit, and (iii) the name and address of the requested beneficiary or beneficiaries of the Letter of Credit. The Borrower will also complete any application procedures and documents required by the Issuing Lender in connection with the issuance of any Letter of Credit. Upon its issuance of any Letter of Credit, the Issuing Lender will promptly notify the Agent of such issuance, and the Agent will give prompt notice thereof to each Lender. Notwithstanding the foregoing, each of the outstanding letters of credit listed in SCHEDULE 3.2 shall, on and as of the Initial Closing Date, be deemed to be Letters of Credit issued under and pursuant to this Agreement and the fees set forth in SECTION 2.9(b) and (c) shall commence with respect to such Letters of Credit on the Initial Closing Date.

3.3 Participations. Immediately upon the issuance of any Letter of Credit, the Issuing Lender shall be deemed to have sold and transferred to each Lender, and each Lender shall be deemed irrevocably and unconditionally to have purchased and received from the Issuing Lender, without recourse or warranty, an undivided interest and participation, pro rata (based on the percentage of the aggregate Commitments represented by such Lender's Commitment), in such Letter of Credit, each drawing made thereunder and the obligations of the Borrower under this Agreement with respect thereto and any security therefor or guaranty pertaining thereto; provided, however, that the fee relating to Letters of Credit described in SECTION 2.9(c) shall be payable directly to the Issuing Lender as provided therein, and the Lenders shall have no right to receive any portion thereof. Upon any change in the Commitments of any of the Lenders pursuant to SECTION 2.5 with respect to all outstanding Letters of Credit and Reimbursement Obligations there shall be an automatic adjustment to the participations pursuant to this Section to reflect the new pro rata shares of the assigning Lender and the Assignee.

3.4 Reimbursement. The Borrower hereby agrees to reimburse the Issuing Lender by making payment to the Agent, for the account of the Issuing Lender, in immediately available funds, for any payment made by the Issuing Lender under any Letter of Credit (each such amount so paid until reimbursed, together with interest thereon payable as provided hereinbelow, a "Reimbursement Obligation") immediately after, and in any event within one (1) Business Day after its receipt of notice of, such payment (provided that any such Reimbursement Obligation shall be deemed timely satisfied (but nevertheless subject to the payment of interest thereon as provided hereinbelow) if satisfied pursuant to a Borrowing of Loans made on or prior to the next Business Day following the date of the Borrower's receipt of notice of such payment), together with interest on the amount so paid by the Issuing Lender, to the extent not reimbursed prior to 1:00 p.m., Charlotte time, on the date of such payment or disbursement, for the period from the date of the respective payment to the date the Reimbursement Obligation created thereby is satisfied, at the Adjusted Base Rate applicable to Loans as in effect from time to time during such period, such interest also to be payable on demand. The Issuing Lender will provide the Agent and the Borrower with prompt notice of any payment or disbursement made under any Letter of Credit, although the failure to give, or any delay in giving, any such notice shall not release, diminish or otherwise affect the Borrower's obligations under this Section or any other provision of this Agreement. The Agent will promptly pay to the Issuing Lender any such amounts received by it under this Section.

3.5 Payment by Revolving Loans. In the event that the Issuing Lender makes any payment under any Letter of Credit and the Borrower shall not have timely satisfied in full its

Reimbursement Obligation to the Issuing Lender pursuant to SECTION 3.4, and to the extent that any amounts then held in the Cash Collateral Account established pursuant to SECTION 3.8 shall be insufficient to satisfy such Reimbursement Obligation in full, the Issuing Lender will promptly notify the Agent, and the Agent will promptly notify each Lender, of such failure. If the Agent gives such notice prior to 11:00 a.m., Charlotte time, on any Business Day, each Lender will make available to the Agent, for the account of the Issuing Lender, its pro rata share (based on the percentage of the aggregate Commitments represented by such Lender's Commitment) of the amount of such payment on such Business Day in immediately available funds. If the Agent gives such notice after 11:00 a.m., Charlotte time, on any Business Day, each such Lender shall make its pro rata share of such amount available to the Agent on the next succeeding Business Day. If and to the extent any Lender shall not have so made its pro rata share of the amount of such payment available to the Agent, such Lender agrees to pay to the Agent, for the account of the Issuing Lender, forthwith on demand such amount, together with interest thereon at the Federal Funds Rate for each day from such date until the date such amount is paid to the Agent. The failure of any Lender to make available to the Agent its pro rata share of any payment under any Letter of Credit shall not relieve any other Lender of its obligation hereunder to make available to the Agent its pro rata share of any payment under any Letter of Credit on the date required, as specified above, but no Lender shall be responsible for the failure of any other Lender to make available to the Agent such other Lender's pro rata share of any such payment. Each such payment by a Lender under this Section of its pro rata share of an amount paid by the Issuing Lender shall constitute a Revolving Loan by such Lender (the Borrower being deemed to have given a timely Notice of Borrowing therefor) and shall be treated as such for all purposes of this Agreement; provided that for purposes of determining the aggregate Unutilized Commitments immediately prior to giving effect to the application of the proceeds of such Revolving Loans, the Reimbursement Obligation being satisfied thereby shall be deemed not to be outstanding at such time.

3.6 Payment to Lenders. Whenever the Issuing Lender receives a payment in respect of a Reimbursement Obligation as to which the Agent has received, for the account of the Issuing Lender, any payments from the Lenders pursuant to SECTION 3.5, the Issuing Lender will promptly pay to the Agent, and the Agent will promptly pay to each Lender that has paid its pro rata share thereof, in immediately available funds, an amount equal to such Lender's ratable share (based on the proportionate amount funded by such Lender to the aggregate amount funded by all Lenders) of such Reimbursement Obligation.

3.7 Obligations Absolute. The Reimbursement Obligations of the Borrower, and the obligations of the Lenders under SECTION 3.5 to make payments to the Agent, for the account of the Issuing Lender, with respect to Letters of Credit, shall be irrevocable, shall remain in effect until the Issuing Lender shall have no further obligations to make any payments or disbursements under any circumstances with respect to any Letter of Credit, and, except to the extent resulting from any gross negligence or willful misconduct on the part of the Issuing Lender, shall be absolute and unconditional, shall not be subject to counterclaim, setoff or other defense or any other qualification or exception whatsoever and shall be made in accordance with the terms and conditions of this Agreement under all circumstances, including, without limitation, any of the following circumstances:

(a) Any lack of validity or enforceability of this Agreement, any of the other Credit Documents or any documents or instruments relating to any Letter of Credit;

(b) Any change in the time, manner or place of payment of, or in any other term of, all or any of the Obligations in respect of any Letter of Credit or any other amendment, modification or waiver of or any consent to departure from any Letter of Credit or any documents or instruments relating thereto, in each case whether or not the Borrower has notice or knowledge thereof;

(c) The existence of any claim, setoff, defense or other right that the Borrower may have at any time against a beneficiary named in a Letter of Credit, any transferee of any Letter of Credit (or any Person for whom any such transferee may be acting), the Agent, the Issuing Lender, any Lender or other Person, whether in connection with this Agreement, any Letter of Credit, the transactions contemplated hereby or any unrelated transactions (including any underlying transaction between the Borrower and the beneficiary named in any such Letter of Credit);

(d) Any draft, certificate or any other document presented under the Letter of Credit proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect (provided that such draft, certificate or other document appears on its face to comply with the terms of such Letter of Credit), any errors, omissions, interruptions or delays in transmission or delivery of any messages, by mail, telecopier or otherwise, or any errors in translation or in interpretation of technical terms;

(e) Any defense based upon the failure of any drawing under a Letter of Credit to conform to the terms of the Letter of Credit (provided that any draft, certificate or other document presented pursuant to such Letter of Credit appears on its face to comply with the terms thereof), any nonapplication or misapplication by the beneficiary or any transferee of the proceeds of such drawing or any other act or omission of such beneficiary or transferee in connection with such Letter of Credit;

(f) The exchange, release, surrender or impairment of any security for the Obligations;

(g) The occurrence of any Default or Event of Default; or

(h) Any other circumstance or event whatsoever, including, without limitation, any other circumstance that might otherwise constitute a defense available to, or a discharge of, the Borrower or a guarantor.

Any action taken or omitted to be taken by the Issuing Lender under or in connection with any Letter of Credit, if taken or omitted in the absence of gross negligence or willful misconduct, shall be binding upon the Borrower and each Lender and shall not create or result in any liability of the Issuing Lender to the Borrower or any Lender. It is expressly understood and agreed that, for purposes of determining whether a wrongful payment under a Letter of Credit resulted from the Issuing Lender's gross negligence or willful misconduct, (i) the Issuing Lender's acceptance of documents that appear on their face to comply with the terms of such Letter of Credit, without responsibility for further investigation, regardless of any notice or information to the contrary,

(ii) the Issuing Lender's exclusive reliance on the documents presented to it under such Letter of Credit as to any and all matters set forth therein, including the amount of any draft presented under such Letter of Credit, whether or not the amount due to the beneficiary thereunder equals the amount of such draft and whether or not any document presented pursuant to such Letter of Credit proves to be insufficient in any respect (so long as such document appears on its face to comply with the terms of such Letter of Credit), and whether or not any other statement or any other document presented pursuant to such Letter of Credit proves to be forged or invalid or any statement therein proves to be inaccurate or untrue in any respect whatsoever, and (iii) any noncompliance in any immaterial respect of the documents presented under such Letter of Credit with the terms thereof shall, in each case, be deemed not to constitute gross negligence or willful misconduct of the Issuing Lender. Nothing in this ARTICLE III shall reduce or impair the Borrower's right under N.C.G.S Section 25-5-109(b) to seek to enjoin the honor of a Letter of Credit; provided that the Borrower shall promptly indemnify the Issuing Lender pursuant to SECTION 11.2 for all costs, expenses, losses, damages or liabilities arising from such action.

3.8 Cash Collateral Account. At any time and from time to time (i) after the occurrence and during the continuance of an Event of Default, the Agent, at the direction or with the consent of the Required Lenders, may require the Borrower to deliver to the Agent such additional amount of cash as is equal to the aggregate Stated Amount of all Letters of Credit at any time outstanding (whether or not any beneficiary under any Letter of Credit shall have drawn or be entitled at such time to draw thereunder) and (ii) in the event of a prepayment under SECTION 2.6(A), the Agent will retain such amount as may then be required to be retained, such amounts in each case under clauses (i) and (ii) above to be held by the Agent in a cash collateral account (the "Cash Collateral Account"). The Borrower hereby grants to the Agent, for the benefit of the Issuing Lender and the Lenders, a Lien upon and security interest in the Cash Collateral Account and all amounts held therein from time to time as security for Letter of Credit Exposure, and for application to the Borrower's Reimbursement Obligations as and when the same shall arise. The Agent shall have exclusive dominion and control, including the exclusive right of withdrawal, over such account. Other than any interest on the investment of such amounts in Cash Equivalents, which investments shall be made at the direction of the Borrower (unless a Default or Event of Default shall have occurred and be continuing, in which case the determination as to investments shall be made at the option and in the discretion of the Agent), amounts in the Cash Collateral Account shall not bear interest. Interest and profits, if any, on such investments shall accumulate in such account. In the event of a drawing, and subsequent payment by the Issuing Lender, under any Letter of Credit at any time during which any amounts are held in the Cash Collateral Account, the Agent will deliver to the Issuing Lender an amount equal to the Reimbursement Obligation created as a result of such payment (or, if the amounts so held are less than such Reimbursement Obligation, all of such amounts) to reimburse the Issuing Lender therefor. Any amounts remaining in the Cash Collateral Account after the expiration of all Letters of Credit and reimbursement in full of the Issuing Lender for all of its obligations thereunder shall be held by the Agent, for the benefit of the Borrower, to be applied against the Obligations in such order and manner as the Agent may direct. If the Borrower is required to provide cash collateral pursuant to SECTION 2.6(a), such amount (to the extent not applied as aforesaid) shall be returned to the Borrower on demand, provided that after giving effect to such return (i) the sum of (x) the aggregate principal amount of all Revolving Loans outstanding at such time, (y) the aggregate Letter of Credit Exposure of all Lenders at such time, and (z) the aggregate principal amount of all Swingline Loans outstanding at such time, would not exceed

the aggregate Commitments at such time and (ii) no Default or Event of Default shall have occurred and be continuing at such time. If the Borrower is required to provide cash collateral as a result of an Event of Default, such amount (to the extent not applied as aforesaid) shall be returned to the Borrower within three (3) Business Days after all Events of Default have been cured or waived.

3.9 Effectiveness. Notwithstanding any termination of the Commitments or repayment of the Loans, or both, the obligations of the Borrower under this Article shall remain in full force and effect until the Issuing Lender and the Lenders shall have no further obligations to make any payments or disbursements under any circumstances with respect to any Letter of Credit.ARTICLE IV

CONDITIONS OF BORROWING

4.1 Conditions of Initial Borrowing. The obligation of each Lender to make Loans in connection with the initial Borrowing hereunder, and the obligation of the Issuing Lender to issue Letters of Credit hereunder on the Initial Closing Date, is subject to the satisfaction of the following conditions precedent:

(a) The Agent shall have received the following, each dated as of the Initial Closing Date (unless otherwise specified) and, except for the Notes, in sufficient copies for each Lender:

(i) A Revolving Note for each Lender that is a party hereto as of the Initial Closing Date, in the amount of such Lender's Commitment and a Swingline Note for the Swingline Lender, in the amount of the Swingline Commitment, each duly completed in accordance with the relevant provisions of SECTION 2.4 and executed by the Borrower;

(ii) the Subsidiary Guaranty, duly completed and executed by each Subsidiary Guarantor as shown on SCHEDULE 5.7 to the Initial Agreement;

(iii) the favorable opinions of McGuire, Woods, Battle & Boothe, LLP, special counsel to the Borrower, addressed to the Agent and the Lenders and in the form attached hereto as EXHIBIT F.

s (b) The Agent shall have received a certificate, signed by the president, the chief executive officer or the chief financial officer of the Borrower, in form and substance satisfactory to the Agent, certifying that (i) all representations and warranties of the Borrower contained in this Agreement and the other Credit Documents are true and correct in all material respects as of the Initial Closing Date, both immediately before and after giving effect to the consummation of the transactions contemplated hereby, the making of the initial Loans hereunder and the application of the proceeds thereof, (ii) no Default or Event of Default has occurred and is continuing, both immediately before and after giving effect to the consummation of the transactions contemplated hereby, the making of the initial Loans hereunder and the application of the proceeds thereof, (iii) both immediately before and after giving effect to the consummation of the transactions contemplated hereby, the making of the initial Loans hereunder and the application of the proceeds thereof, no Material Adverse Change has occurred since December 31, 1999, and there exists no event, condition or state of facts that could

reasonably be expected to result in a Material Adverse Change, and (iv) all conditions to the initial extensions of credit hereunder set forth in this Section and in SECTION 4.3 have been satisfied or waived as required hereunder.

(c) The Agent shall have received a certificate of the secretary or an assistant secretary of each of the Borrower and its Subsidiary Guarantors, in form and substance satisfactory to the Agent, certifying (i) that attached thereto is a true and complete copy of the articles or certificate of incorporation and all amendments thereto of the Borrower or such Subsidiary, as the case may be, certified as of a recent date by the Secretary of State (or comparable Governmental Authority) of its jurisdiction of organization, and that the same has not been amended since the date of such certification, (ii) that attached thereto is a true and complete copy of the bylaws of the Borrower or such Subsidiary, as the case may be, as then in effect and as in effect at all times from the date on which the resolutions referred to in clause (iii) below were adopted to and including the date of such certificate, and (iii) that attached thereto is a true and complete copy of resolutions adopted by the board of directors of the Borrower or such Subsidiary, as the case may be, authorizing the execution, delivery and performance of this Agreement and the other Credit Documents to which it is a party, and as to the incumbency and genuineness of the signature of each officer of the Borrower or such Subsidiary, as the case may be, executing this Agreement or any of such other Credit Documents, and attaching all such copies of the documents described above.

(d) The Agent shall have received (i) a certificate as of a recent date of the good standing of each of the Borrower and the Subsidiary Guarantors under the laws of its jurisdiction of organization, from the Secretary of State (or comparable Governmental Authority) of such jurisdiction or such similar certificate as is customarily issued by the relevant jurisdiction, and (ii) a certificate as of a recent date of the qualification of each of the Borrower and the Subsidiary Guarantors to conduct business as a foreign corporation in each jurisdiction where it is so qualified as of the Initial Closing Date, from the Secretary of State (or comparable Governmental Authority) of such jurisdiction.

(e) All legal matters, documentation, and corporate or other proceedings incident to the transactions contemplated hereby shall be satisfactory in form and substance to the Agent; all approvals, permits and consents of any Governmental Authorities or other Persons required in connection with the execution and delivery of this Agreement and the other Credit Documents and the consummation of the transactions contemplated hereby and thereby shall have been obtained, without the imposition of conditions that are not acceptable to the Agent, and all related filings, if any, shall have been made, and all such approvals, permits, consents and filings shall be in full force and effect and the Agent shall have received such copies thereof as it shall have requested; all applicable waiting periods shall have expired without any adverse action being taken by any Governmental Authority having jurisdiction; and no action, proceeding, investigation, regulation or legislation shall have been instituted, threatened or proposed before, and no order, injunction or decree shall have been entered by, any court or other Governmental Authority, in each case to enjoin, restrain or prohibit, to obtain substantial damages in respect of, or that is otherwise related to or arises out of, this Agreement, any of the other Credit Documents or the consummation of the transactions contemplated hereby or thereby, or that, in the opinion of the Agent, could reasonably be expected to have a Material Adverse Effect.

(f) The Agent shall have received certified reports from an independent search service satisfactory to it listing any judgment or tax lien filing or Uniform Commercial Code financing statement that (i) names the Borrower as debtor or (ii) names any Subsidiary Guarantor as debtor and the results thereof shall be satisfactory to the Agent.

(g) Since December 31, 1999, both immediately before and after giving effect to the consummation of the transactions contemplated by this Agreement, there shall not have occurred any Material Adverse Change or any event, condition or state of facts that could reasonably be expected to result in a Material Adverse Change.

(h) The Borrower shall have paid (i) to First Union, the unpaid balance of the fees described in the Fee Letter, (ii) to the Agent, the initial payment of the annual administrative fee described the Fee Letter, and (iii) all other fees and expenses of the Agent and the Lenders required hereunder or under any other Credit Document to be paid on or prior to the Initial Closing Date (including fees and expenses of counsel) in connection with this Agreement and the transactions contemplated hereby.

(i) The Agent shall have received a Financial Condition Certificate, together with the Pro Forma Balance Sheet and the Projections as described in SECTIONS 5.11(b) and 5.11(c), all of which shall be in form and substance satisfactory to the Agent.

(j) The Agent shall have received a Covenant Compliance Worksheet, duly completed and certified by the chief financial officer of the Borrower and in form and substance satisfactory to the Agent, demonstrating the Borrower's compliance with the financial covenants set forth in SECTIONS 7.1 through 7.5, determined on a pro forma basis as of January 1, 2000 after giving effect to the making of the initial Loans hereunder and the consummation of the transactions contemplated hereby.

(k) The Agent shall have received from the Borrower its consolidated operating budget for the 2000 calendar year, and the same shall be in form and substance satisfactory to the Agent.

(l) The Agent shall have received an Account Designation Letter, together with written instructions from an Authorized Officer, including wire transfer information, directing the payment of the proceeds of the initial Loans to be made hereunder.

(m) The Agent and each Lender shall have received such other documents, certificates, opinions and instruments in connection with the transactions contemplated hereby as it shall have reasonably requested.

4.2 Conditions to Second Restatement Closing. The effectiveness of the Second Restatement is subject to the satisfaction of the following conditions precedent:

(a) The Agent shall have received the following, each dated as of the Second Restatement Closing Date, in sufficient copies for each Lender:

(i) the Pledge Agreement, duly completed and executed by St. Joe Finance Company;

(ii) an accession to the Subsidiary Guaranty duly completed and executed by each Subsidiary identified in SCHEDULE 5.7 to this Agreement as a Subsidiary Guarantor that has not previously become a party to the Subsidiary Guaranty and a certificate duly executed by the Subsidiary Guarantors (the "Guarantor Certificate"), in form and substance satisfactory to the Agent, stating that all Obligations under this Agreement, will continue to be guaranteed under the Subsidiary Guaranty, and that nothing herein will affect the validity or enforceability of such Subsidiary Guaranty; and

(iii) the favorable opinions of Lawrence Paine, counsel to the Borrower and the Subsidiary Guarantors, addressed to the Agent and the Lenders and in form and substance reasonably satisfactory to the Agents and Lenders.

(b) The Agent shall have received a certificate, signed by the president, the chief executive officer or the chief financial officer of the Borrower, in form and substance satisfactory to the Agent, certifying that (i) all representations and warranties of the Borrower contained in this Agreement and the other Credit Documents are true and correct in all material respects as of the Second Restatement Closing Date, both immediately before and after giving effect to the consummation of the transactions contemplated hereby, (ii) no Default or Event of Default has occurred and is continuing, both immediately before and after giving effect to the consummation of the transactions contemplated hereby, (iii) both immediately before and after giving effect to the consummation of the transactions contemplated hereby, there exists no event, condition or state of facts that could reasonably be expected to result in a Material Adverse Change, and (iv) the Borrower has issued, or is issuing substantially simultaneously with the closing of the Second Restatement, its Medium Term Notes.

(c) The Agent shall have received a certificate of the secretary or an assistant secretary of the Borrower, in form and substance satisfactory to the Agent, certifying (i) that the articles of incorporation of the Borrower have not been amended since May 30, 2000, (ii) that the bylaws of the Borrower have not been amended since September 6, 2000, (iii) that attached thereto is a true and complete of resolutions adopted by the board of directors of the Borrower authorizing (A) the execution, delivery and performance of this Agreement and the other Credit Documents to which it is a party and (B) the other transactions contemplated hereby, which resolutions have not been amended, rescinded, modified or revoked, and are the only resolutions of the Borrower relating to this Agreement and the transactions contemplated hereby, and (iv) as to the incumbency and genuineness of the signature of each officer of the Borrower executing this Agreement or any of such other Credit Documents.

(d) The Agent shall have received a certificate of the secretary or an assistant secretary (or comparable officer or manager) of each of the Subsidiaries delivering an accession to the Subsidiary Guaranty, in form and substance satisfactory to the Agent, certifying (i) that attached thereto is a true and complete copy of the articles or certificate of incorporation (or comparable formative documents) and all amendments thereto of such Subsidiary, certified as of a recent date by the Secretary of State (or comparable Governmental Authority) of its jurisdiction of organization, and that the same has not been amended since the date of such certification, (ii) that attached thereto is a true and complete copy of the bylaws (or comparable operating agreement, partnership agreement or other documents) of such Subsidiary, as then in effect and as in effect at all times from the date on which the resolutions referred to in clause (iii) below

were adopted to and including the date of such certificate, and (iii) that attached thereto is a true and complete copy of resolutions adopted by the board of directors (or comparable governing body or entity) of such Subsidiary, authorizing the execution, delivery and performance of the Subsidiary Guaranty and the other Credit Documents to which it is a party, and as to the incumbency and genuineness of the signature of each officer of such Subsidiary executing any Credit Documents, and attaching all such copies of the documents described above.

(e) The Agent shall have received a certificate as of a recent date of the good standing of the Borrower under the laws of its jurisdiction of organization, from the Secretary of State (or comparable Governmental Authority) of such jurisdiction.

(f) All legal matters, documentation, and corporate or other proceedings incident to the transactions contemplated hereby (including as related to the issuance of the Medium Term Notes) shall be satisfactory in form and substance to the Agent; all approvals, permits and consents of any Governmental Authorities or other Persons required in connection with the execution and delivery of this Second Restatement and the consummation of the transactions contemplated hereby shall have been obtained, without the imposition of conditions that are not acceptable to the Agent, and all related filings, if any, shall have been made, and all such approvals, permits, consents and filings shall be in full force and effect and the Agent shall have received such copies thereof as it shall have requested; all applicable waiting periods shall have expired without any adverse action being taken by any Governmental Authority having jurisdiction; and no action, proceeding, investigation, regulation or legislation shall have been instituted, threatened or proposed before, and no order, injunction or decree shall have been entered by, any court or other Governmental Authority, in each case to enjoin, restrain or prohibit, to obtain substantial damages in respect of, or that is otherwise related to or arises out of, this Second Restatement or the consummation of the transactions contemplated hereby, or that, in the opinion of the Agent, could reasonably be expected to have a Material Adverse Effect.

(g) Since December 31, 2000, both immediately before and after giving effect to the consummation of the transactions contemplated by this Second Restatement, there shall not have occurred any Material Adverse Change or any event, condition or state of facts that could reasonably be expected to result in a Material Adverse Change.

(h) The Borrower shall have paid the fees described in SECTION 2.9(e).

(i) The Agent shall have received the Pro Forma Balance Sheet and the Projections as described in SECTIONS 5.11(b) and 5.11(c), all of which shall be in form and substance satisfactory to the Agent.

(j) The Agent shall have received a Covenant Compliance Worksheet, duly completed and certified by the chief financial officer of the Borrower and in form and substance satisfactory to the Agent, demonstrating the Borrower's compliance with the financial covenants set forth in SECTIONS 7.1 through 7.5, determined on a pro forma basis as of September 30, 2001 after giving effect to the Loans hereunder as of the Second Restatement Closing Date, the issuance of the Medium Term Notes and the consummation of the transactions contemplated hereby.

(k) The Agent and each Lender shall have received such other documents, certificates, opinions and instruments in connection with the transactions contemplated hereby as it shall have reasonably requested.

4.3 Conditions of All Borrowings. The obligation of each Lender to make any Loans hereunder, including the initial Revolving Loans (but excluding Revolving Loans made for the purpose of repaying Refunded Swingline Loans pursuant to SECTION 2.2(e)), and the obligation of the Issuing Lender to issue any Letters of Credit hereunder, is subject to the satisfaction of the following conditions precedent on the relevant Borrowing Date or date of issuance:

(a) The Agent shall have received a Notice of Borrowing in accordance with SECTION 2.2(b), or (together with the Swingline Lender) a Notice of Swingline Borrowing in accordance with SECTION 2.2(d) or (together with the Issuing Lender) a Letter of Credit Notice in accordance with SECTION 3.2, as applicable;

(b) Each of the representations and warranties contained in ARTICLE V and in the other Credit Documents shall be true and correct in all material respects on and as of such Borrowing Date (including the Initial Closing Date, in the case of the initial Revolving Loans made hereunder) or date of issuance with the same effect as if made on and as of such date, both immediately before and after giving effect to the Loans to be made or Letter of Credit to be issued on such date (except to the extent any such representation or warranty is expressly stated to have been made as of a specific date, in which case such representation or warranty shall be true and correct in all material respects as of such date); and

(c) No Default or Event of Default shall have occurred and be continuing on such date, both immediately before and after giving effect to the Loans to be made or Letter of Credit to be issued on such date.

Each giving of a Notice of Borrowing, a Notice of Swingline Borrowing, or a Letter of Credit Notice, and the consummation of each Borrowing or issuance of a Letter of Credit, shall be deemed to constitute a representation by the Borrower that the statements contained in subsections (b) and (c) above are true, both as of the date of such notice or request and as of the relevant Borrowing Date or date of issuance.

ARTICLE V

REPRESENTATIONS AND WARRANTIES

To induce the Agent and the Lenders to enter into this Agreement and to induce the Lenders to extend the credit contemplated hereby, the Borrower represents and warrants to the Agent and the Lenders as follows:

5.1 Corporate Organization and Power. Each of the Borrower and its Subsidiaries (i) is duly formed or organized, validly existing and in good standing under the laws of the jurisdiction of its organization, (ii) has the full organizational power and authority to execute, deliver and perform the Credit Documents to which it is or will be a party, to own and hold its property and to engage in its business as presently conducted, and (iii) is duly qualified to do

business as a foreign business entity and is in good standing in each jurisdiction where the nature of its business or the ownership of its properties requires it to be so qualified, except where the failure to be so qualified would not, individually or in the aggregate, be reasonably likely to have a Material Adverse Effect.

5.2 Authorization; Enforceability. Each of the Borrower and the Subsidiary Guarantors has taken all necessary organizational action to execute, deliver and perform each of the Credit Documents to which it is or will be a party, and has validly executed and delivered each of the Credit Documents to which it is or will be a party. This Agreement constitutes, and each of the other Credit Documents upon execution and delivery will constitute, the legal, valid and binding obligation of each of the Borrower and the Subsidiary Guarantors that is a party hereto or thereto, enforceable against it in accordance with its terms, except as enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights generally, by general equitable principles or by principles of good faith and fair dealing.

5.3 No Violation. The execution, delivery and performance by each of the Borrower and the Subsidiary Guarantors of this Agreement and each of the other Credit Documents to which it is or will be a party, and compliance by it with the terms hereof and thereof, do not and will not (i) violate any provision of its articles or certificate of incorporation or bylaws or contravene any other material Requirement of Law applicable to it, (ii) conflict with, result in a breach of or constitute (with notice, lapse of time or both) a default under any indenture, agreement or other instrument to which it is a party, by which it or any of its properties is bound or to which it is subject, or (iii) result in or require the creation or imposition of any Lien upon any of its properties or assets. No Subsidiary Guarantor is a party to any agreement or instrument or otherwise subject to any restriction or encumbrance that restricts or limits its ability to make dividend payments or other distributions in respect of its Capital Stock, to repay Indebtedness owed to the Borrower or any other Subsidiary, to make loans or advances to the Borrower or any other Subsidiary, or to transfer any of its assets or properties to the Borrower or any other Subsidiary, in each case other than such restrictions or encumbrances existing under or by reason of the Credit Documents or applicable Requirements of Law.

5.4 Governmental and Third-Party Authorization; Permits.

(a) No consent, approval, authorization or other action by, notice to, or registration or filing with, any Governmental Authority or other Person is or will be required as a condition to or otherwise in connection with the due execution, delivery and performance by each of the Borrower and its Subsidiaries of this Agreement or any of the other Credit Documents to which it is or will be a party or the legality, validity or enforceability hereof or thereof, other than (i) consents, authorizations and filings that have been made or obtained and that are in full force and effect, and (ii) consents and filings the failure to obtain or make which would not, individually or in the aggregate, have a Material Adverse Effect.

(b) Each of the Borrower and its Subsidiaries has, and is in good standing with respect to, all governmental approvals, licenses, permits and authorizations necessary to conduct its business as presently conducted and to own or lease and operate its properties, except for

those the failure to obtain which would not be reasonably likely, individually or in the aggregate, to have a Material Adverse Effect.

5.5 Litigation. There are no actions, investigations, suits or proceedings pending or, to the knowledge of the Borrower, threatened, at law, in equity or in arbitration, before any court, other Governmental Authority or other Person, (i) against or affecting the Borrower, any of its Subsidiaries or any of their respective properties that would, if adversely determined, be reasonably likely to have a Material Adverse Effect, or (ii) with respect to this Agreement or any of the other Credit Documents.

5.6 Taxes. Each of the Borrower and its Subsidiaries has timely filed all federal, state and local tax returns and reports required to be filed by it and has paid all taxes, assessments, fees and other charges levied upon it or upon its properties that are shown thereon as due and payable, other than those that are being contested in good faith and by proper proceedings and for which adequate reserves have been established in accordance with GAAP. Such returns accurately reflect in all material respects all liability for taxes of the Borrower and its Subsidiaries for the periods covered thereby. There is no ongoing audit or examination or, to the knowledge of the Borrower, other investigation by any Governmental Authority of the tax liability of the Borrower or any of its Subsidiaries, and there is no unresolved claim by any Governmental Authority concerning the tax liability of the Borrower or any of its Subsidiaries for any period for which tax returns have been or were required to have been filed, other than claims for which adequate reserves have been established in accordance with GAAP. Neither the Borrower nor any of its Subsidiaries has waived or extended or has been requested to waive or extend the statute of limitations relating to the payment of any taxes.

5.7 Subsidiaries. SCHEDULE 5.7 sets forth a list, as of the Second Restatement Closing Date, of all of the Subsidiaries of the Borrower and, as to each such Subsidiary, the percentage ownership (direct and indirect) of the Borrower in each class of its capital stock and each direct owner thereof. Such schedule shall distinguish the Subsidiary Guarantors from other Subsidiaries. Except for the shares of capital stock expressly indicated on SCHEDULE 5.7, there are no shares of capital stock, warrants, rights, options or other equity securities, or other Capital Stock of any Subsidiary of the Borrower outstanding or reserved for any purpose. All outstanding shares of capital stock of each Subsidiary of the Borrower are duly and validly issued, fully paid and nonassessable.

5.8 Full Disclosure. All factual information heretofore or contemporaneously furnished to the Agent in writing by or on behalf of the Borrower or any of its Subsidiaries (or to any Lender in writing by the Borrower or any of its Subsidiaries or through the Agent) for purposes of or in connection with this Agreement and the transactions contemplated hereby is, and all other such factual information hereafter furnished to the Agent or any Lender in writing by or on behalf of the Borrower or any of its Subsidiaries will be, true and accurate in all material respects on the date as of which such information is dated or certified (or, if such information has been amended or supplemented, on the date as of which any such amendment or supplement is dated or certified) and not made incomplete by omitting to state a material fact necessary to make the statements contained therein, in light of the circumstances under which such information was provided, not misleading.

5.9 Margin Regulations. Neither the Borrower nor any of its Subsidiaries is engaged principally, or as one of its important activities, in the business of extending credit for the purpose of purchasing or carrying Margin Stock. No proceeds of the Loans will be used, directly or indirectly, to purchase or carry any Margin Stock (except for purchases by the Borrower of outstanding shares of its capital stock permitted by SECTION 8.6 and made in compliance with the applicable provisions of Regulations T, U, and X), to extend credit for such purpose or for any other purpose that would violate or be inconsistent with Regulations T, U or X or any provision of the Exchange Act.

5.10 No Material Adverse Change. There has been no Material Adverse Change since December 31, 1999, and there exists no event, condition or state of facts that could reasonably be expected to result in a Material Adverse Change.

5.11 Financial Matters.

(a) The Borrower has heretofore furnished to the Agent copies of the audited consolidated balance sheets of the Borrower and its Subsidiaries (as of the applicable date) as of December 31, 2000, 1999, and 1998, and the related statements of income, cash flows and stockholders' equity for the fiscal years then ended, together with the opinion of KPMG, LLP thereon. Such financial statements have been prepared in accordance with GAAP (subject, with respect to the unaudited financial statements, to the absence of notes required by GAAP and to normal year-end adjustments) and present fairly the financial condition of the Borrower and its Subsidiaries on a consolidated basis as of the respective dates thereof and the consolidated results of operations of the Borrower and its Subsidiaries for the respective periods then ended. Except as fully reflected in the most recent financial statements referred to above and the notes thereto, there are no material liabilities or obligations with respect to the Borrower or any of its Subsidiaries of any nature whatsoever (whether absolute, contingent or otherwise and whether or not due).

(b) The unaudited pro forma balance sheet of the Borrower and its Subsidiaries as of September 30, 2001, a copy of which has heretofore been delivered to the Agent, gives pro forma effect to the extensions of credit made under this Agreement as of the Second Restatement Closing Date, the issuance of the Medium Term Notes, and the payment of transaction fees and expenses related to the foregoing, all as if such events had occurred on such date (the "Pro Forma Balance Sheet"). The Pro Forma Balance Sheet has been prepared in accordance with GAAP (subject to the absence of footnotes required by GAAP and subject to normal year-end adjustments) and, subject to stated assumptions made in good faith and having a reasonable basis set forth therein, presents fairly the financial condition of the Borrower and its Subsidiaries on an unaudited pro forma basis as of the date set forth therein after giving effect to the consummation of the transactions described above.

(c) The Borrower has prepared, and has heretofore furnished to the Agent a copy of, annual projected balance sheets and statements of income and cash flows of the Borrower and its Subsidiaries for the two-year period beginning January 1, 2002 and ending December 31, 2003, giving effect to the extensions of credit made under this Agreement as of the Second Restatement Closing Date, the issuance of the Medium Term Notes, and the payment of transaction fees and expenses related to the foregoing (the "Projections"). In the opinion of

management of the Borrower, the assumptions used in the preparation of the Projections were fair, complete and reasonable when made and continue to be fair, complete and reasonable as of the date hereof. The Projections have been prepared in good faith by the executive and financial personnel of the Borrower, are complete and represent a reasonable estimate of the future performance and financial condition of the Borrower and its Subsidiaries, subject to the uncertainties and approximations inherent in any projections.

(d) Each of the Borrower and its Subsidiaries, after giving effect to the consummation of the transactions contemplated hereby, (i) has capital sufficient to carry on its businesses as conducted and as proposed to be conducted, (ii) has assets with a fair saleable value, determined on a going concern basis, (y) not less than the amount required to pay the probable liability on its existing debts as they become absolute and matured and (z) greater than the total amount of its liabilities (including identified contingent liabilities, valued at the amount that can reasonably be expected to become absolute and matured), and (iii) does not intend to, and does not believe that it will, incur debts or liabilities beyond its ability to pay such debts and liabilities as they mature.

5.12 Ownership of Properties. Each of the Borrower and its Subsidiaries (i) has good and marketable title to all real property owned by it, (ii) holds interests as lessee under valid leases in full force and effect with respect to all material leased real and personal property used in connection with its business, (iii) possesses or has rights to use licenses, patents, copyrights, trademarks, service marks, trade names and other assets sufficient to enable it to continue to conduct its business substantially as heretofore conducted and without any material conflict with the rights of others, and (iv) has good title to all of its other properties and assets reflected in the most recent financial statements referred to in SECTION 5.11 (except as sold or otherwise disposed of since the date thereof in the ordinary course of business), in each case under (i), (ii), (iii) and (iv) above free and clear of all Liens other than Permitted Liens.

5.13 ERISA.

(a) Each of the Borrower and its ERISA Affiliates is in compliance with the applicable provisions of ERISA, and each Plan is and has been administered in compliance with all applicable Requirements of Law, including, without limitation, the applicable provisions of ERISA and the Internal Revenue Code, other than any non compliance that would not, individually or in the aggregate, have a Material Adverse Effect. Other than the matters described on SCHEDULE 5.13, no ERISA Event (i) has occurred within the five-year period prior to the Second Restatement Closing Date, (ii) has occurred and is continuing, or (iii) to the knowledge of the Borrower, is reasonably expected to occur with respect to any Plan. Except as set forth on SCHEDULE 5.13, no Plan has any Unfunded Pension Liability as of the most recent annual valuation date applicable thereto, and neither the Borrower nor any ERISA Affiliate has engaged in a transaction that could be subject to Section 4069 or 4212(c) of ERISA.

(b) Neither the Borrower nor any ERISA Affiliate has had a complete or partial withdrawal from any Multiemployer Plan, and neither the Borrower nor any ERISA Affiliate would become subject to any liability under ERISA if the Borrower or any ERISA Affiliate were to withdraw completely from all Multiemployer Plans as of the most recent valuation date. No Multiemployer Plan is in "reorganization" or is "insolvent" within the meaning of such terms under ERISA.

5.14 Environmental Matters.

(a) No Hazardous Substances are or have been generated, used, located, released, treated, disposed of or stored by the Borrower or any of its Subsidiaries or, to the knowledge of the Borrower, by any other Person (including any predecessor in interest) or otherwise, in, on or under any portion of any real property, leased or owned, of the Borrower or any of its Subsidiaries, except in material compliance with all applicable Environmental Laws or except to the extent that any noncompliance, individually or in the aggregate, has not had and would not be reasonably likely to have a Material Adverse Effect. No portion of any such real property or, to the knowledge of the Borrower, any other real property at any time leased, owned or operated by the Borrower or any of its Subsidiaries, has been contaminated by any Hazardous Substance; except to the extent that any such contamination, individually or in the aggregate, has not had and would not be reasonably likely to have a Material Adverse Effect.

(b) Except as set forth on SCHEDULE 5.14, no portion of any real property at any time leased, owned or operated by the Borrower or any of its Subsidiaries has, pursuant to any Environmental Law, been placed on the "National Priorities List" or "CERCLIS List" (or any similar federal, state or local list) of sites subject to possible environmental problems.

(c) All activities and operations of the Borrower and its Subsidiaries are in compliance with the requirements of all applicable Environmental Laws, except to the extent the failure so to comply, individually or in the aggregate, would not be reasonably likely to have a Material Adverse Effect. Each of the Borrower and its Subsidiaries has obtained all licenses and permits under Environmental Laws necessary to its respective operations; all such licenses and permits are being maintained in good standing; and each of the Borrower and its Subsidiaries is in compliance with all terms and conditions of such licenses and permits, except for such licenses and permits the failure to obtain, maintain or comply with which would not be reasonably likely, individually or in the aggregate, to have a Material Adverse Effect. Neither the Borrower nor any of its Subsidiaries is involved in any suit, action or proceeding, or has received any notice, complaint or other request for information from any Governmental Authority or other Person, with respect to any actual or alleged Environmental Claims that, if adversely determined, would be reasonably likely, individually or in the aggregate, to have a Material Adverse Effect; and, to the knowledge of the Borrower, there are no threatened actions, suits, proceedings or investigations with respect to any such Environmental Claims, nor any basis therefor.

5.15 Compliance With Laws. Each of the Borrower and its Subsidiaries has timely filed all material reports, documents and other materials required to be filed by it under all applicable Requirements of Law with any Governmental Authority, has retained all material records and documents required to be retained by it under all applicable Requirements of Law, and is otherwise in compliance with all applicable Requirements of Law in respect of the conduct of its business and the ownership and operation of its properties, except for such Requirements of Law the failure to comply with which, individually or in the aggregate, would not be reasonably likely to have a Material Adverse Effect.

5.16 Regulated Industries. Neither the Borrower nor any of its Subsidiaries is (i) an "investment company," a company "controlled" by an "investment company," or an "investment

advisor," within the meaning of the Investment Company Act of 1940, as amended, or (ii) a "holding company," 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.

5.17 Insurance. The assets, properties and business of the Borrower and its Subsidiaries are insured against such hazards and liabilities, under such coverages and in such amounts, as are customarily maintained by prudent companies similarly situated and under policies issued by insurers of recognized responsibility.

5.18 Material Contracts. As of the Second Restatement Closing Date, (i) each "material contract" (within the meaning of Item 601(b)(10) of Regulation S-K under the Exchange Act) to which the Borrower or any of its Subsidiaries is a party, by which any of them or their respective properties is bound or to which any of them is subject (collectively, "Material Contracts") is in full force and effect and is enforceable by the Borrower or the Subsidiary that is a party thereto in accordance with its terms, and (ii) neither the Borrower nor any of its Subsidiaries (nor, to the knowledge of the Borrower, any other party thereto) is in breach of or default under any Material Contract in any material respect or has given notice of termination or cancellation of any Material Contract.

5.19 Labor Relations. Neither the Borrower nor any of its Subsidiaries is engaged in any unfair labor practice within the meaning of the National Labor Relations Act of 1947, as amended. Borrower has not received any notice of any unfair labor practice complaint before the National Labor Relations Board, or grievance or arbitration proceeding arising out of or under any collective bargaining agreement, pending or, to the knowledge of the Borrower, threatened, against the Borrower or any of its Subsidiaries. There is (i) no strike, lock-out, slowdown, stoppage, walkout or other labor dispute pending or, to the knowledge of the Borrower, threatened, against the Borrower or any of its Subsidiaries, and (ii) to the knowledge of the Borrower, no petition for certification or union election or union organizing activities taking place with respect to the Borrower or any of its Subsidiaries.

ARTICLE VI

AFFIRMATIVE COVENANTS

The Borrower covenants and agrees that, until the termination of the Commitments, the termination or expiration of all Letters of Credit and the payment in full of all principal and interest with respect to the Loans and all Reimbursement Obligations together with all other amounts then due and owing hereunder:

6.1 Financial Statements. The Borrower will deliver to each Lender:

(a) As soon as available and in any event within forty-five (45) days after the end of each of the first three fiscal quarters of each fiscal year, beginning with the fiscal quarter ending March 31, 2002, unaudited consolidated and consolidating balance sheets of the Borrower and its Subsidiaries, and unaudited consolidated balance sheets of each Joint Venture, as of the end of such fiscal quarter and unaudited consolidated and consolidating statements of income, cash

flows and stockholders' equity for the Borrower and its Subsidiaries and each Joint Venture for the fiscal quarter then ended and for that portion of the fiscal year then ended, in each case setting forth comparative consolidated (or consolidating) figures as of the end of and for the corresponding period in the preceding fiscal year together with comparative budgeted figures for the fiscal year then ended, all in reasonable detail and prepared in accordance with GAAP (subject to the absence of notes required by GAAP and subject to normal year-end adjustments) applied on a basis consistent with that of the preceding quarter or containing disclosure of the effect on the financial condition or results of operations of any change in the application of accounting principles and practices during such quarter; and

(b) As soon as available and in any event within ninety (90) days after the end of each fiscal year, beginning with the fiscal year ending December 31, 2001, (i) an audited consolidated balance sheet of the Borrower and its Subsidiaries, and an unaudited consolidated balance sheet of each Joint Venture, as of the end of such fiscal year, audited consolidated statements of income, cash flows and stockholders' equity for the Borrower and its Subsidiaries, and unaudited consolidated statements of income for each Joint Venture, for the fiscal year then ended, including the notes thereto, and in the case of the Borrower, setting forth comparative figures as of the end of and for the preceding fiscal year together with comparative budgeted figures for the fiscal year then ended, all in reasonable detail and certified by the independent certified public accounting firm regularly retained by the Borrower or another independent certified public accounting firm of recognized national standing reasonably acceptable to the Required Lenders, together with (y) a report thereon by such accountants that is not qualified as to going concern or scope of audit and to the effect that such financial statements present fairly the consolidated financial condition and results of operations of the Borrower and its Subsidiaries as of the dates and for the periods indicated in accordance with GAAP applied on a basis consistent with that of the preceding year or containing disclosure of the effect on the financial condition or results of operations of any change in the application of accounting principles and practices during such year, and (z) a report by such accountants to the effect that, based on and in connection with their examination of the financial statements of the Borrower and its Subsidiaries, they obtained no knowledge of the occurrence or existence of any Default or Event of Default relating to accounting or financial reporting matters, or a statement specifying the nature and period of existence of any such Default or Event of Default disclosed by their audit; provided, however, that such accountants shall not be liable by reason of the failure to obtain knowledge of any Default or Event of Default that would not be disclosed or revealed in the course of their audit examination; provided that such report shall not be required for the fiscal year ending December 31, 1999, and (ii) an unaudited consolidating balance sheet of the Borrower and its Subsidiaries as of the end of such fiscal year and unaudited consolidating statements of income, cash flows and stockholders' equity for the Borrower and its Subsidiaries for the fiscal year then ended, all in reasonable detail.

6.2 Other Business and Financial Information. The Borrower will deliver to each Lender:

(a) Concurrently with each delivery of the financial statements described in SECTION 6.1, (i) a Compliance Certificate with respect to the period covered by the financial statements then being delivered, executed by a Financial Officer of the Borrower, together with a Covenant Compliance Worksheet reflecting the computation of the financial covenants set forth

in SECTIONS 7.1 through 7.5 as of the last day of the period covered by such financial statements and (ii) a Project liquidity-capital adequacy disclosure certificate, substantially in the form of EXHIBIT H, showing for each Project the required budget and financing information updated through the last day of the period covered by such financial statements;

(b) As soon as available, and in any event no later than March 15 of each year, a consolidated operating budget for the Borrower and its Subsidiaries for the fiscal year (prepared on a quarterly basis), consisting of a consolidated balance sheet and consolidated statements of income and cash flows, together with a certificate of a Financial Officer of the Borrower to the effect that such budgets have been prepared in good faith and are reasonable estimates of the financial position and results of operations of the Borrower and its Subsidiaries for the period covered thereby; and as soon as available from time to time thereafter, any modifications or revisions to or restatements of such budget.

(c) Promptly upon (and in any event within five (5) Business Days after) receipt thereof, copies of any "management letter" submitted to the Borrower or any of its Subsidiaries by its certified public accountants in connection with each annual, interim or special audit, and promptly upon completion thereof, any response reports from the Borrower or any such Subsidiary in respect thereof;

(d) Promptly upon (and in any event within five (5) Business Days after) the sending, filing or receipt thereof, copies of (i) all financial statements, reports, notices and proxy statements that the Borrower or any of its Subsidiaries shall send or make available generally to its shareholders, (ii) all regular, periodic and special reports, registration statements and prospectuses (other than on Form S-8) that the Borrower or any of its Subsidiaries shall render to or file with the Securities and Exchange Commission, the National Association of Securities Dealers, Inc. or any national securities exchange, and (iii) all press releases and other statements made available generally by the Borrower or any of its Subsidiaries to the public concerning material developments in the business of the Borrower or any of its Subsidiaries;

(e) Promptly upon (and in any event within five (5) Business Days after) any Responsible Officer of the Borrower obtaining knowledge thereof, written notice of any of the following:

(i) the occurrence of any Default or Event of Default, together with a written statement of a Responsible Officer of the Borrower specifying the nature of such Default or Event of Default, the period of existence thereof and the action that the Borrower has taken and proposes to take with respect thereto;

(ii) the institution or threatened institution of any action, suit, investigation or proceeding against or affecting the Borrower or any of its Subsidiaries, including any such investigation or proceeding by any Governmental Authority (other than routine periodic inquiries, investigations or reviews), that would, if adversely determined, be reasonably likely, individually or in the aggregate, to have a Material Adverse Effect, and any material development in any litigation or other proceeding previously reported pursuant to SECTION 5.5 or this subsection;

(iii) the receipt by the Borrower or any of its Subsidiaries from any Governmental Authority of (y) any notice asserting any failure by the Borrower or any of its Subsidiaries to be in compliance with applicable Requirements of Law or that threatens the taking of any action against the Borrower or such Subsidiary or sets forth circumstances that, if taken or adversely determined, would be reasonably likely to have a Material Adverse Effect, or (z) any notice of any actual or threatened suspension, limitation or revocation of, failure to renew, or imposition of any restraining order, escrow or impoundment of funds in connection with, any license, permit, accreditation or authorization of the Borrower or any of its Subsidiaries, where such action would be reasonably likely to have a Material Adverse Effect;

(iv) the occurrence of any ERISA Event, together with (x) a written statement of a Responsible Officer of the Borrower specifying the details of such ERISA Event and the action that the Borrower has taken and proposes to take with respect thereto, (y) a copy of any notice with respect to such ERISA Event that may be required to be filed with the PBGC and (z) a copy of any notice delivered by the PBGC to the Borrower or such ERISA Affiliate with respect to such ERISA Event;

(v) the occurrence of any material default under, or any proposed or threatened termination or cancellation of, any Material Contract or other material contract or agreement to which the Borrower or any of its Subsidiaries is a party, the termination or cancellation of which would be reasonably likely to have a Material Adverse Effect;

(vi) the occurrence of any of the following: (x) the assertion of any Environmental Claim against or affecting the Borrower, any of its Subsidiaries or any of their respective real property, leased or owned; (y) the receipt by the Borrower or any of its Subsidiaries of notice of any alleged violation of or noncompliance with any Environmental Laws; or (z) the taking of any remedial action by the Borrower, any of its Subsidiaries or any other Person in response to the actual or alleged generation, storage, release, disposal or discharge of any Hazardous Substances on, to, upon or from any real property leased or owned by the Borrower or any of its Subsidiaries; but in each case under clauses (x), (y) and (z) above, only to the extent the same would be reasonably likely to have a Material Adverse Effect; and

(vii) any other matter or event that has, or would be reasonably likely to have, a Material Adverse Effect, together with a written statement of a Responsible Officer of the Borrower setting forth the nature and period of existence thereof and the action that the Borrower has taken and proposes to take with respect thereto;

(f) Concurrently with the delivery of each Compliance Certificate pursuant to SECTION 6.2(a), a quarterly summary of all community development districts under development in the State of Florida by the Borrower or its Subsidiaries and all tax-related liabilities and obligations of Borrower and its Subsidiaries arising from interests in such community development districts.

(g) As promptly as reasonably possible, such other information about the business, condition (financial or otherwise), operations or properties of the Borrower or any of its

Subsidiaries (including any Plan and any information required to be filed under ERISA) as the Agent or any Lender may from time to time reasonably request.

6.3 Corporate Existence; Franchises; Maintenance of Properties. The Borrower will, and will cause each of Subsidiary Guarantor to, (i) maintain and preserve in full force and effect its existence, except as expressly permitted otherwise by SECTION 8.1, (ii) obtain, maintain and preserve in full force and effect all other rights, franchises, licenses, permits, certifications, approvals and authorizations required by Governmental Authorities and necessary to the ownership, occupation or use of its properties or the conduct of its business, except to the extent the failure to do so would not be reasonably likely to have a Material Adverse Effect, and (iii) keep all material properties in good working order and condition (normal wear and tear excepted) and from time to time make all necessary repairs to and renewals and replacements of such properties, except to the extent that any of such properties are obsolete or are being replaced.

6.4 Compliance with Laws. The Borrower will, and will cause each of its Subsidiaries to, comply in all respects with all Requirements of Law applicable in respect of the conduct of its business and the ownership and operation of its properties, except to the extent the failure so to comply would not be reasonably likely to have a Material Adverse Effect.

6.5 Payment of Obligations. The Borrower will, and will cause each of its Subsidiaries to, (i) pay all liabilities and obligations as and when due (subject to any applicable subordination provisions), except to the extent failure to do so would not be reasonably likely to have a Material Adverse Effect, and (ii) pay and discharge all taxes, assessments and governmental charges or levies imposed upon it, upon its income or profits or upon any of its properties, prior to the date on which penalties would attach thereto, and all lawful claims that, if unpaid, might become a Lien upon any of the properties of the Borrower or any of its Subsidiaries; provided, however, that neither the Borrower nor any of its Subsidiaries shall be required to pay any such tax, assessment, charge, levy or claim that is being contested in good faith and by proper proceedings and as to which the Borrower or such Subsidiary is maintaining adequate reserves with respect thereto in accordance with GAAP.

6.6 Insurance. The Borrower will, and will cause each of its Subsidiaries to, maintain with financially sound and reputable insurance companies insurance with respect to its assets, properties and business, against such hazards and liabilities, of such types and in such amounts, as is customarily maintained by companies in the same or similar businesses similarly situated.

6.7 Maintenance of Books and Records; Inspection. The Borrower will, and will cause each of its Subsidiaries to, (i) maintain adequate books, accounts and records, in which full, true and correct entries shall be made of all financial transactions in relation to its business and properties, and prepare all financial statements required under this Agreement, in each case in accordance with GAAP and in compliance with the requirements of any Governmental Authority having jurisdiction over it, and (ii) permit employees or agents of the Agent or any Lender to inspect its properties and examine its books, records, working papers and accounts and make copies and memoranda of them, and to discuss its affairs, finances and accounts with its officers and employees and, upon notice to the Borrower, the independent public accountants of the Borrower and its Subsidiaries (and by this provision the Borrower authorizes such

accountants to discuss the finances and affairs of the Borrower and its Subsidiaries), all at such times and from time to time, upon reasonable notice and during business hours, as may be reasonably requested. The Agent, in its discretion or at the direction of the Required Lenders shall have the right to audit the Borrower's and its Subsidiaries' books, records, working papers and accounts; provided that such right may be exercised only one time during the term hereof unless an Event of Default has occurred or the initial audit reveals material discrepancies.

6.8 Permitted Acquisitions.

(a) Subject to the provisions of subsection (b) below and the requirements contained in the definition of Permitted Acquisition, and subject to the other terms and conditions of this Agreement, the Borrower may from time to time on or after the Initial Closing Date effect Permitted Acquisitions, provided that, with respect to each Permitted Acquisition:

(i) no Default or Event of Default shall have occurred and be continuing at the time of the consummation of such Permitted Acquisition or would exist immediately after giving effect thereto; and

(ii) the Acquisition Amount with respect thereto together with the aggregate of the Acquisition Amounts for all other Permitted Acquisitions consummated on or after the Second Restatement Closing Date shall not exceed $60,000,000.

(b) As soon as reasonably practicable after the consummation of any Permitted Acquisition, the Borrower will deliver to the Agent and each Lender a reasonably detailed description of the material terms of such Permitted Acquisition (including, without limitation, the purchase price and method and structure of payment) and of each Person or business that is the subject of such Permitted Acquisition.

6.9 Creation or Acquisition of Subsidiaries. Subject to the provisions of SECTION 8.5, the Borrower may from time to time create or acquire new Wholly Owned Subsidiaries in connection with Permitted Acquisitions or otherwise, and the Wholly Owned Subsidiaries of the Borrower may create or acquire new Wholly Owned Subsidiaries, provided that, concurrently with (and in any event within ten (10) Business Days thereafter) the creation or direct or indirect acquisition by the Borrower thereof, each such new Subsidiary will execute and deliver to the Agent (i) a joinder to the Subsidiary Guaranty, pursuant to which such new Subsidiary shall become a party thereto and shall guarantee the payment in full of the Obligations of the Borrower under this Agreement and the other Credit Documents, and (ii) any other documents, certificates and opinions as the Agent may reasonably request in connection therewith; provided, however that any such new Subsidiary having less than $200,000 of assets and less than $200,000 of projected annual revenue shall not be required to comply with clause (i) of the foregoing proviso until the date that the next Compliance Certificate is required to be delivered pursuant to SECTION 6.2(a). Notwithstanding the foregoing, except as may be reasonably required by the Required Lenders, no newly created or acquired Subsidiary shall be required to become a Subsidiary Guarantor for so long as both the assets and annual revenue of such Subsidiary are each less than $10,000. This section shall not apply to the acquisition or creation of any Subsidiary in connection with any Permitted Joint Venture Investment.

6.10 Permitted Joint Venture Investments.

(a) Subject to the provisions of subsection (b) below and the requirements contained in the definition of Permitted Joint Venture Investment, and subject to the other terms and conditions of this Agreement, the Borrower or any Wholly-Owned Subsidiary Guarantor may from time to time on or after the Initial Closing Date effect Permitted Joint Venture Investments, provided that, with respect to each Permitted Joint Venture Investment:

(i) no Default or Event of Default shall have occurred and be continuing at the time of the consummation of such Permitted Joint Venture Investment or would exist immediately after giving effect thereto;

(ii) the amount of any Permitted Joint Venture Investment (y) shall not exceed an amount equal to 7.5% of Consolidated Total Assets as of such time, and (z) together with the aggregate amount of all other Permitted Joint Venture Investments consummated during the term of this Agreement, shall not exceed 20% of Consolidated Total Assets as of such time; and

(b) Concurrently with the delivery of each Compliance Certificate pursuant to SECTION 6.2(a), the Borrower shall deliver to the Agent and each Lender a quarterly summary of Joint Venture Investments, including a reasonably detailed description of the material terms of each Permitted Joint Venture Investment (including, without limitation, the Investment amount and structure) made during the preceding quarter and of each Joint Venture in which such Permitted Joint Venture Investment was made. The consummation of each Permitted Joint Venture Investment shall be deemed to be a representation and warranty by the Borrower that (except as shall have been approved in writing by the Required Lenders) all conditions thereto set forth in this Section have been satisfied and that the same is permitted in accordance with the terms of this Agreement.

6.11 Financing Sources for Projects. Prior to the commencement of initial construction (including site work) on any Project, whether directly or indirectly through any Subsidiary or Joint Venture, the Borrower will, or will cause the applicable Subsidiary or Joint Venture to, provide written documentation in the form set forth on EXHIBIT H to the Agent demonstrating to the Agent's reasonable satisfaction that the Borrower, Subsidiary or Joint Venture has adequate available financing sources to complete such Project.

6.12 Further Assurances. The Borrower will, and will cause each of its Subsidiaries to, make, execute, endorse, acknowledge and deliver any amendments, modifications or supplements hereto and restatements hereof and any other agreements, instruments or documents, and take any and all such other actions, as may from time to time be reasonably requested by the Agent or the Required Lenders to effect, confirm or further assure or protect and preserve the interests, rights and remedies of the Agent and the Lenders under this Agreement and the other Credit Documents.

ARTICLE VII

FINANCIAL COVENANTS

The Borrower covenants and agrees that, until the termination of the Commitments, the termination or expiration of all Letters of Credit and the payment in full of all principal and interest with respect to the Loans and all Reimbursement Obligations together with all other amounts then due and owing hereunder:

7.1 Leverage Ratio. The Borrower will not permit the Leverage Ratio as of the last day of any fiscal quarter during the term hereof to be greater than 0.45 to 1.00.

7.2 Interest Coverage Ratio. The Borrower will not permit the Interest Coverage Ratio as of the last day of any fiscal quarter during the term hereof to be less than 5.0 to 1.0.

7.3 Unsecured Debt to Unencumbered Assets. The Borrower will not permit the ratio of Consolidated Unsecured Debt to Consolidated Unencumbered Assets, as of the last day of any fiscal quarter during the term hereof, to be greater than 0.35 to 1.00.

7.4 Secured Debt to Balance Sheet Assets. The Borrower will not permit the ratio of Consolidated Secured Debt to Consolidated Balance Sheet Assets, as of the last day of any fiscal quarter during the term hereof, to be greater than 0.30 to 1.00.

7.5 Consolidated Net Worth. The Borrower will not permit Consolidated Net Worth as of the last day of any fiscal quarter to be less than Four Hundred Twenty Five Million Dollars ($425,000,000) plus an amount equal to 100% of the net proceeds to the Borrower of any issuances of its Capital Stock occurring on or after the Second Restatement Closing Date.

ARTICLE VIII

NEGATIVE COVENANTS

The Borrower covenants and agrees that, until the termination of the Commitments, the termination or expiration of all Letters of Credit and the payment in full of all principal and interest with respect to the Loans and all Reimbursement Obligations together with all other amounts then due and owing hereunder:

8.1 Merger; Consolidation. The Borrower will not, and will not permit or cause any of its Subsidiaries to, liquidate, wind up or dissolve, or enter into any consolidation, merger or other combination, or agree to do any of the foregoing; provided, however, that:

(i) the Borrower may merge or consolidate with another Person so long as (x) the Borrower is the surviving entity, (y) unless such other Person is a Wholly Owned Subsidiary immediately prior to giving effect thereto, such merger or consolidation shall constitute a Permitted Acquisition and the applicable conditions and requirements of SECTIONS 6.8 and 6.9 shall be satisfied, and (z) immediately after giving effect thereto, no Default or Event of Default would exist; and

(ii) any Subsidiary may merge or consolidate with another Person so long as (x) the surviving entity is the Borrower or a Subsidiary Guarantor, (y) unless such other Person is a Wholly Owned Subsidiary immediately prior to giving effect thereto, such merger or consolidation shall constitute a Permitted Acquisition and the applicable conditions and requirements of SECTIONS 6.8 and 6.9 shall be satisfied, and (z) immediately after giving effect thereto, no Default or Event of Default would exist.

8.2 Indebtedness. The Borrower will not, and will not permit or cause any of its Subsidiaries to, create, incur, assume or suffer to exist any Indebtedness other than:

(i) Indebtedness incurred under this Agreement, the Notes and the Subsidiary Guaranty;

(ii) Indebtedness existing on the Second Restatement Closing Date and described in SCHEDULE 8.2, including the Medium Term Notes;

(iii) accrued expenses (including salaries, accrued vacation and other compensation), current trade or other accounts payable and other current liabilities arising in the ordinary course of business and not incurred through the borrowing of money, provided that the same shall be paid when due except to the extent being contested in good faith and by appropriate proceedings;

(iv) loans and advances by the Borrower or any Subsidiary Guarantors to any other Subsidiary Guarantor or by any Subsidiary Guarantor to the Borrower, provided that any such loan or advance is subordinated in right and time of payment to the Obligations and, provided further, that Indebtedness of the Borrower or any Subsidiary Guarantor to St. Joe Finance Company shall be permitted only so long as (A) St. Joe Finance Company remains at all times a Wholly Owned Subsidiary of the Borrower, (B) the assets of St. Joe Finance Company consisting of the instruments and general intangibles relating to such Indebtedness are and remain subject to a first priority, perfected Lien pursuant to the Pledge Agreement for the benefit of the Lenders and the holders of the Medium Term Notes and (C) St. Joe Finance Company incurs no Indebtedness to any Person other than the Borrower or any Subsidiary Guarantor;

(v) other unsecured Indebtedness; provided that, immediately after giving effect to the issuance or incurrence of such Indebtedness, no Default or Event of Default shall exist (including under SECTION 7.3) and, provided further, that such Indebtedness shall consist only of the following:

(A) unsecured term (not revolving) debt that matures on a date subsequent to the Maturity Date;

(B) unsecured debt securities (y) issued pursuant to an effective registration statement filed with the Securities and Exchange Commission or (z) exempt from the registrations requirements of the Securities Act of 1933, as amended, pursuant to Rule 144A so long as such debt securities are required to be exchanged for registered securities upon the effectiveness of a registration statement; or

(C) other unsecured debt not to exceed $10,000,000 in aggregate outstanding principal amount at any time.

(vi) other secured Indebtedness; provided that, (A) immediately after giving effect to the issuance or incurrence of such Indebtedness, no Default or Event of Default shall exist (including under SECTION 7.4), (B) not more than $25,000,000 of such Indebtedness may be recourse Indebtedness of the Borrower or any Subsidiary Guarantor, and (C) the amount of such Indebtedness secured by property acquired in connection with an Internal Revenue Code Section 1031 or 1033 like-kind exchange shall not exceed 70% of the aggregate fair market value of such property unless, in each case, approved in advance and in writing by the Agent.

8.3 Liens. The Borrower will not, and will not permit or cause any of its Subsidiaries to, directly or indirectly, make, create, incur, assume or suffer to exist, any Lien upon or with respect to any part of its property or assets, whether now owned or hereafter acquired, or file or permit the filing of, or permit to remain in effect, any financing statement or other similar notice of any Lien with respect to any such property, asset, income or profits under the Uniform Commercial Code of any state or under any similar recording or notice statute, or agree to do any of the foregoing, other than the following (collectively, "Permitted Liens"):

(i) Liens in existence on the Second Amendment Closing Date and set forth on SCHEDULE 8.3;

(ii) with respect to the Indebtedness owed to St. Joe Finance Company described in clause (iii) of SECTION 8.2, Liens securing such Indebtedness in the form of unrecorded mortgages on real property owned by the Borrower and any Subsidiary Guarantor.

(iii) Liens securing the Indebtedness permitted under clause (v) of SECTION 8.2;

(iv) Liens imposed by law, such as Liens of carriers, warehousemen, mechanics, materialmen and landlords, and other similar Liens incurred in the ordinary course of business for sums not constituting borrowed money that are not overdue for a period of more than thirty (30) days or that are being contested in good faith by appropriate proceedings and for which adequate reserves have been established in accordance with GAAP (if so required);

(v) Liens (other than any Lien imposed by ERISA, the creation or incurrence of which would result in an Event of Default under SECTION 9.1(i)) incurred in the ordinary course of business in connection with worker's compensation, unemployment insurance or other forms of governmental insurance or benefits, or to secure the performance of letters of credit, bids, tenders, statutory obligations, surety and appeal bonds, leases, government contracts and other similar obligations (other than obligations for borrowed money) entered into in the ordinary course of business;

(vi) Liens for taxes, assessments or other governmental charges or statutory obligations that are not delinquent or remain payable without any penalty or that are

being contested in good faith by appropriate proceedings and for which adequate reserves have been established in accordance with GAAP (if so required);

(vii) any attachment or judgment Lien not constituting an Event of Default under SECTION 9.1(h) that is being contested in good faith by appropriate proceedings and for which adequate reserves have been established in accordance with GAAP (if so required);

(viii) Liens arising from the filing, for notice purposes only, of financing statements in respect of true leases;

(ix) Liens on Borrower Margin Stock, to the extent the fair market value thereof exceeds 25% of the fair market value of the assets of the Borrower and its Subsidiaries (including Borrower Margin Stock);

(x) with respect to any real property occupied by the Borrower or any of its Subsidiaries, all easements, rights of way, licenses and similar encumbrances on title that do not materially impair the use of such property for its intended purposes;

(xi) Liens arising in connection with timber supply contracts entered into in the ordinary course of business; and

(xii) other Liens securing obligations of the Borrower and its Subsidiaries not exceeding $1,000,000 in aggregate amount outstanding at any time.

8.4 Disposition of Assets. The Borrower will not, and will not permit or cause any of its Subsidiaries to, sell, assign, lease, convey, transfer or otherwise dispose of (whether in one or a series of transactions) all or any portion of its assets, business or properties (including, without limitation, any Capital Stock of any Subsidiary), or enter into any arrangement with any Person providing for the lease by the Borrower or any Subsidiary as lessee of any asset that has been sold or transferred by the Borrower or such Subsidiary to such Person, or agree to do any of the foregoing, except for:

(i) sales of inventory in the ordinary course of business;

(ii) the sale or exchange of used or obsolete equipment to the extent (y) the proceeds of such sale are applied towards, or such equipment is exchanged for, replacement equipment or (z) such equipment is no longer necessary for the operations of the Borrower or its applicable Subsidiary in the ordinary course of business;

(iii) the sale or other disposition by Southeast Insurance Company of any or all of its Margin Stock assets;

(iv) the sale or disposition by the Borrower and its other Subsidiaries of any Borrower Margin Stock to the extent the fair market value thereof exceeds 25% of the fair market value of the assets of the Borrower and its Subsidiaries (including Borrower Margin Stock), provided that fair value is received in exchange therefor;

(v) the sale, lease or other disposition of assets by a Subsidiary of the Borrower to the Borrower or to a Subsidiary Guarantor if, immediately after giving effect thereto, no Default or Event of Default would exist;

(vi) the sale or disposition by the Borrower and the Subsidiary Guarantors of up to 500,000 acres of timberlands in the aggregate during the term of this Agreement;

(vii) the sale or disposition of the Capital Stock or all or substantially all of the assets of Arvida Realty Services, Inc., provided that immediately after giving effect thereto, no Default or Event of Default would exist;

(viii) the sale or disposition of other assets outside the ordinary course of business for fair value and for cash, provided that (x) the book value of such assets sold or disposed of, when aggregated with the net book value of all other assets sold in other sales and dispositions not otherwise specifically permitted under this Section that are consummated during the term hereof do not exceed ten percent (10%) of Consolidated Total Assets at the time of such sale or disposition and (y) immediately after giving effect thereto, no Default or Event of Default would exist; and

(ix) sales, in the ordinary course of business, of single family (1-4) mortgage loans originated by the Borrower or any of its Subsidiaries.

8.5 Investments. The Borrower will not, and will not permit or cause any of its Subsidiaries to, directly or indirectly, purchase, own, invest in or otherwise acquire any Capital Stock, evidence of indebtedness or other obligation or security or any interest whatsoever in any other Person, or make or permit to exist any loans, advances or extensions of credit to, or any investment in cash or by delivery of property in, any other Person, or purchase or otherwise acquire (whether in one or a series of related transactions) any portion of the assets, business or properties of another Person (including pursuant to an Acquisition), or create or acquire any Subsidiary, or become a partner or joint venturer in any partnership or joint venture (collectively, "Investments"), or make a commitment or otherwise agree to do any of the foregoing, other than:

(i) Cash Equivalents;

(ii) Investments consisting of purchases and acquisitions of inventory, supplies, materials and equipment in the ordinary course of business;

(iii) Investments consisting of loans and advances to employees for reasonable travel, relocation and business expenses in the ordinary course of business, extensions of trade credit in the ordinary course of business, and prepaid expenses incurred in the ordinary course of business;

(iv) without duplication, Investments consisting of intercompany Indebtedness permitted under clause (iii) of SECTION 8.2;

(v) Investments existing on the Second Restatement Closing Date and described in SCHEDULE 8.5;

(vi) Investments consisting of the making of capital contributions or the purchase of Capital Stock (a) by the Borrower or any Subsidiary in any other Wholly Owned Subsidiary that is (or immediately after giving effect to such Investment will be) a Subsidiary Guarantor, provided that the Borrower complies with the provisions of SECTION 6.9, and (b) by any Subsidiary in the Borrower;

(vii) Investments of the Borrower or its Subsidiaries under Hedge Agreements entered into in the ordinary course of business and not for speculative purposes;

(viii) Permitted Joint Venture Investments;

(ix) Permitted Acquisitions;

(x) Investments consisting of single family (1-4) mortgage loans made in the ordinary course of business; and

(xi) Project Contingent Liabilities.

8.6 Restricted Payments.

(a) The Borrower will not, and will not permit or cause any of its Subsidiaries to, directly or indirectly, declare or make any dividend payment, or make any other distribution of cash, property or assets, in respect of any of its Capital Stock or any warrants, rights or options to acquire its Capital Stock, or purchase, redeem, retire or otherwise acquire for value any shares of its Capital Stock or any warrants, rights or options to acquire its Capital Stock, or set aside funds for any of the foregoing, except that:

(i) the Borrower may declare and make dividend payments or other distributions payable solely in cash or in its common stock, consistent with past practice;

(ii) each Wholly Owned Subsidiary of the Borrower may declare and make dividend payments or other distributions to the Borrower or another Subsidiary Guarantor, to the extent not prohibited under applicable Requirements of Law;

(iii) the Borrower may make repurchases of its outstanding common stock in an amount not to exceed $370,000,000 following the Second Amendment Closing Date; provided that any such repurchases funded from the proceeds of bulk timberland sales shall not exceed the amount of net proceeds of such sales after giving effect to all current and deferred taxes; and

(iv) in addition to any payments that may be made pursuant to clause (iii) above, St. Joe Finance Company may declare and make dividend payments or other distributions or redemptions payable solely in cash to its shareholders that are not the Borrower or a Subsidiary Guarantor; provided, that (x) the aggregate amount of such payments shall not exceed $500,000 and (y) at the time of any such payment (A) no Default or Event of Default under Sections 9.1(a), (f) or (g) shall have occurred and be continuing, and (B) unless such payment is necessary for St. Joe Finance Company to

maintain its status as a real estate investment trust, no other Default or Event of Default shall have occurred and be continuing.

8.7 Transactions with Affiliates. The Borrower will not, and will not permit or cause any of its Subsidiaries to, enter into any transaction (including, without limitation, any purchase, sale, lease, or exchange of property or the rendering of any service) with any officer, director, stockholder or other Affiliate of the Borrower or any Subsidiary, except in the ordinary course of its business and upon fair and reasonable terms that are no less favorable to it than would obtain in a comparable arm's length transaction with a Person other than an Affiliate of the Borrower or such Subsidiary; provided, however, that nothing contained in this Section shall prohibit:

(i) transactions described on SCHEDULE 8.7 or otherwise expressly permitted under this Agreement; and

(ii) the payment by the Borrower of reasonable and customary fees to members of its board of directors.

8.8 Transfers to or Investments in Subsidiaries that are not Subsidiary Guarantors. Notwithstanding any provisions of this Agreement to the contrary, the Borrower will not, and will not permit or cause any of its Guarantor Subsidiaries to, directly or indirectly, sell, assign, convey, or otherwise transfer any of its assets to any Subsidiary that is not a Subsidiary Guarantor (except to the extent provided in the Distribution and Recapitalization Agreement).

8.9 Lines of Business. The Borrower will not, and will not permit or cause any of its Subsidiaries to, engage in any business other than the businesses engaged in by it on the date hereof and businesses and activities reasonably related thereto. The Borrower will not, and will not permit or cause any of its Subsidiaries to, enter into Hedge Agreements other than in the ordinary course of business and not for speculative purposes.

8.10 Certain Amendments. The Borrower will not, and will not permit or cause any of its Subsidiaries to, amend, modify or change any provision of its articles or certificate of incorporation or bylaws, or the terms of any class or series of its Capital Stock, other than in a manner that could not reasonably be expected to adversely affect the Lenders in any material respect.

8.11 Limitation on Certain Restrictions. The Borrower will not, and will not permit or cause any of its Subsidiaries to, directly or indirectly, create or otherwise cause or suffer to exist or become effective any restriction or encumbrance on (i) the ability of the Borrower and its Subsidiaries to perform and comply with their respective obligations under the Credit Documents or (ii) the ability of any Subsidiary of the Borrower to make any dividend payments or other distributions in respect of its Capital Stock, to repay Indebtedness owed to the Borrower or any other Subsidiary, to make loans or advances to the Borrower or any other Subsidiary, or to transfer any of its assets or properties to the Borrower or any other Subsidiary, in each case other than such restrictions or encumbrances existing under or by reason of the Credit Documents or applicable Requirements of Law; provided, however, that the ability of Arvida Mortgage to make dividend payments or distributions in respect of its Capital Stock may be limited by the terms of any Indebtedness in the form of a warehouse line of credit facility incurred solely for

the Borrower or its Subsidiaries to use for the funding of single family (1-4) mortgage loans, which Indebtedness shall not exceed $50,000,000 in aggregate principal amount outstanding at any time, as follows: (x) no dividend or distribution may be made if it would result in a breach of or default under any financial covenant relating to such warehouse line of credit Indebtedness and (y) any dividend or distribution may be limited to fifty percent (50%) of the positive net income of Arvida Mortgage.

8.12 No Other Negative Pledges. The Borrower will not, and will not permit or cause any of its Subsidiaries to, directly or indirectly, enter into or suffer to exist any agreement or restriction that prohibits or conditions the creation, incurrence or assumption of any Lien upon or with respect to any part of its property or assets, whether now owned or hereafter acquired, or agree to do any of the foregoing, other than as set forth in (i) this Agreement, (ii) any agreement or instrument creating a Permitted Lien (but only to the extent such agreement or restriction applies to the assets subject to such Permitted Lien), (iii) operating leases of real or personal property entered into by the Borrower or any of its Subsidiaries as lessee in the ordinary course of business and (iv) the Note Purchase Agreements dated on or about the Second Restatement Closing Date and entered into in connection with the issuance and sale of the Medium Term Notes.

8.13 Fiscal Year. The Borrower will not, and will not permit or cause any of its Subsidiaries to, change the ending date of its fiscal year to a date other than December 31.

8.14 Accounting Changes. The Borrower will not, and will not permit or cause any of its Subsidiaries to, make or permit any material change in its accounting policies or reporting practices, except as may be required by GAAP.

ARTICLE IX

EVENTS OF DEFAULT

9.1 Events of Default. The occurrence of any one or more of the following events shall constitute an "Event of Default":

(a) The Borrower shall fail to pay any principal of or interest on any Loan, any Reimbursement Obligation, any fee when due or any other Obligation within three (3) Business Days of the date due;

(b) The Borrower shall fail to observe, perform or comply with any condition, covenant or agreement contained in any of Sections 2.14, 6.2, 6.3(i), 6.8, 6.9 or in Article VII or Article VIII or shall fail to observe, perform or comply with the covenants in Section 6.1 and such failure shall continue unremedied for a period of five (5) Business Days;

(c) The Borrower or any of its Subsidiaries shall fail to observe, perform or comply with any condition, covenant or agreement contained in this Agreement or any of the other Credit Documents other than those enumerated in subsections (a) and (b) above, and such failure (i) is deemed by the terms of the relevant Credit Document to constitute an Event of Default or (ii) shall continue unremedied for any grace period specifically applicable thereto or, if no such

grace period is applicable, for a period of thirty (30) days after the earlier of (y) the date on which a Responsible Officer of the Borrower acquires knowledge thereof and (z) the date on which written notice thereof is delivered by the Agent or any Lender to the Borrower;

(d) Any representation or warranty made or deemed made by or on behalf of the Borrower or any of its Subsidiaries in this Agreement, any of the other Credit Documents or in any certificate, instrument, report or other document furnished in connection herewith or therewith or in connection with the transactions contemplated hereby or thereby shall prove to have been false or misleading in any material respect as of the time made, deemed made or furnished;

(e) The Borrower or any of its Subsidiaries shall (i) fail to pay when due (whether by scheduled maturity, acceleration or otherwise and after giving effect to any applicable grace and/or cure period) (y) any principal of or interest on any Indebtedness (other than the Indebtedness incurred pursuant to this Agreement) having an aggregate principal amount of at least $1,000,000 or (z) any termination fee, breakage payment or other payment in an aggregate amount of $1,000,000 under any Hedge Agreement or (ii) fail to observe, perform or comply with any condition, covenant or agreement contained in any agreement or instrument evidencing or relating to any such Indebtedness having an aggregate principal amount of at least $1,000,000, or any other event shall occur or condition exist in respect thereof, and the effect of such failure, event or condition is to cause, or permit the holder or holders of such Indebtedness (or a trustee or agent on its or their behalf) to cause (with the giving of notice, lapse of time, or both), such Indebtedness to become due, or to be prepaid, redeemed, purchased or defeased, prior to its stated maturity;

(f) The Borrower or any of its Subsidiaries shall (i) file a voluntary petition or commence a voluntary case seeking liquidation, winding-up, reorganization, dissolution, arrangement, readjustment of debts or any other relief under the Bankruptcy Code or under any other applicable bankruptcy, insolvency or similar law now or hereafter in effect, (ii) consent to the institution of, or fail to controvert in a timely and appropriate manner, any petition or case of the type described in subsection (g) below, (iii) apply for or consent to the appointment of or taking possession by a custodian, trustee, receiver or similar official for or of itself or all or a substantial part of its properties or assets, (iv) fail generally, or admit in writing its inability, to pay its debts generally as they become due, (v) make a general assignment for the benefit of creditors or (vi) take any corporate action to authorize or approve any of the foregoing;

(g) Any involuntary petition or case shall be filed or commenced against the Borrower or any of its Subsidiaries seeking liquidation, winding-up, reorganization, dissolution, arrangement, readjustment of debts, the appointment of a custodian, trustee, receiver or similar official for it or all or a substantial part of its properties or any other relief under the Bankruptcy Code or under any other applicable bankruptcy, insolvency or similar law now or hereafter in effect, and such petition or case shall continue undismissed and unstayed for a period of sixty (60) days; or an order, judgment or decree approving or ordering any of the foregoing shall be entered in any such proceeding;

(h) Any one or more money judgments, writs or warrants of attachment, executions or similar processes involving an aggregate amount (exclusive of amounts fully bonded or

covered by insurance as to which the surety or insurer, as the case may be, has acknowledged its liability in writing) in excess of $1,000,000 shall be entered or filed against the Borrower or any of its Subsidiaries or any of their respective properties and the same shall not be dismissed, stayed or discharged for a period of thirty (30) days or in any event later than five days prior to the date of any proposed sale thereunder;

(i) Any ERISA Event or any other event or condition shall occur or exist with respect to any Plan or Multiemployer Plan and, as a result thereof, together with all other ERISA Events and other events or conditions then existing, the Borrower and its ERISA Affiliates have incurred or would be reasonably likely to incur liability to any one or more Plans or Multiemployer Plans or to the PBGC (or to any combination thereof) and such liability has or would be reasonably likely to have a Material Adverse Effect;

(j) Any one or more licenses, permits, accreditations or authorizations of the Borrower or any of its Subsidiaries shall be suspended, limited or terminated or shall not be renewed, or any other action shall be taken, by any Governmental Authority in response to any alleged failure by the Borrower or any of its Subsidiaries to be in compliance with applicable Requirements of Law, and such action, individually or in the aggregate, has or would be reasonably likely to have a Material Adverse Effect;

(k) Any one or more Environmental Claims shall have been asserted against the Borrower or any of its Subsidiaries (or a reasonable basis shall exist therefor); the Borrower and its Subsidiaries have incurred or would be reasonably likely to incur liability as a result thereof; and such liability, individually or in the aggregate, has or would be reasonably likely to have a Material Adverse Effect;

(l) Any of the following shall occur: (i) any Person or group of Persons acting in concert as a partnership or other group, other than the Alfred I. duPont Testamentary Trust, shall, as a result of a tender or exchange offer, open market purchases, privately negotiated purchases or otherwise, have become, after the date hereof, the "beneficial owner" (within the meaning of such term under Rule 13d-3 under the Exchange Act) of securities of the Borrower representing thirty percent (30%) or more of the combined voting power of the then outstanding securities of the Borrower ordinarily (and apart from rights accruing under special circumstances) having the right to vote in the election of directors; or (ii) the Board of Directors of the Borrower shall cease to consist of a majority of the individuals who constituted the Board of Directors as of the date hereof or who shall have become a member thereof subsequent to the date hereof after having been nominated, or otherwise approved in writing, by at least a majority of individuals who constituted the Board of Directors of the Borrower as of the date hereof (or their replacements approved as herein required); and

(m) The Subsidiary Guaranty shall for any reason cease to be in full force and effect (unless any such cessation occurs in accordance with the terms thereof or hereof), or any Subsidiary Guarantor or the Borrower shall deny or disaffirm such Subsidiary's obligations under the Subsidiary Guaranty.

9.2 Remedies: Termination of Commitments, Acceleration, etc. Upon and at any time after the occurrence and during the continuance of any Event of Default, the Agent shall at

the direction, or may with the consent, of the Required Lenders, take any or all of the following actions at the same or different times:

(a) Declare the Commitments, the Swingline Commitment and the Issuing Lender's obligation to issue Letters of Credit, to be terminated, whereupon the same shall terminate (provided that, upon the occurrence of an Event of Default pursuant to SECTION 9.1(f) or SECTION 9.1(g), the Commitments, the Swingline Commitment and the Issuing Lender's obligation to issue Letters of Credit shall automatically be terminated);

(b) Declare all or any part of the outstanding principal amount of the Loans to be immediately due and payable, whereupon the principal amount so declared to be immediately due and payable, together with all interest accrued thereon and all other amounts payable under this Agreement, the Notes and the other Credit Documents, shall become immediately due and payable without presentment, demand, protest, notice of intent to accelerate or other notice or legal process of any kind, all of which are hereby knowingly and expressly waived by the Borrower (provided that, upon the occurrence of an Event of Default pursuant to SECTION 9.1(f) or SECTION 9.1(g), all of the outstanding principal amount of the Loans and all other amounts described in this subsection (b) shall automatically become immediately due and payable without presentment, demand, protest, notice of intent to accelerate or other notice or legal process of any kind, all of which are hereby knowingly and expressly waived by the Borrower);

(c) Direct the Borrower to deposit (and the Borrower hereby agrees, forthwith upon receipt of notice of such direction from the Agent, to deposit) with the Agent from time to time such additional amount of cash as is equal to the aggregate Stated Amount of all Letters of Credit then outstanding (whether or not any beneficiary under any Letter of Credit shall have drawn or be entitled at such time to draw thereunder), such amount to be held by the Agent in the Cash Collateral Account as security for the Letter of Credit Exposure as described in Section 3.8; and

(d) Exercise all rights and remedies available to it under this Agreement, the other Credit Documents and applicable law.

9.3 Remedies: Set-Off. In addition to all other rights and remedies available under the Credit Documents or applicable law or otherwise, upon and at any time after the occurrence and during the continuance of any Event of Default, each Lender may, and each is hereby authorized by the Borrower, at any such time and from time to time, to the fullest extent permitted by applicable law, without presentment, demand, protest or other notice of any kind, all of which are hereby knowingly and expressly waived by the Borrower, to set off and to apply any and all deposits (general or special, time or demand, provisional or final, but excluding deposits in escrow and trust accounts) and any other property at any time held (including at any branches or agencies, wherever located), and any other indebtedness at any time owing, by such Lender to or for the credit or the account of the Borrower against any or all of the Obligations to such Lender now or hereafter existing, whether or not such Obligations may be contingent or unmatured, the Borrower hereby granting to each Lender a continuing security interest in and Lien upon all such deposits and other property as security for such Obligations. Each Lender agrees promptly to notify the Borrower and the Agent after any such set-off and application; provided, however, that the failure to give such notice shall not affect the validity of such set-off and application.

ARTICLE X

THE AGENT

10.1 Appointment. Each Lender hereby irrevocably appoints and authorizes First Union to act as Agent hereunder and under the other Credit Documents and to take such actions as agent on its behalf hereunder and under the other Credit Documents, and to exercise such powers and to perform such duties, as are specifically delegated to the Agent by the terms hereof or thereof, together with such other powers and duties as are reasonably incidental thereto.

10.2 Nature of Duties. The Agent shall have no duties or responsibilities other than those expressly set forth in this Agreement and the other Credit Documents. The Agent shall not have, by reason of this Agreement or any other Credit Document, a fiduciary relationship in respect of any Lender; and nothing in this Agreement or any other Credit Document, express or implied, is intended to or shall be so construed as to impose upon the Agent any obligations or liabilities in respect of this Agreement or any other Credit Document except as expressly set forth herein or therein. The Agent may execute any of its duties under this Agreement or any other Credit Document by or through agents or attorneys-in-fact and shall not be responsible for the negligence or misconduct of any agents or attorneys-in-fact that it selects with reasonable care. The Agent shall be entitled to consult with legal counsel, independent public accountants and other experts selected by it with respect to all matters pertaining to this Agreement and the other Credit Documents and its duties hereunder and thereunder and shall not be liable for any action taken or omitted to be taken in good faith by it in accordance with the advice of such counsel, accountants or experts. The Lenders hereby acknowledge that the Agent shall not be under any duty to take any discretionary action permitted to be taken by it pursuant to the provisions of this Agreement or any other Credit Document unless it shall be requested in writing to do so by the Required Lenders (or, where a higher percentage of the Lenders is expressly required hereunder, such Lenders).

10.3 Exculpatory Provisions. Neither the Agent nor any of its officers, directors, employees, agents, attorneys-in-fact or Affiliates shall be (i) liable for any action taken or omitted to be taken by it or such Person under or in connection with the Credit Documents, except for its or such Person's own gross negligence or willful misconduct, (ii) responsible in any manner to any Lender for any recitals, statements, information, representations or warranties herein or in any other Credit Document or in any document, instrument, certificate, report or other writing delivered in connection herewith or therewith, for the execution, effectiveness, genuineness, validity, enforceability or sufficiency of this Agreement or any other Credit Document, or for the financial condition of the Borrower, its Subsidiaries or any other Person, or (iii) required to ascertain or make any inquiry concerning the performance or observance of any of the terms, provisions or conditions of this Agreement or any other Credit Document or the existence or possible existence of any Default or Event of Default, or to inspect the properties, books or records of the Borrower or any of its Subsidiaries.

10.4 Reliance by Agent. The Agent shall be entitled to rely, and shall be fully protected in relying, upon any notice, statement, consent or other communication (including, without limitation, any thereof by telephone, telecopy, telex, telegram or cable) believed by it in good faith to be genuine and correct and to have been signed, sent or made by the proper Person

or Persons. The Agent may deem and treat each Lender as the owner of its interest hereunder for all purposes hereof unless and until a written notice of the assignment, negotiation or transfer thereof shall have been given to the Agent in accordance with the provisions of this Agreement. The Agent shall be entitled to refrain from taking or omitting to take any action in connection with this Agreement or any other Credit Document (i) if such action or omission would, in the reasonable opinion of the Agent, violate any applicable law or any provision of this Agreement or any other Credit Document or (ii) unless and until it shall have received such advice or concurrence of the Required Lenders (or, where a higher percentage of the Lenders is expressly required hereunder, such Lenders) as it deems appropriate or it shall first have been indemnified to its satisfaction by the Lenders against any and all liability and expense (other than liability and expense arising from its own gross negligence or willful misconduct) that may be incurred by it by reason of taking, continuing to take or omitting to take any such action. Without limiting the foregoing, no Lender shall have any right of action whatsoever against the Agent as a result of the Agent's acting or refraining from acting hereunder or under any other Credit Document in accordance with the instructions of the Required Lenders (or, where a higher percentage of the Lenders is expressly required hereunder, such Lenders), and such instructions and any action taken or failure to act pursuant thereto shall be binding upon all of the Lenders (including all subsequent Lenders).

10.5 Non-Reliance on Agent and Other Lenders. Each Lender expressly acknowledges that neither the Agent nor any of its officers, directors, employees, agents, attorneys-in-fact or Affiliates has made any representation or warranty to it and that no act by the Agent or any such Person hereinafter taken, including any review of the affairs of the Borrower and its Subsidiaries, shall be deemed to constitute any representation or warranty by the Agent to any Lender. Each Lender represents to the Agent that (i) it has, independently and without reliance upon the Agent or any other Lender and based on such documents and information as it has deemed appropriate, made its own appraisal of and investigation into the business, prospects, operations, properties, financial and other condition and creditworthiness of the Borrower and its Subsidiaries and made its own decision to enter into this Agreement and extend credit to the Borrower hereunder, and (ii) it will, independently and without reliance upon the Agent or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit analysis, appraisals and decisions in taking or not taking action hereunder and under the other Credit Documents and to make such investigation as it deems necessary to inform itself as to the business, prospects, operations, properties, financial and other condition and creditworthiness of the Borrower and its Subsidiaries. Except as expressly provided in this Agreement and the other Credit Documents, the Agent shall have no duty or responsibility, either initially or on a continuing basis, to provide any Lender with any credit or other information concerning the business, prospects, operations, properties, financial or other condition or creditworthiness of the Borrower, its Subsidiaries or any other Person that may at any time come into the possession of the Agent or any of its officers, directors, employees, agents, attorneys-in-fact or Affiliates.

10.6 Notice of Default. The Agent shall not be deemed to have knowledge or notice of the occurrence of any Default or Event of Default unless the Agent shall have received written notice from the Borrower or a Lender referring to this Agreement, describing such Default or Event of Default and stating that such notice is a "notice of default." In the event that the Agent receives such a notice, the Agent will give notice thereof to the Lenders as soon as reasonably

practicable; provided, however, that if any such notice has also been furnished to the Lenders, the Agent shall have no obligation to notify the Lenders with respect thereto. The Agent shall (subject to SECTIONS 10.4 and 11.6) take such action with respect to such Default or Event of Default as shall reasonably be directed by the Required Lenders; provided that, unless and until the Agent shall have received such directions, the Agent may (but shall not be obligated to) take such action, or refrain from taking such action, with respect to such Default or Event of Default as it shall deem advisable in the best interests of the Lenders except to the extent that this Agreement expressly requires that such action be taken, or not be taken, only with the consent or upon the authorization of the Required Lenders or all of the Lenders.

10.7 Indemnification. To the extent the Agent is not reimbursed by or on behalf of the Borrower, and without limiting the obligation of the Borrower to do so, the Lenders agree (i) to indemnify the Agent and its officers, directors, employees, agents, attorneys-in-fact and Affiliates, ratably in proportion to their respective percentages as used in determining the Required Lenders as of the date of determination, from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses (including, without limitation, attorneys' fees and expenses) or disbursements of any kind or nature whatsoever that may at any time (including, without limitation, at any time following the repayment in full of the Loans and the termination of the Commitments) be imposed on, incurred by or asserted against the Agent in any way relating to or arising out of this Agreement or any other Credit Document or any documents contemplated by or referred to herein or the transactions contemplated hereby or thereby or any action taken or omitted by the Agent under or in connection with any of the foregoing, and (ii) to reimburse the Agent upon demand, ratably in proportion to their respective percentages as used in determining the Required Lenders as of the date of determination, for any expenses incurred by the Agent in connection with the preparation, negotiation, execution, delivery, administration, amendment, modification, waiver or enforcement (whether through negotiations, legal proceedings or otherwise) of, or legal advice in respect of rights or responsibilities under, this Agreement or any of the other Credit Documents (including, without limitation, reasonable attorneys' fees and expenses and compensation of agents and employees paid for services rendered on behalf of the Lenders); provided, however, that no Lender shall be liable for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements to the extent resulting from the gross negligence or willful misconduct of the party to be indemnified.

10.8 The Agent in its Individual Capacity. With respect to its Commitment, the Loans made by it, the Letters of Credit issued or participated in by it and the Note or Notes issued to it, the Agent in its individual capacity and not as Agent shall have the same rights and powers under the Credit Documents as any other Lender and may exercise the same as though it were not performing the agency duties specified herein; and the terms "Lenders," "Required Lenders," "holders of Notes" and any similar terms shall, unless the context clearly otherwise indicates, include the Agent in its individual capacity. The Agent and its Affiliates may accept deposits from, lend money to, make investments in, and generally engage in any kind of banking, trust, financial advisory or other business with the Borrower, any of its Subsidiaries or any of their respective Affiliates as if the Agent were not performing the agency duties specified herein, and may accept fees and other consideration from any of them for services in connection with this Agreement and otherwise without having to account for the same to the Lenders.

10.9 Successor Agent. The Agent may resign at any time by giving ten (10) days' prior written notice to the Borrower and the Lenders and may be removed for its gross negligence or willful misconduct by the unanimous consent of the Lenders (other than the Agent) upon 30 days' written notice to the Agent and the Borrower. Upon any such notice of resignation or removal, the Required Lenders will, with the prior written consent of the Borrower (which consent shall not be unreasonably withheld), appoint from among the Lenders a successor to the Agent (provided that the Borrower's consent shall not be required in the event a Default or Event of Default shall have occurred and be continuing). If no successor to the Agent shall have been so appointed by the Required Lenders and shall have accepted such appointment within such notice period, then the retiring Agent may, on behalf of the Lenders and after consulting with the Lenders and the Borrower, appoint a successor Agent from among the Lenders. Upon the acceptance of any appointment as Agent by a successor Agent, such successor Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring Agent, and the retiring Agent shall be discharged from its duties and obligations hereunder and under the other Credit Documents. After any retiring Agent's resignation or removal as Agent, the provisions of this Article shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Agent. If no successor to the Agent has accepted appointment as Agent by the thirtieth (30th) day following a retiring Agent's notice of resignation or notice of removal, the retiring Agent's resignation or removal shall nevertheless thereupon become effective, and the Lenders shall thereafter perform all of the duties of the Agent hereunder and under the other Credit Documents until such time, if any, as the Required Lenders appoint a successor Agent as provided for hereinabove.

10.10 Issuing Lender and Swingline Lender. The provisions of this Article (other than SECTION 10.9) shall apply to the Issuing Lender and the Swingline Lender mutatis mutandis to the same extent as such provisions apply to the Agent.

10.11 Other Titled Agents. Notwithstanding any other provision of this Agreement or any of the other Credit Documents, each of the Syndication Agent and Documentation Agents is named as such for recognition purposes only, and in its capacity as such shall have no powers, rights, duties, responsibilities or liabilities with respect to this Agreement and the other Credit Documents and the transactions contemplated hereby and thereby.

ARTICLE XI

MISCELLANEOUS

11.1 Fees and Expenses. The Borrower agrees (i) whether or not the transactions contemplated by this Agreement shall be consummated, to pay upon demand all reasonable out-of-pocket costs and expenses of the Agent (including, without limitation, the reasonable fees and expenses of counsel to the Agent) in connection with (y) the Agent's due diligence investigation in connection with, and the preparation, negotiation, execution, delivery and syndication of, this Agreement and the other Credit Documents, and any amendment, modification or waiver hereof or thereof or consent with respect hereto or thereto, and (z) the administration, monitoring and review of the Loans (including, without limitation, out-of-pocket expenses for travel, meals, long-distance telephone calls, wire transfers, facsimile transmissions and copying), (ii) to pay

upon demand all reasonable out-of-pocket costs and expenses of the Agent and each Lender (including, without limitation, reasonable attorneys' fees and expenses) in connection with (y) any refinancing or restructuring of the credit arrangement provided under this Agreement, whether in the nature of a "work-out," in any insolvency or bankruptcy proceeding or otherwise and whether or not consummated, and (z) the enforcement, attempted enforcement or preservation of any rights or remedies under this Agreement or any of the other Credit Documents, whether in any action, suit or proceeding (including any bankruptcy or insolvency proceeding) or otherwise, and (iii) to pay and hold the Agent and each Lender harmless from and against all liability for any intangibles, documentary, stamp or other similar taxes, fees and excises, if any, including any interest and penalties, and any finder's or brokerage fees, commissions and expenses (other than any fees, commissions or expenses of finders or brokers engaged by or claiming through the Agent or any Lender), that may be payable in connection with the transactions contemplated by this Agreement and the other Credit Documents.

11.2 Indemnification. The Borrower agrees, whether or not the transactions contemplated by this Agreement shall be consummated, to indemnify and hold the Agent and each Lender and each of their respective directors, officers, employees, agents and Affiliates (each, an "Indemnified Person") harmless from and against any and all claims, losses, damages, liabilities, penalties, costs and expenses (including, without limitation, reasonable attorneys' fees and expenses) of any kind or nature whatsoever (collectively, "Indemnified Costs"), that may at any time be imposed on, incurred by or asserted against any such Indemnified Person as a result of, arising from or in any way relating to the preparation, execution, performance or enforcement of this Agreement or any of the other Credit Documents, any of the transactions contemplated herein or therein or any transaction financed or to be financed in whole or in part, directly or indirectly, with the proceeds of any Loans or Letters of Credit (including, without limitation, in connection with the actual or alleged generation, presence, discharge or release of any Hazardous Substances on, into or from, or the transportation of Hazardous Substances to or from, any real property at any time owned or leased by the Borrower or any of its Subsidiaries, any other Environmental Claims or any violation of or liability under any Environmental Law), or any action, suit or proceeding (including any inquiry or investigation) by any Person, whether threatened or initiated, related to any of the foregoing, and in any case whether or not such Indemnified Person is a party to any such action, proceeding or suit or a subject of any such inquiry or investigation; provided, however, that no Indemnified Person shall have the right to be indemnified hereunder for any Indemnified Costs to the extent determined by a final and nonappealable judgment of a court of competent jurisdiction or pursuant to arbitration as set forth herein to have resulted from the gross negligence or willful misconduct of such Indemnified Person. All of the foregoing Indemnified Costs of any Indemnified Person shall be paid or reimbursed by the Borrower, as and when incurred and upon demand.

11.3 Governing Law; Consent to Jurisdiction. THIS AGREEMENT AND THE OTHER CREDIT DOCUMENTS HAVE BEEN EXECUTED, DELIVERED AND ACCEPTED IN, AND SHALL BE DEEMED TO HAVE BEEN MADE IN, NORTH CAROLINA AND SHALL BE GOVERNED BY AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NORTH CAROLINA (WITHOUT REGARD TO THE CONFLICTS OF LAW PROVISIONS THEREOF); PROVIDED THAT EACH LETTER OF CREDIT SHALL BE GOVERNED BY AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE LAWS OR RULES

DESIGNATED IN SUCH LETTER OF CREDIT OR, IF NO SUCH LAWS OR RULES ARE DESIGNATED, THE UNIFORM CUSTOMS AND PRACTICES FOR DOCUMENTARY CREDITS, INTERNATIONAL CHAMBER OF COMMERCE, AS IN EFFECT FROM TIME TO TIME (THE "UNIFORM CUSTOMS"), AND, AS TO MATTERS NOT GOVERNED BY THE UNIFORM CUSTOMS, THE LAWS OF THE STATE OF NORTH CAROLINA (WITHOUT REGARD TO THE CONFLICTS OF LAW PROVISIONS THEREOF). THE BORROWER HEREBY CONSENTS TO THE NONEXCLUSIVE JURISDICTION OF ANY STATE COURT WITHIN MECKLENBURG COUNTY, NORTH CAROLINA OR ANY FEDERAL COURT LOCATED WITHIN THE WESTERN DISTRICT OF THE STATE OF NORTH CAROLINA FOR ANY PROCEEDING INSTITUTED HEREUNDER OR UNDER ANY OF THE OTHER CREDIT DOCUMENTS, OR ARISING OUT OF OR IN CONNECTION WITH THIS AGREEMENT OR ANY OF THE OTHER CREDIT DOCUMENTS, OR ANY PROCEEDING TO WHICH THE AGENT OR ANY LENDER OR THE BORROWER IS A PARTY, INCLUDING ANY ACTIONS BASED UPON, ARISING OUT OF, OR IN CONNECTION WITH ANY COURSE OF CONDUCT, COURSE OF DEALING, STATEMENT (WHETHER ORAL OR WRITTEN) OR ACTIONS OF THE AGENT OR ANY LENDER OR THE BORROWER. THE BORROWER IRREVOCABLY AGREES TO BE BOUND (SUBJECT TO ANY AVAILABLE RIGHT OF APPEAL) BY ANY JUDGMENT RENDERED OR RELIEF GRANTED THEREBY AND FURTHER WAIVES ANY OBJECTION THAT IT MAY HAVE BASED ON LACK OF JURISDICTION OR IMPROPER VENUE OR FORUM NON CONVENIENS TO THE CONDUCT OF ANY SUCH PROCEEDING. THE BORROWER CONSENTS THAT ALL SERVICE OF PROCESS BE MADE BY REGISTERED OR CERTIFIED MAIL DIRECTED TO IT AT ITS ADDRESS SET FORTH HEREINBELOW, AND SERVICE SO MADE SHALL BE DEEMED TO BE COMPLETED UPON THE EARLIER OF ACTUAL RECEIPT THEREOF OR THREE (3) DAYS AFTER DEPOSIT IN THE UNITED STATES MAILS, PROPER POSTAGE PREPAID AND PROPERLY ADDRESSED. NOTHING IN THIS SECTION SHALL AFFECT THE RIGHT TO SERVE LEGAL PROCESS IN ANY OTHER MANNER PERMITTED BY LAW OR AFFECT THE RIGHT OF THE AGENT OR ANY LENDER TO BRING ANY ACTION OR PROCEEDING AGAINST THE BORROWER IN THE COURTS OF ANY OTHER JURISDICTION.

11.4 Arbitration; Preservation and Limitation of Remedies.

(a) Upon demand of any party hereto, whether made before or after institution of any judicial proceeding, any dispute, claim or controversy arising out of, connected with or relating to this Agreement or any other Credit Document ("Disputes") between or among the Borrower, its Subsidiaries, the Agent and the Lenders, or any of them, shall be resolved by binding arbitration as provided herein. Institution of a judicial proceeding by a party does not waive the right of that party to demand arbitration hereunder. Disputes may include, without limitation, tort claims, counterclaims, claims brought as class actions, claims arising from documents executed in the future, disputes as to whether a matter is subject to arbitration, or claims arising out of or connected with the transactions contemplated by this Agreement and the other Credit Documents. Arbitration shall be conducted under and governed by the Commercial Financial Disputes Arbitration Rules (the "Arbitration Rules") of the American Arbitration Association

(the "AAA"), as in effect from time to time, and the Federal Arbitration Act, Title 9 of the U.S. Code, as amended. All arbitration hearings shall be conducted in the city in which the principal office of the Agent is located. A hearing shall begin within ninety (90) days of demand for arbitration and all hearings shall be concluded within 120 days of demand for arbitration. These time limitations may not be extended unless a party shows cause for extension and then for no more than a total of sixty (60) days. The expedited procedures set forth in Rule 51 et seq. of the Arbitration Rules shall be applicable to claims of less than $1,000,000. All applicable statutes of limitation shall apply to any Dispute. A judgment upon the award may be entered in any court having jurisdiction. The panel from which all arbitrators are selected shall be comprised of licensed attorneys selected from the Commercial Financial Dispute Arbitration Panel of the AAA. The single arbitrator selected for expedited procedure shall be a retired judge from the highest court of general jurisdiction, state or federal, of the state where the hearing will be conducted. Notwithstanding the foregoing, this arbitration provision does not apply to Disputes under or related to any Hedge Agreement. The parties do not waive applicable federal or state substantive law except as provided herein.

(b) Notwithstanding the preceding binding arbitration provisions, the parties hereto agree to preserve, without diminution, certain remedies that any party hereto may employ or exercise freely, either alone, in conjunction with or during a Dispute. Any party hereto shall have the right to proceed in any court of proper jurisdiction or by self-help to exercise or prosecute the following remedies, as applicable: (i) all rights of self-help, including peaceful occupation of real property and collection of rents, set-off, and peaceful possession of personal property; (ii) obtaining provisional or ancillary remedies, including injunctive relief, sequestration, garnishment, attachment, appointment of a receiver and filing an involuntary bankruptcy proceeding; and (iii) if and when applicable, a judgment by confession of judgment. Any claim or controversy with regard to any party's entitlement to such remedies is a Dispute. Preservation of these remedies does not limit the power of an arbitrator to grant similar remedies that may be requested by a party in a Dispute. The parties hereto agree that no party shall have a remedy of punitive or exemplary damages against any other party in any Dispute, and each party hereby waives any right or claim to punitive or exemplary damages that it has now or that may arise in the future in connection with any Dispute, whether such Dispute is resolved by arbitration or judicially. The parties acknowledge that by agreeing to binding arbitration they have irrevocably waived any right they may have to a jury trial with regard to a Dispute. The Borrower agrees to pay the reasonable fees and expenses of counsel to the Agent and the Lenders in connection with any Dispute subject to arbitration as provided herein.

11.5 Notices. All notices and other communications provided for hereunder shall be in writing (including telegraphic, telex, facsimile transmission or cable communication) and mailed, telegraphed, telexed, telecopied, cabled or delivered to the party to be notified at the following addresses:

(a) if to the Borrower, to The St. Joe Company, 1650 Prudential Drive, Suite 400, Jacksonville, Florida 32207, Attention: Stephen W. Solomon, Telecopy No. (904) 396-4042, with a copy to Robert M. Rhodes, Esq. at the same address, Telecopy No. (904) 396-4042;

(b) if to the Agent, to (i) First Union National Bank, One First Union Center, DC-6, 301 South College Street, Charlotte, North Carolina 28288-0166, Attention: Greg Ponder,

Structured Products - Loan Administration, Telecopy No. (704) 383-7989 and (ii) First Union National Bank, Real Estate Portfolio Management, 225 Water Street, 3rd Floor, Mailcode FL0016, Jacksonville, Florida 32202, Telecopy No. (904) 489-5975, Attention: Lorraine M. Cross, Senior Vice President; and

(c) if to any Lender, to it at the address set forth on its signature page hereto (or if to any Lender not a party hereto as of the date hereof, at the address set forth in its Assignment and Acceptance);

or in each case, to such other address as any party may designate for itself by like notice to all other parties hereto. All such notices and communications shall be deemed to have been given (i) if mailed as provided above by any method other than overnight delivery service, on the third Business Day after deposit in the mails, (ii) if mailed by overnight delivery service, telegraphed, telexed, telecopied or cabled, when delivered for overnight delivery, delivered to the telegraph company, confirmed by telex answerback, transmitted by telecopier or delivered to the cable company, respectively, or (iii) if delivered by hand, upon delivery; provided that notices and communications to the Agent shall not be effective until received by the Agent.

11.6 Amendments, Waivers, etc. No amendment, modification, waiver or discharge or termination of, or consent to any departure by the Borrower from, any provision of this Agreement or any other Credit Document, shall be effective unless in a writing signed by the Required Lenders (or by the Agent at the direction or with the consent of the Required Lenders), and then the same shall be effective only in the specific instance and for the specific purpose for which given; and each Lender agrees that it will respond to any request for any of the foregoing within a commercially reasonable time; provided, however, that no such amendment, modification, waiver, discharge, termination or consent shall:

(a) unless agreed to by each Lender directly affected thereby, (i) reduce or forgive the principal amount of any Loan, reduce the rate of or forgive any interest thereon, or reduce or forgive any fees or other Obligations (other than fees payable to the Agent for its own account), or (ii) extend the Maturity Date or any other date (including any scheduled date for the mandatory reduction or termination of any Commitments) fixed for the payment of any principal of or interest on any Loan (other than additional interest payable under SECTION 2.8(b) at the election of the Required Lenders, as provided therein), any fees (other than fees payable to the Agent for its own account) or any other Obligations or extend the expiry date of any Letter of Credit beyond the seventh day prior to the Maturity Date;

(b) unless agreed to by all of the Lenders, (i) increase or extend any Commitment of any Lender (it being understood that a waiver of any Event of Default, if agreed to by the requisite Lenders hereunder, shall not constitute such an increase), (ii) change the percentage of the aggregate Commitments or of the aggregate unpaid principal amount of the Loans, or the number or percentage of Lenders, that shall be required for the Lenders or any of them to take or approve, or direct the Agent to take, any action hereunder (including any modification of the definition of "Required Lenders"), (iii) except as may be otherwise specifically provided in this Agreement or in any other Credit Document, release any Subsidiary Guarantor from its obligations under the Subsidiary Guaranty, or (iv) change any provision of SECTION 2.15 or this Section;

(c) unless agreed to by all of the Agents and the Required Lenders, change SECTION 7.1 or modify the definition of "Leverage Ratio"; and

(d) unless agreed to by the Issuing Lender or the Agent in addition to the Lenders required as provided hereinabove to take such action, affect the respective rights or obligations of the Issuing Lender or the Agent, as applicable, hereunder or under any of the other Credit Documents;

and provided further that the Fee Letter may be amended or modified, and any rights thereunder waived, in a writing signed by the parties thereto.

11.7 Assignments, Participations.

(a) Each Lender may assign to one or more other Eligible Assignees (each, an "Assignee") all or a portion of its rights and obligations under this Agreement (including, without limitation, all or a portion of its Commitment, the outstanding Loans made by it, the Note or Notes held by it and its participations in Letters of Credit); provided, however, that (i) any such assignment (other than an assignment to a Lender or an Affiliate of a Lender) shall not be made without the prior written consent of the Agent and the Borrower (to be evidenced by its counterexecution of the relevant Assignment and Acceptance), which consent shall not be unreasonably withheld (provided that the Borrower's consent shall not be required in the event a Default or Event of Default shall have occurred and be continuing and that the Agent's consent shall not be required in the event an Event of Default shall have occurred and be continuing), (ii) each such assignment shall be of a uniform, and not varying, percentage of all of the assigning Lender's rights and obligations under this Agreement, (iii) except in the case of an assignment to a Lender or an Affiliate of a Lender, no such assignment shall be in an aggregate principal amount (determined as of the date of the Assignment and Acceptance with respect to such assignment) less than $10,000,000, determined by combining the amount of the assigning Lender's outstanding Loans, Letter of Credit Exposure and Unutilized Commitment being assigned pursuant to such assignment (or, if less, the entire Commitment of the assigning Lender), and (iv) the parties to each such assignment will execute and deliver to the Agent, for its acceptance and recording in the Register, an Assignment and Acceptance, together with any Note or Notes subject to such assignment, and will pay a nonrefundable processing fee of $3,000 to the Agent for its own account. Upon such execution, delivery, acceptance and recording of the Assignment and Acceptance, from and after the effective date specified therein, which effective date shall be at least five Business Days after the execution thereof (unless the Agent shall otherwise agree), (A) the Assignee thereunder shall be a party hereto and, to the extent that rights and obligations hereunder have been assigned to it pursuant to such Assignment and Acceptance, shall have the rights and obligations of the assigning Lender hereunder with respect thereto and (B) the assigning Lender shall, to the extent that rights and obligations hereunder have been assigned by it pursuant to such Assignment and Acceptance, relinquish its rights (other than rights under the provisions of this Agreement and the other Credit Documents relating to indemnification or payment of fees, costs and expenses, to the extent such rights relate to the time prior to the effective date of such Assignment and Acceptance) and be released from its obligations under this Agreement (and, in the case of an Assignment and Acceptance covering all or the remaining portion of such assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto). The terms and provisions of each

Assignment and Acceptance shall, upon the effectiveness thereof, be incorporated into and made a part of this Agreement, and the covenants, agreements and obligations of each Lender set forth therein shall be deemed made to and for the benefit of the Agent and the other parties hereto as if set forth at length herein.

(b) The Agent will maintain at its address for notices referred to herein a copy of each Assignment and Acceptance delivered to and accepted by it and a register for the recordation of the names and addresses of the Lenders and the Commitments of, and principal amount of the Loans owing to, each Lender from time to time (the "Register"). The entries in the Register shall be conclusive and binding for all purposes, absent manifest error, and the Borrower, the Agent and the Lenders may treat each Person whose name is recorded in the Register as a Lender hereunder for all purposes of this Agreement. The Register shall be available for inspection by the Borrower and each Lender at any reasonable time and from time to time upon reasonable prior notice.

(c) Upon its receipt of a duly completed Assignment and Acceptance executed by an assigning Lender and an Assignee and, if required, counterexecuted by the Borrower, together with the Note or Notes subject to such assignment and the processing fee referred to in subsection (a) above, the Agent will (i) accept such Assignment and Acceptance, (ii) on the effective date thereof, record the information contained therein in the Register and (iii) give notice thereof to the Borrower and the Lenders. Within five (5) Business Days after its receipt of such notice, the Borrower, at its own expense, will execute and deliver to the Agent, in exchange for the surrendered Note or Notes, a new Note or Notes to the order of the Assignee (and, if the assigning Lender has retained any portion of its rights and obligations hereunder, to the order of the assigning Lender), prepared in accordance with the provisions of SECTION 2.4 as necessary to reflect, after giving effect to the assignment, the Commitments of the Assignee and (to the extent of any retained interests) the assigning Lender, dated the date of the replaced Note or Notes and otherwise in substantially the form of EXHIBIT A. The Agent will return canceled Notes to the Borrower.

(d) Each Lender may, without the consent of the Borrower, the Agent or any other Lender, sell to one or more other Persons (each, a "Participant") participations in any portion comprising less than all of its rights and obligations under this Agreement (including, without limitation, a portion of its Commitment, the outstanding Loans made by it, the Note or Notes held by it and its participations in Letters of Credit); provided, however, that (i) such Lender's obligations under this Agreement shall remain unchanged and such Lender shall remain solely responsible for the performance of such obligations, (ii) no Lender shall sell any participation that, when taken together with all other participations, if any, sold by such Lender, covers all of such Lender's rights and obligations under this Agreement, (iii) the Borrower, the Agent and the other Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement, and no Lender shall permit any Participant to have any voting rights or any right to control the vote of such Lender with respect to any amendment, modification, waiver, consent or other action hereunder or under any other Credit Document (except as to actions that would (x) reduce or forgive the principal amount of any Loan, reduce the rate of or forgive any interest thereon, or reduce or forgive any fees or other Obligations, (y) extend the Maturity Date or any other date fixed for the payment of any principal of or interest on any Loan, any fees or any other Obligations, or (z) increase or extend

any Commitment of any Lender), and (iv) no Participant shall have any rights under this Agreement or any of the other Credit Documents, each Participant's rights against the granting Lender in respect of any participation to be those set forth in the participation agreement, and all amounts payable by the Borrower hereunder shall be determined as if such Lender had not granted such participation. Notwithstanding the foregoing, each Participant shall have the rights of a Lender for purposes of SECTIONS 2.16(a), 2.16(b), 2.17, 2.18 and 9.3, and shall be entitled to the benefits thereto, to the extent that the Lender granting such participation would be entitled to such benefits if the participation had not been made, provided that no Participant shall be entitled to receive any greater amount pursuant to any of such Sections than the Lender granting such participation would have been entitled to receive in respect of the amount of the participation made by such Lender to such Participant had such participation not been made.

(e) Nothing in this Agreement shall be construed to prohibit any Lender from pledging or assigning all or any portion of its rights and interest hereunder or under any Note to any Federal Reserve Bank as security for borrowings therefrom; provided, however, that no such pledge or assignment shall release a Lender from any of its obligations hereunder.

(f) Any Lender or participant may, in connection with any assignment or participation or proposed assignment or participation pursuant to this Section, disclose to the Assignee or Participant or proposed Assignee or Participant any information relating to the Borrower and its Subsidiaries furnished to it by or on behalf of any other party hereto, provided that such Assignee or Participant or proposed Assignee or Participant agrees in writing to keep such information confidential to the same extent required of the Lenders under SECTION 11.13.

11.8 No Waiver. The rights and remedies of the Agent and the Lenders expressly set forth in this Agreement and the other Credit Documents are cumulative and in addition to, and not exclusive of, all other rights and remedies available at law, in equity or otherwise. No failure or delay on the part of the Agent or any Lender in exercising any right, power or privilege shall operate as a waiver thereof, nor shall any single or partial exercise of any such right, power or privilege preclude other or further exercise thereof or the exercise of any other right, power or privilege or be construed to be a waiver of any Default or Event of Default. No course of dealing between any of the Borrower and the Agent or the Lenders or their agents or employees shall be effective to amend, modify or discharge any provision of this Agreement or any other Credit Document or to constitute a waiver of any Default or Event of Default. No notice to or demand upon 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 right of the Agent or any Lender to exercise any right or remedy or take any other or further action in any circumstances without notice or demand.

11.9 Successors and Assigns. This Agreement shall be binding upon, inure to the benefit of and be enforceable by the respective successors and assigns of the parties hereto, and all references herein to any party shall be deemed to include its successors and assigns; provided, however, that (i) the Borrower shall not sell, assign or transfer any of its rights, interests, duties or obligations under this Agreement without the prior written consent of all of the Lenders and (ii) any Assignees and Participants shall have such rights and obligations with respect to this Agreement and the other Credit Documents as are provided for under and pursuant to the provisions of SECTION 11.7.

11.10 Survival. All representations, warranties and agreements made by or on behalf of the Borrower or any of its Subsidiaries in this Agreement and in the other Credit Documents shall survive the execution and delivery hereof or thereof, the making and repayment of the Loans and the issuance and repayment of the Letters of Credit. In addition, notwithstanding anything herein or under applicable law to the contrary, the provisions of this Agreement and the other Credit Documents relating to indemnification or payment of fees, costs and expenses, including, without limitation, the provisions of SECTIONS 2.16(a), 2.16(b), 2.17, 2.18, 10.7, 11.1 and 11.2, shall survive the payment in full of all Loans and Letters of Credit, the termination of the Commitments and all Letters of Credit, and any termination of this Agreement or any of the other Credit Documents until the expiration of all applicable statutes of limitations.

11.11 Severability. To the extent any provision of this Agreement is prohibited by or invalid under the applicable law of any jurisdiction, such provision shall be ineffective only to the extent of such prohibition or invalidity and only in such jurisdiction, without prohibiting or invalidating such provision in any other jurisdiction or the remaining provisions of this Agreement in any jurisdiction.

11.12 Construction. The headings of the various articles, sections and subsections of this Agreement have been inserted for convenience only and shall not in any way affect the meaning or construction of any of the provisions hereof. Except as otherwise expressly provided herein and in the other Credit Documents, in the event of any inconsistency or conflict between any provision of this Agreement and any provision of any of the other Credit Documents, the provision of this Agreement shall control.

11.13 Confidentiality. Each Lender agrees to keep confidential, pursuant to its customary procedures for handling confidential information of a similar nature and in accordance with safe and sound banking practices, all nonpublic information provided to it by or on behalf of the Borrower or any of its Subsidiaries in connection with this Agreement or any other Credit Document; provided, however, that any Lender may disclose such information (i) to its directors, employees and agents and to its auditors, counsel and other professional advisors, (ii) at the demand or request of any bank regulatory authority, court or other Governmental Authority having or asserting jurisdiction over such Lender, as may be required pursuant to subpoena or other legal process, or otherwise in order to comply with any applicable Requirement of Law, (iii) in connection with any proceeding to enforce its rights hereunder or under any other Credit Document or any other litigation or proceeding related hereto or to which it is a party, (iv) to the Agent or any other Lender, (v) to the extent the same has become publicly available other than as a result of a breach of this Agreement and (vi) pursuant to and in accordance with the provisions of SECTION 11.7(f).

11.14 Counterparts; Effectiveness. This Agreement may be executed in any number of counterparts and by different parties hereto on separate counterparts, each of which when so executed and delivered shall be an original, but all of which shall together constitute one and the same instrument. This Agreement shall become effective upon the execution of a counterpart hereof by each of the parties hereto and receipt by the Agent and the Borrower of written or telephonic notification of such execution and authorization of delivery thereof.

11.15 Disclosure of Information. The Borrower agrees and consents to the Agent's disclosure of information relating to this transaction to Gold Sheets and other similar bank trade publications. Such information will consist of deal terms and other information customarily found in such publications.

11.16 Entire Agreement. THIS AGREEMENT AND THE OTHER DOCUMENTS AND INSTRUMENTS EXECUTED AND DELIVERED IN CONNECTION HEREWITH (A) EMBODY THE ENTIRE AGREEMENT AND UNDERSTANDING BETWEEN THE PARTIES HERETO AND THERETO RELATING TO THE SUBJECT MATTER HEREOF AND THEREOF, (B) SUPERSEDE ANY AND ALL PRIOR AGREEMENTS AND UNDERSTANDINGS OF SUCH PERSONS, ORAL OR WRITTEN, RELATING TO THE SUBJECT MATTER HEREOF AND THEREOF, INCLUDING, WITHOUT LIMITATION, THE COMMITMENT LETTER FROM FIRST UNION TO THE BORROWER DATED NOVEMBER 26, 1999, BUT SPECIFICALLY EXCLUDING THE FEE LETTER AND SECOND RESTATEMENT FEE LETTER, AND (C) MAY NOT BE AMENDED, SUPPLEMENTED, CONTRADICTED OR OTHERWISE MODIFIED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their duly authorized officers as of the date first above written.

THE ST. JOE COMPANY

By: _____

Title: _____

FIRST UNION NATIONAL BANK, as Agent

By: _____

Title: _____

(signatures continued)

FIRST UNION NATIONAL BANK, as a Lender

By: _____

Commitment:
$44,375,000

Title: _____

Instructions for wire transfers as
Agent or Lender:

First Union National Bank
ABA Routing No. 053000219
Charlotte, North Carolina
Account Number: _____
Account Name: The St. Joe Company
Attention: Structured Products -
Loan Admin.

Address for notices as Agent or Lender:

First Union National Bank
225 Water Street, 3rd Floor
Real Estate Portfolio Management
Jacksonville, Florida 32202
Attention: Lorraine M. Cross
Telephone: (904) 489-5979
Telecopy: (904) 489-5975

Lending Office:
First Union National Bank
225 Water Street, 3rd Floor
Jacksonville, Florida 32202
Attention: _____
Telephone: (904) _____
Telecopy: (904) _____

(signatures continued)

BANK OF AMERICA, N.A. ,
A NATIONAL BANKING ASSOCIATION

By: _____

Commitment:
$43,750,000

Title: _____

Address for notices:

Bank of America, N.A.
FL9-001-17-05
50 N. Laura Street, 17th Floor
Jacksonville, FL 32202
Attention: James C. Kidder,
Sr. Vice President
Telephone: (904) 791-5220
Telecopy: (904) 791-5582
and
Bank of America, N.A.
400 North Ashley Drive, 7th Floor
Tampa, FL 33602
Attention: Regina M. Kelly
Telephone: (813) 224-5632
Telecopy: (813) 224-5901

Lending Office:

Bank of America, N.A.
400 North Ashley Drive, 7th Floor
Tampa, FL 33602
Attention: Regina M. Kelly
Telephone: (813) 224-5632
Telecopy: (813) 224-5901

WELLS FARGO BANK, NATIONAL ASSOCIATION

By: _____

Commitment:
$42,500,000

Title: _____

Address for notices:

2859 Paces Ferry Road, Suite 1805
Atlanta, GA 30339
Attention: Matoka D. Benefield
Telephone: (770) 319-3275
Telecopy: (770) 435-2263

Lending Office:

2120 East Park Place, Suite 100
El Segundo, CA 90245
Attention: Joel Padilla
Telephone: (310) 335-9460
Telecopy: (310) 615-1014

SUNTRUST BANK

By: _____

Commitment:
$42,500,000

Title: _____

Address for notices:

SunTrust Bank
200 W. Forsyth St.
Jacksonville, FL 32202
Attention:C. William Buchholz, Director
Telephone: (904) 632-2628
Telecopy: (904) 632-2874

Lending Office:

200 S. Orange Ave.
Orlando, FL 32801
Attention: Peggy Corbet, Corporate
Banking Asst.
Telephone: (407) 237-5028
Telecopy: (407) 237-5342

REGIONS BANK

By: _____

Commitment:
$42,500,000

Title: _____

Address for notices:

Regions Bank
2 NE Eglin Pkway
Ft. Walton Beach, FL 32548
Attention: Robert J. Saxer, EVP
Telephone: (850) 664-5886
Telecopy: (850) 664-5837

Lending Office:

2 NE Eglin Pkway
Ft. Walton Beach, FL 32548
Attention: Janet Dunn, Operations Manager
Telephone: (850) 664-5835
Telecopy: (850) 664-5839

COMPASS BANK

By: _____

Commitment:
$18,750,000

Title: _____

Address for notices:

Compass Bank

10060 Skinner Lake Dr., 4th Floor
Jacksonville, FL 32246
Attention: French Yarbrough, SVP
Telephone: (904) 564-8989

Telecopy: (904) 564-8906

Lending Office:

10060 Skinner Lake Dr., 4th Floor
Jacksonville, FL 32246
Attention: Carolyn Stoner, AVP
Telephone: (904) 564-8822
Telecopy: (904) 564-8830

COMERICA BANK, a Michigan banking corporation

By: _____

Commitment:
$15,625,000

Title: _____

Address for notices:

Comerica Bank
100 N.E. Third Ave., Suite 200
Ft. Lauderdale, FL 33301
Attention: Patrick T. Ramge,
Vice President
Telephone: (954) 468-0667
Telecopy: (954) 468-0664

Lending Office:

100 N.E. Third Ave., Suite 200
Ft. Lauderdale, FL 33301
Attention: Angela Vuolo, A.A.
Telephone: (954) 468-0663
Telecopy: (954) 468-0664

EXHIBIT 10.3

SECOND AMENDMENT TO SECOND AMENDED AND RESTATED CREDIT AGREEMENT

THE ST. JOE COMPANY

THIS SECOND AMENDMENT TO SECOND AMENDED AND RESTATED CREDIT AGREEMENT, dated as of July 10, 2003 (this "Amendment"), is made among THE ST. JOE COMPANY, a Florida corporation with its principal offices in Jacksonville, Florida (the "Borrower") and WACHOVIA BANK, NATIONAL ASSOCIATION (formerly known as First Union National Bank) as administrative agent for the Lenders under the Credit Agreement (in such capacity, the "Agent").

RECITALS

A. The Borrower, the Lenders, the Agent, and certain other named agents have entered into the Second Amended and Restated Credit Agreement dated as of February 7, 2002 (together with all amendments and modifications, the "Credit Agreement"). Capitalized terms not otherwise defined herein shall have the meanings assigned to such terms in the Credit Agreement.

B. The Borrower has requested that certain provisions of the Credit Agreement be amended to increase the amount of the Letter of Credit sub-limit.

C. The Lenders and the Agent have agreed to amend the Credit Agreement as requested by the Borrower and to effect such agreement the Borrower and the Agent (at the direction and with the consent of the Required Lenders) have entered into this Amendment.

STATEMENT OF AGREEMENT

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Borrower and the Agent (in such capacity and on behalf of the Required Lenders) hereby agree as follows:

ARTICLE 1

AMENDMENTS

1.1 AMENDMENT TO SECTION 3.1 (ISSUANCE OF LETTERS OF CREDIT). Section 3.1 of the Credit Agreement is hereby amended by deleting paragraph (a) in its entirety and replacing it as follows:

> "(a) No Letter of Credit shall be issued the Stated Amount upon issuance of which (i) when added to the aggregate Letter of Credit Exposure of the Lenders at such time, would exceed $40,000,000

or (ii) when added to the sum of (x) the aggregate Letter of Credit Exposure of all Lenders at such time, (y) the aggregate principal amount of all Revolving Loans then outstanding, and (z) the aggregate amount of all Swingline Loans then outstanding, would exceed the aggregate Commitments at such time;"

ARTICLE 2

REPRESENTATIONS AND WARRANTIES

The Borrower hereby represents and warrants that:

2.1 COMPLIANCE WITH CREDIT AGREEMENT. The Borrower and its Subsidiaries are in compliance with all terms and provisions set forth in the Credit Agreement to be observed or performed by them.

2.2 REPRESENTATIONS IN CREDIT AGREEMENT. The representations and warranties of the Borrower set forth in the Credit Agreement, except for those relating to a specific date other than the date hereof, are true and correct in all material respects on and as of the date hereof as if made on and as of the date hereof.

2.3 NO DEFAULT. No Default or Event of Default has occurred and is continuing.

2.4 CONTINUING GUARANTY. All Obligations will continue to be guaranteed under the Subsidiary Guaranty, and nothing herein will affect the validity or enforceability of the Subsidiary Guaranty.

ARTICLE 3

MODIFICATION OF CREDIT DOCUMENTS

Any reference to the Credit Agreement in any of the other Credit Documents shall mean, unless otherwise specifically provided, the Credit Agreement as amended and supplemented by this Amendment and all previous amendments, and as the Credit Agreement is further amended, restated, supplemented or modified from time to time and any substitute or replacement therefor or renewals thereof.

ARTICLE 4

GENERAL

4.1 FULL FORCE AND EFFECT. The Credit Agreement shall continue in full force and effect in accordance with the provisions thereof, and no change or modification in any of the terms thereof except as specifically set forth herein has been effected.

4.2 APPLICABLE LAW. This Amendment shall be governed by and construed in accordance with the internal laws and judicial decisions of the State of North Carolina.

4.3 COUNTERPARTS. This Amendment may be executed in two or more counterparts, each of which shall constitute an original, but all of which when taken together shall constitute but one instrument.

4.4 FEES, EXPENSES AND INDEMNITY. The Borrower agrees to pay all out-of-pocket expenses incurred by the Agent in connection with the preparation, execution and delivery of this Amendment, including, without limitation, all reasonable attorneys' fees. The provisions of Section 10.7 of the Credit Agreement shall apply fully to this Amendment.

4.5 FURTHER ASSURANCE. The Borrower shall execute and deliver to the Lenders such documents, certificates and opinions as the Lenders may reasonably request to effect the amendment contemplated by this Amendment.

4.6 HEADINGS. The headings of this Amendment are for the purposes of reference only and shall not affect the construction of this Amendment.

4.7 EFFECTIVENESS. This Amendment shall be effective upon execution hereof by the Borrower, the Agent and the Required Lenders.

[Signatures begin on following page.]

IN WITNESS WHEREOF, the Borrower and the Agent (for itself and on behalf of the Required Lenders) have executed this Amendment as of the date first written above.

THE ST. JOE COMPANY

By: _____
Stephen W. Solomon, Vice President

WACHOVIA BANK, NATIONAL
ASSOCIATION, AS AGENT AND A LENDER
AND ON BEHALF OF THE REQUIRED LENDERS

By: _____
Lorraine M. Cross, Senior Vice President

STOCK OPTION AGREEMENT
(NONSTATUTORY)

AWARD DETAILS:

Participant: _____
Plan Year: _____
Number of Common Shares subject to Option: _____
Date of Grant: _____
Exercise Price: _____

AGREEMENT:

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

WHEREAS, the Company desires to grant, and Participant desires to receive, a nonstatutory stock option pursuant to the terms and conditions of the Plan and this Agreement,

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

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

2. Grant of Option. As of the Date of Grant, the Company hereby grants to Participant the Option described above,subject to the terms and conditions of the Plan and this Agreement.

3. Vesting of Option. The first one-quarter (1/4) of the Common Shares subject to this Option shall vest when the Participant completes 12 months of continuous service from the Date of Grant, and an additional one-quarter (1/4) of the Common Shares shall vest on the first day of each year of continuous service thereafter; provided, however, that such vesting shall be accelerated or delayed as a result of the first of the following events to occur:

(a) Death. If the Participant dies, the Option shall become vested in full as of the date of the Participant's death, and shall be exercisable by the appropriate beneficiary(ies) as set forth herein.

(b) Disability. If the Participant becomes totally or permanently disabled (as those terms are defined in the Company's long-term disability plan, as in effect on the date of such determination), the Option shall become vested in full as of the date of the disability.

(c) Corporate Event. If there is a Corporate Event (as defined below), unless sooner vested pursuant to the terms of this Agreement, the Option shall become vested in full as of the earlier of the Company's subsequent termination of the Participant's employment for any reason other than Cause, or the first anniversary of the date of the Corporate Event.

(d) Termination for Cause. Notwithstanding any provision in this Agreement to the contrary, if the Participant is terminated for Cause, the Company may revoke all or any part of the Option, whether or not vested.

For purposes of vesting, the Participant's service remains "continuous" even if the Participant goes on military leave, sick leave, or another bona fide leave of absence, if the leave was approved by the Company in writing and if continued crediting of service is required by the terms of the leave or by applicable law. However, the Participant must return to active work promptly upon the termination of such approved leave or an interruption of service will be deemed to have occurred as of the date such leave began.

4. Term of the Option. This Agreement and the Participant's right to exercise the vested portion of the Option shall expire on the earlier of the 10th anniversary of the Date of Grant or the deadline specified for any of the following events:

(a) Death. If Participant dies, the Option must be exercised by the appropriate beneficiary(ies) within 12 months after the date of death.

(b) Disability. If Participant becomes permanently or totally disabled (as those terms are defined in the Company's long-term disability plan, as in effect on the date of such determination), the Option must be exercised within 12 months after the date of the disability.

(c) Retirement. If the Participant's employment terminates because of retirement, the vested portion of the Option must be exercised within 12 months after such retirement. For purposes of this Agreement, "retirement" means either (i) the Participant is eligible to receive an immediate pension under the Company's Pension Plan (whether or not the Participant actually elects to have his/her pension commence immediately), or (ii) the Committee determines that the Participant's termination of employment constitutes "retirement."

(d) Other Termination of Employment. If the Participant's employment terminates for any reason other than death, disability, retirement or Corporate Event, the vested portion of the Option must be exercised within 3 months after such termination.

(e) Corporate Event. If there is a Corporate Event, the Option must be exercised within 12 months after the date the Option vests due to the Corporate Event.

5. Corporate Event. As used in this Agreement, "Corporate Event" means the occurrence of any of the following events after the date of this Agreement:

(a) The Company is a party to a merger or similar transaction as a result of which the Company's stockholders own 50% or less of the surviving entity's voting securities after such merger or similar transaction.

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

(c) The liquidation or dissolution of the Company.

Notwithstanding the foregoing, a transaction shall not constitute a Corporate Event if its sole purpose is to create a holding company that will be owned in substantially the same proportions by the persons who held the Company's securities immediately before such transaction.

6. Amendment of Employment/Severance Agreement. By executing this Agreement, the Participant and the Company hereby agree that this Agreement constitutes an amendment of the Participant's employment agreement and/or severance agreement (if any) with the Company to the effect that any provision of such employment or severance agreement that grants accelerated vesting of stock options in the event of a "change in control" (as defined therein) shall not apply to the options awarded under this Agreement. Participant agrees to execute any additional documentation requested by the Company to further evidence such amendment.

7. Exercising Vested Stock Options. The following provisions apply to the exercise of the Option:

(a) Notice of Exercise and Payment. When the Participant wishes to exercise all or a part of the Option, Participant must notify the Company by filing a signed "Notice of Exercise" in the form and manner prescribed by the Company. The notice will be effective when it is received by the Company. If the Option is being exercised following Participant's death, the notice must be signed and filed by the beneficiary(ies) and must be accompanied by proof (satisfactory to the Company) of each beneficiary's right to exercise the Option. Full payment of the Exercise Price, in a form deemed permissible by the Committee, may be required at the time of filing the notice.

(b) Restrictions on Exercise. The Company will not permit Participant to exercise any portion of the Option if the exercise of the Option or issuance of shares at that time would violate any applicable law, regulation or Company policy.

(c) Withholding Taxes and Stock Withholding. Participant will not be allowed to exercise any portion of the Option unless Participant makes arrangements acceptable to the Company to pay any withholding taxes that may be due as a result of the exercise. These arrangements may include (i) a cash payment by the Participant, (ii) withholding Common Shares that otherwise would be issued to the Participant upon exercise of the Option, the Fair Market Value of which equals the minimum statutory withholding requirement, or (iii) tendering to the Company Common Shares held by the Participant for at least six (6) months prior to the exercise of the Option. The Fair Market Value of such Common Shares shall be determined as of the effective date of the Option exercise.

(d) Limitations on Transfer and Exercise.

(i) During Participant's Lifetime. During the Participant's lifetime, the Option may be exercised only by the Participant. The Option and the rights and privileges

conferred hereby shall not be sold, pledged or otherwise transferred (whether by operation of law or otherwise) and shall not be subject to sale under execution, attachment, levy or similar process. The Participant may, however, transfer the Option to a trust for immediate family members if the Committee consents and the trustee and beneficiaries of such trust agree to be bound by the terms of the Plan and the Option.

(ii) Upon Participant's Death. Upon Participant's death, the Option may be transferred by beneficiary designation, bequest, or inheritance (pursuant to the applicable state's laws of descent and distribution). The Option may thereafter be exercised by the personal representative of Participant's estate or by any person who has acquired the Option from the Participant by beneficiary designation, bequest or inheritance.

(iii) Divorce. Regardless of any marital property settlement agreement, the Company is not obligated to honor a notice of exercise from the Participant's former spouse, nor is the Company obligated to recognize the Participant's former spouse's interest in the Option in any other way.

(iv) After Exercise. The Participant agrees not to sell any Common Shares purchased pursuant to the exercise of the Option if applicable laws or Company policies prohibit such a sale.

8. Company Policies. Participant agrees that he or she has read and will comply with The St. Joe Company Insider Trading Policy and The St. Joe Company Code of Conduct. Copies of such policies are available on the Company's website, through the office of the Company's Vice President of Human Resources or through the office of the Company's General Counsel.

9. No Retention Rights. Neither the Option nor anything contained in this Agreement shall give the Participant the right to be retained by the Company or a subsidiary of the Company as an employee or in any other capacity. The Company and its subsidiaries reserve the right to terminate the Participant's service at any time, with or without Cause.

10. Compliance with Law and Regulations. The obligations of the Company hereunder are subject to all applicable Federal and state laws and to the applicable rules, regulations and other requirements of the Securities and Exchange Commission, any stock exchange upon which the Common Stock is then listed and any other government or regulatory agency. The Company shall not be required to transfer any Common Shares pursuant to the exercise of the Option prior to (a) the listing of the Common Shares on any such stock exchange and (b) the completion of any registration or qualification of such Common Shares under any Federal or state law, or any rule, regulation or other requirement of any government or regulatory agency which the Company shall, in its sole discretion, determine to be necessary or advisable. In making such determination, the Company may rely upon an opinion of counsel for the Company. The Participant shall not have the right to compel the Company to register or qualify the Common Shares subject to the Option under Federal or state securities laws.

11. Regulation by the Committee. This Agreement and the Option shall be subject to such administrative procedures and rules as the Committee shall adopt. All decisions of the Committee upon any question arising under the Plan or under this Agreement shall be conclusive and binding upon the Participant.

12. Adjustments. In the event of a stock split, a stock dividend or any other event described in the Article of the Plan entitled "Protection Against Dilution," the number of Common Shares subject to the Option and the applicable Exercise Price may be adjusted pursuant to the Plan if deemed appropriate by the Committee in its sole discretion.

13. Applicable Law. This Agreement will be interpreted and enforced under the laws of the State of Florida.

14. Participant's Access to the Plan. The Participant may obtain an additional copy of the Plan by contacting The St. Joe Company Human Resources Department in Jacksonville, Florida.

This Agreement and the Plan constitute the entire understanding between Participant and the Company regarding the Option. Any prior agreements, commitments or negotiations concerning this award are superseded. This Agreement may be amended only by another written agreement, signed by both parties.

PARTICIPANT

Date _____ _____

THE COMPANY

Date _____ By: _____
Name:
Title:

Exhibit 10.24

BONUS AWARD RESTRICTED STOCK AGREEMENT

AWARD DETAILS:

Participant: _____

Plan Year: _____

Number of Restricted Shares: _____

Date of Grant: _____

Fair Market Value (at close of business day before Date of Grant): _____

AGREEMENT:

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

WHEREAS, the Company desires to grant, and the Participant desires to receive, an award of Restricted Shares pursuant to the terms and conditions of the Plan and this Agreement,

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

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

2. Grant of Restricted Shares. As of the Date of Grant, the Company hereby grants to the Participant the number of Restricted Shares listed above, subject to the terms and conditions of the Plan and this Agreement.

3. Vesting of Restricted Shares. The first one-half (1/2) of the Restricted Shares shall vest when the Participant completes two years of continuous service from the Date of Grant, and the second one-half (1/2) of the Restricted Shares shall vest when the Participant completes three years of continuous service from the Date of Grant; provided, however, that such vesting shall be accelerated or delayed as a result of the first of the following events to occur:

(a) Death. If the Participant dies, the Restricted Shares shall become vested in full as of the date of the Participant's death.

(b) Disability. If the Participant becomes totally or permanently disabled (as those terms are defined in the Company's long-term disability plan, as in effect on the date of such determination), the Restricted Shares shall become vested in full as of the date of the disability.

(c) Corporate Event. If there is a Corporate Event, the Restricted Shares shall become vested in full: (i) on the date which is three hundred sixty (360) days after the date of the Corporate Event, if the Participant remains in continuous service until such date, or (ii) on the date

the Company terminates the Participant's employment, without Cause, following the Corporate Event. For purposes of this Subsection, "Corporate Event" means (a) the Company is a party to a merger or similar transaction as a result of which the Company's stockholders own 50% or less of the surviving entity's voting securities after such merger or similar transaction, (b) the sale, transfer, exchange or other disposition of all or substantially all of the Company's assets, or (c) the liquidation or dissolution of the Company. A transaction shall not constitute a Corporate Event if its sole purpose is to create a holding company that will be owned in substantially the same proportions by the persons who held the Company's securities immediately before such transaction.

(d) Termination for Cause. If the Participant's employment is terminated for Cause, the Committee may revoke all or any portion of the Restricted Shares.

(e) Retirement. If the Participant retires, the Restricted Shares shall continue to vest after his or her retirement according to the terms of this Agreement so long as the Participant does not perform services (in an employee, independent contractor or other capacity) on a substantially full-time basis for any third party. For purposes of this Agreement, "retirement" shall mean (i) termination of employment for other than Cause after completion of five continuous years of service with the Company and attainment of age 62, or (ii) as otherwise affirmed by the Compensation Committee. The Compensation Committee shall determine, in its sole discretion, if services are performed on a "substantially full-time basis."

For purposes of vesting under this Section, the Participant's service remains "continuous" even if the Participant goes on military leave, sick leave, or another bona fide leave of absence, if the leave was approved by the Company in writing and if continued crediting of service is required by the terms of the leave or by applicable law. However, the Participant must return to active work promptly, for a substantial period of time, upon the termination of such approved leave, or an interruption of service will be deemed to have occurred as of the date such leave began.

4. Restrictions on Transfer of Restricted Shares. Until the Restricted Shares become vested pursuant to Section 3, the Restricted Shares shall not be sold, pledged or otherwise transferred (whether by operation of law or otherwise) and shall not be subject to sale under execution, attachment, levy or similar process.

5. Forfeiture of Restricted Shares. If the Participant's employment terminates, all Restricted Shares that are not vested under Section 3 as of the date of such termination of employment shall automatically revert to the Company (without any payment to the Participant) as of the date of termination of employment. No additional Restricted Shares shall vest after the Participant's employment terminates. If the Participant retires, this paragraph shall not apply unless and until the Participant is found to be working on a substantially full-time basis in violation of paragraph 3(e).

6. Stock Certificates. The Participant hereby acknowledges that stock certificate(s) for the number of Restricted Shares awarded under this Agreement will not be delivered by the Company to the Participant until such Restricted Shares vest.

7. Voting and Dividend Rights. The Participant shall have the same voting and dividend rights with respect to the Restricted Shares as the Company's other shareholders, provided, however, that any dividends paid as Common Shares shall be subject to the same transfer restrictions and forfeiture provisions as the Restricted Shares.

8. Regulation by the Committee. This Agreement and the Restricted Shares shall be subject to such administrative procedures and rules as the Committee shall adopt. All decisions of the Committee upon any question arising under the Plan or under this Agreement shall be conclusive and binding upon the Participant.

9. Compliance with Law and Regulations. The obligations of the Company hereunder are subject to all applicable Federal and state laws and to the applicable rules, regulations and other requirements of the Securities and Exchange Commission, any stock exchange upon which the Common Stock is then listed and any other government or regulatory agency. The Company shall not be required to remove restrictions from Restricted Shares prior to (a) the listing of the Common Shares on any such stock exchange and (b) the completion of any registration or qualification of such Common Shares under any Federal or state law, or any rule, regulation or other requirement of any government or regulatory agency which the Company shall, in its sole discretion, determine to be necessary or advisable. In making such determination, the Company may rely upon an opinion of counsel for the Company. The Participant shall not have the right to compel the Company to register or qualify the Common Shares subject to this award under Federal or state securities laws.

10. Conditions of Acceptance. As a condition of accepting the Restricted Shares, Participant agrees as follows:

(a) Company Policies. Participant agrees that he or she has read and will comply with The St. Joe Company Insider Trading Policy and The St. Joe Company Code of Conduct. Copies of such policies are available on the Company's website, through the office of the Company's Vice President of Human Resources or through the office of the Company's General Counsel.

(b) Restrictions on Resale and Marital Property Settlements. Participant agrees not to sell any vested Restricted Shares if applicable laws or Company policies prohibit such a sale. Regardless of any marital property settlement agreement, the Company is not obligated to honor or recognize Participant's former spouse's interest in unvested Restricted Shares.

11. Amendment of Severance and Employment Agreements. By executing this Agreement, the Participant and the Company hereby agree that this Agreement constitutes an amendment to the Participant's employment agreement and/or severance agreement (if any) with the Company to the effect that any provision of such employment or severance agreement that grants accelerated vesting and/or lapse of restrictions on restricted stock in the event of a "change in control" (as defined therein) shall not apply to the Restricted Shares awarded under this Agreement. Participant agrees to execute any additional documentation requested by the Company to further evidence such amendment.

12. Adjustments. In the event of a stock split, a stock dividend or any other event described in the Article of the Plan entitled "Protection Against Dilution," the number of Common Shares subject to this award may be adjusted pursuant to the Plan if deemed appropriate by the Committee in its sole discretion.

13. Term of Agreement. This Agreement terminates when all Restricted Shares are either vested or canceled as provided in the Plan and this Agreement.

14. No Retention Rights. Neither the Restricted Shares nor anything contained in this Agreement shall give Participant the right to be retained by the Company or a subsidiary of the Company as an employee or in any other capacity. The Company and its subsidiaries reserve the right to terminate Participant's service at any time, with or without Cause.

15. Applicable Law. This Agreement will be interpreted and enforced under the laws of the State of Florida.

16. Participant's Access to the Plan. Participant may obtain an additional copy of the Plan by contacting The St. Joe Company Human Resources Department in Jacksonville, Florida.

This Agreement and the Plan constitute the entire understanding between Participant and the Company regarding this award. Any prior agreements, commitments or negotiations concerning this award are superseded. This Agreement may be amended only by another written agreement, signed by both parties.

PARTICIPANT

Date _____ _____

THE COMPANY

Date _____ By: _____
Name:
Title:

EXECUTION DRAFT

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THE ST. JOE COMPANY

$18,000,000 5.64% Senior Secured Notes, Series A due February 7, 2005
$67,000,000 6.66% Senior Secured Notes, Series B, due February 7, 2007
$15,000,000 7.02% Senior Secured Notes, Series C, due February 7, 2009
$75,000,000 7.37% Senior Secured Notes, Series D, due February 7, 2012

NOTE PURCHASE AGREEMENT

Dated as of February 7, 2002

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(Not a part of the Agreement)

THE ST. JOE COMPANY
1650 PRUDENTIAL DRIVE, SUITE 400
JACKSONVILLE, FLORIDA 32207

$18,000,000 5.64% Senior Secured Notes, Series A, due February 7, 2005
$67,000,000 6.66% Senior Secured Notes, Series B, due February 7, 2007
$15,000,000 7.02% Senior Secured Notes, Series C, due February 7, 2009
$75,000,000 7.37% Senior Secured Notes, Series D, due February 7, 2012

Dated as of February 7, 2002

TO THE PURCHASER LISTED IN THE ATTACHED
SCHEDULE A WHO IS A SIGNATORY HERETO:

Ladies and Gentlemen:

THE ST. JOE COMPANY, a Florida corporation (the "Company"), agrees with you as follows:

SECTION 1. AUTHORIZATION OF NOTES.

The Company will authorize the issue and sale of $18,000,000 aggregate principal amount of its 5.64% Senior Secured Notes, Series A, due February 7, 2005 (the "Series A Notes"), (b) $67,000,000 aggregate principal amount of its 6.66% Senior Secured Notes, Series B, due February 7, 2007 (the "Series B Notes"), (c) $15,000,000 aggregate principal amount of its 7.02% Senior Secured Notes, Series C, due February 7, 2009 (the "Series C Notes") and (d) $75,000,000 aggregate principal amount of its 7.37% Senior Secured Notes, Series D, due February 7, 2012 (the "Series D Notes"; the Series A Notes, the Series B Notes, the Series C Notes and the Series D Notes being hereinafter collectively referred to as the "Notes," such term to include any such notes issued in substitution therefor pursuant to SECTION 13 of this Agreement or the Other Agreements (as hereinafter defined)). The Notes shall be substantially in the form set out in EXHIBIT 1(a), 1(b), 1(c) and 1(d), respectively with such changes therefrom, if any, as may be approved by you and the Company. Certain capitalized terms used in this Agreement are defined in SCHEDULE B; references to a "Schedule" or an "Exhibit" are, unless otherwise specified, to a Schedule or an Exhibit attached to this Agreement.

SECTION 2. SALE AND PURCHASE OF NOTES; GUARANTY.

Section 2.1. Purchase and Sale of Notes. Subject to the terms and conditions of this Agreement, the Company will issue and sell to you and you will purchase from the Company, at the Closing provided for in SECTION 3, Notes in the principal amount and of the series specified opposite your name in SCHEDULE A at the purchase price of 100% of the principal amount thereof. Contemporaneously with entering into this Agreement, the Company is entering into separate Note Purchase Agreements (the "Other Agreements") identical with this Agreement with each of the other purchasers named in SCHEDULE A (the "Other Purchasers"), providing for

the sale at such Closing to each of the Other Purchasers of Notes in the principal amount and of the series specified opposite its name in SCHEDULE A. Your obligation hereunder, and the obligations of the Other Purchasers under the Other Agreements, are several and not joint obligations, and you shall have no obligation under any Other Agreement and no liability to any Person for the performance or nonperformance by any Other Purchaser thereunder.

Section 2.2. Subsidiary Guaranty, Pledge Agreement and Intercreditor Agreement. (a) The payment by the Company of all amounts due with respect to the Notes and the performance by the Company of its obligations under this Agreement and the Other Agreements will be absolutely and unconditionally guaranteed by the entities identified on SCHEDULE 2.2(a) (together with any additional Subsidiary who delivers a guaranty pursuant to SECTION 9.8, the "Subsidiary Guarantors") pursuant to the guaranty agreement substantially in the form of EXHIBIT 2.2 (a) attached hereto and made a part hereof (as the same may be amended, modified, extended or renewed, the "Subsidiary Guaranty").

(b) The Notes will be entitled to the benefit of and will be secured by the Amended and Restated Pledge Agreement dated as of February 7, 2002 (as the same may be further amended, supplemented, restated or otherwise modified from time to time, the "Pledge Agreement") by and between St. Joe Finance Company, a Florida corporation (the "Pledgor"), and First Union National Bank, as collateral agent.

(c) The enforcement of the rights and benefits in respect of the Subsidiary Guaranty and the Pledge Agreement and the allocation of proceeds thereof shall be subject to an intercreditor agreement substantially in the form of EXHIBIT 2.2(c) attached hereto and made a part hereof (as the same may be amended, modified, extended or renewed, the "Intercreditor Agreement").

(d) The holders of the Notes acknowledge and agree that such holders will discharge and release any Subsidiary Guarantor from the Subsidiary Guaranty to which it is a party pursuant to the written request of the Company, provided that (i) such Subsidiary Guarantor has been released and discharged as an obligor and guarantor under and in respect of all Indebtedness of the Company pursuant to the Bank Credit Agreement and the Company so certifies to the holders of the Notes in a certificate which accompanies such request for release and discharge, (ii) any such release and discharge shall be expressly conditioned upon receipt by the holders of the Notes of a written agreement executed by the Subsidiary Guarantor to be released pursuant to which such Subsidiary Guarantor shall agree that if, for any reason whatsoever, it thereafter becomes an obligor or guarantor under and in respect of any Indebtedness of the Company pursuant to the Bank Credit Agreement, then such Subsidiary Guarantor shall contemporaneously provide written notice thereof to the holders of the Notes accompanied by an executed Subsidiary Guaranty of such Subsidiary Guarantor, and (iii) at the time of such release and discharge, the Company shall deliver a certificate of a Responsible Officer to the holders of the Notes to the effect that no Default or Event of Default exists.

(e) The Company agrees that it will not, nor will it permit any Subsidiary or any Affiliate which the Company controls to, directly or indirectly, pay or cause to be paid any consideration or remuneration, whether by way of supplemental or additional interest, fee or

otherwise, to any creditor of the Company or of any Subsidiary Guarantor as consideration for or as an inducement to the entering into by any such creditor of any release or discharge of any Subsidiary Guarantor with respect to any liability of such Subsidiary Guarantor as an obligor or guarantor under or in respect of Indebtedness of the Company, unless such consideration or remuneration is concurrently paid, on the same terms, ratably to the holders of all of the Notes then outstanding.

SECTION 3. CLOSING.

The sale and purchase of the Notes to be purchased by you and the Other Purchasers shall occur at the offices of Chapman and Cutler, 111 West Monroe Street, Chicago, Illinois 60603, at 10:00 a.m. Chicago time, at a closing (the "Closing") on February 7, 2002. At the Closing the Company will deliver to you the Notes of the series to be purchased by you in the form of a single Note (or such greater number of Notes in denominations of at least $100,000 as you may request) dated the date of the Closing and registered in your name (or in the name of your nominee), against delivery by you to the Company or its order of immediately available funds in the amount of the purchase price therefor by wire transfer of immediately available funds for the account of the Company to account number 2112620925448 at First Union National Bank, Jacksonville, Florida, ABA #063000021. If at the Closing the Company shall fail to tender such Notes to you as provided above in this SECTION 3, or any of the conditions specified in SECTION 4 shall not have been fulfilled to your satisfaction, you shall, at your election, be relieved of all further obligations under this Agreement, without thereby waiving any rights you may have by reason of such failure or such nonfulfillment.

SECTION 4. CONDITIONS TO CLOSING.

Your obligation to purchase and pay for the Notes to be sold to you at the Closing is subject to the fulfillment to your satisfaction, prior to or at the Closing, of the following conditions:

Section 4.1. Representations and Warranties. (a) The representations and warranties of the Company in this Agreement shall be correct when made and at the time of the Closing.

(b) The representations and warranties of each Subsidiary Guarantor in the Subsidiary Guaranty shall be correct when made and at the time of Closing.

Section 4.2. Performance; No Default. (a) The Company shall have performed and complied with all agreements and conditions contained in this Agreement required to be performed or complied with by it prior to or at the Closing, and after giving effect to the issue and sale of the Notes (and the application of the proceeds thereof as contemplated by SCHEDULE 5.14), no Default or Event of Default shall have occurred and be continuing. Neither the Company nor any Subsidiary shall have entered into any transaction since the date of the Memorandum that would have been prohibited by SECTION 10 hereof had such Section applied since such date.

(b) Each Subsidiary Guarantor shall have performed and complied with all agreements and conditions contained in the Subsidiary Guaranty required to be performed and complied with by it prior to or at the Closing, and after giving effect to the issue and sale of Notes (and the application of the proceeds thereof as contemplated by SCHEDULE 5.14), no Default or Event of Default shall have occurred and be continuing.

Section 4.3. Compliance Certificates.

(a) Officer's Certificate. The Company shall have delivered to you an Officer's Certificate, dated the date of the Closing, certifying that the conditions specified in SECTIONS 4.1(a), 4.2(a) and 4.9 have been fulfilled.

(b) Subsidiary Guarantor Officer's Certificate. Each Subsidiary Guarantor shall have delivered to you a certificate of an authorized officer, dated the date of the Closing, certifying that the conditions set forth in SECTION 4.1(b), 4.2(b) and 4.9 have been fulfilled.

(c) Secretary's Certificate. The Company shall have delivered to you a certificate certifying as to the true, correct and complete resolutions attached thereto and to other corporate proceedings relating to the authorization, execution and delivery of the Notes and the Agreements.

(d) Subsidiary Guarantor Secretary's Certificate. Each Subsidiary Guarantor shall have delivered to you a certificate certifying as to the true, correct and complete resolutions attached thereto and to other corporate proceedings relating to the authorization, execution and delivery of the Subsidiary Guaranty.

Section 4.4. Opinions of Counsel. You shall have received opinions in form and substance satisfactory to you, dated the date of the Closing (a) from Foley & Lardner, counsel for the Company and the Subsidiary Guarantors, covering the matters set forth in EXHIBIT 4.4(a) and covering such other matters incident to the transactions contemplated hereby as you or your counsel may reasonably request (and the Company and Subsidiary Guarantors hereby instruct its counsel to deliver such opinion to you) and (b) from Chapman and Cutler, your special counsel in connection with such transactions, substantially in the form set forth in EXHIBIT 4.4(b) and covering such other matters incident to such transactions as you may reasonably request.

Section 4.5. Purchase Permitted By Applicable Law, Etc. On the date of the Closing your purchase of Notes shall (a) be permitted by the laws and regulations of each jurisdiction to which you are subject, without recourse to provisions (such as Section 1405(a)(8) of the New York Insurance Law) permitting limited investments by insurance companies without restriction as to the character of the particular investment, (b) not violate any applicable law or regulation (including, without limitation, Regulation T, U or X of the Board of Governors of the Federal Reserve System) and (c) not subject you to any tax, penalty or liability under or pursuant to any applicable law or regulation, which law or regulation was not in effect on the date hereof. If requested by you, you shall have received an Officer's Certificate certifying as to such matters of fact as you may reasonably specify to enable you to determine whether such purchase is so permitted.

Section 4.6. Sale of Other Notes. Contemporaneously with the Closing, the Company shall sell to the Other Purchasers, and the Other Purchasers shall purchase, the Notes to be purchased by them at the Closing as specified in SCHEDULE A.

Section 4.7. Payment of Special Counsel Fees. Without limiting the provisions of SECTION 15.1, the Company shall have paid on or before the Closing the fees, charges and disbursements of your special counsel referred to in SECTION 4.4 to the extent reflected in a statement of such counsel rendered to the Company at least one Business Day prior to the Closing.

Section 4.8. Private Placement Number. A Private Placement Number issued by Standard & Poor's CUSIP Service Bureau (in cooperation with the Securities Valuation Office of the National Association of Insurance Commissioners) shall have been obtained for each series of the Notes.

Section 4.9. Changes in Corporate Structure. Except as specified in SCHEDULE 4.9, the Company and the Subsidiary Guarantors shall not have changed their respective jurisdiction of incorporation or been a party to any merger or consolidation and shall not have succeeded to all or any substantial part of the liabilities of any other entity, at any time following the date of the most recent financial statements referred to in SCHEDULE 5.5.

Section 4.10. Consent. You shall have received true, correct and complete copies, certified by a Responsible Officer of the Company of: (a) the Bank Credit Agreement, (b) the Pledge Agreement and (c) any necessary amendments, consents or waivers to each of the Bank Credit Agreement and the Pledge Agreement to permit the issuance and sale of the Notes.

Section 4.11. Subsidiary Guaranty, Etc. The Subsidiary Guaranty, the Pledge Agreement and the Intercreditor Agreement shall be in full force and effect and shall constitute the legal, valid and binding obligations of all of the parties thereto.

Section 4.12. Funding Instructions. At least three Business Days prior to the date of the Closing, you shall have received written instructions executed by a Responsible Officer of the Company directing the manner of the payment of funds and setting forth (a) the name and address of the transferee bank, (b) such transferee bank's ABA number, (c) the account name and number into which the purchase price for the Notes is to be deposited, and (d) the name and telephone number of the account representative responsible for verifying receipt of such funds.

Section 4.13. Proceedings and Documents. All corporate and other proceedings in connection with the transactions contemplated by this Agreement and all documents and instruments incident to such transactions shall be satisfactory to you and your special counsel, and you and your special counsel shall have received all such counterpart originals or certified or other copies of such documents as you or they may reasonably request.

SECTION 5. REPRESENTATIONS AND WARRANTIES OF THE COMPANY.

The Company represents and warrants to you that:

Section 5.1. Organization; Power and Authority. The Company is a corporation duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation, and is duly qualified as a foreign corporation and is in good standing in each jurisdiction in which such qualification is required by law, other than those jurisdictions as to which the failure to be so qualified or in good standing could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. The Company has the corporate power and authority to own or hold under lease the properties it purports to own or hold under lease, to transact the business it transacts and proposes to transact, to execute and deliver this Agreement and the Other Agreements and the Notes and to perform the provisions hereof and thereof.

Section 5.2. Authorization, Etc. This Agreement, the Other Agreements and the Notes have been duly authorized by all necessary corporate action on the part of the Company, and this Agreement constitutes, and upon execution and delivery thereof each Note will constitute, a legal, valid and binding obligation of the Company enforceable against the Company in accordance with its terms, except as such enforceability may be limited by (a) applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights generally and (b) general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

Section 5.3. Disclosure. The Company, through its agent, Wachovia Securities, has delivered to you and each Other Purchaser a copy of a Private Placement Memorandum, dated December, 2001 (the "Memorandum"), relating to the transactions contemplated hereby. The Memorandum fairly describes, in all material respects, the general nature of the business and principal properties of the Company and its Subsidiaries. This Agreement, the Memorandum, the documents, certificates or other writings delivered to you by or on behalf of the Company in connection with the transactions contemplated hereby and the financial statements listed in SCHEDULE 5.5, taken as a whole, do not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein not misleading in light of the circumstances under which they were made. Since December 31, 2000, there has been no change in the financial condition, operations, business, properties or prospects of the Company or any Subsidiary except changes that individually or in the aggregate could not reasonably be expected to have a Material Adverse Effect. There is no fact known to the Company that could reasonably be expected to have a Material Adverse Effect that has not been set forth herein or in the Memorandum or in the other documents, certificates and other writings delivered to you by or on behalf of the Company specifically for use in connection with the transactions contemplated hereby.

Section 5.4. Organization and Ownership of Shares of Subsidiaries; Affiliates. (a) SCHEDULE 5.4 contains (except as noted therein) complete and correct lists (i) of the Company's Subsidiaries, showing, as to each Subsidiary, the correct name thereof, the jurisdiction of its organization, and the percentage of shares of each class of its capital stock or similar equity interests outstanding owned by the Company and each other Subsidiary, (ii) of the Company's Affiliates, other than Subsidiaries, and (iii) of the Company's directors and senior officers.

(b) All of the outstanding shares of capital stock or similar equity interests of each Subsidiary shown in SCHEDULE 5.4 as being owned by the Company and its Subsidiaries have been validly issued, are fully paid and nonassessable and are owned by the Company or another Subsidiary free and clear of any Lien (except as otherwise disclosed in SCHEDULE 5.4).

(c) Each Subsidiary identified in SCHEDULE 5.4 is a corporation or other legal entity duly organized, validly existing and in good standing under the laws of its jurisdiction of organization, and is duly qualified as a foreign corporation or other legal entity and is in good standing in each jurisdiction in which such qualification is required by law, other than those jurisdictions as to which the failure to be so qualified or in good standing could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. Each such Subsidiary has the corporate or other power and authority to own or hold under lease the properties it purports to own or hold under lease and to transact the business it transacts and proposes to transact.

(d) No Subsidiary is a party to, or otherwise subject to, any legal restriction or any agreement (other than this Agreement, the agreements listed on SCHEDULE 5.4 and customary limitations imposed by corporate law statutes) restricting the ability of such Subsidiary to pay dividends out of profits or make any other similar distributions of profits to the Company or any of its Subsidiaries that owns outstanding shares of capital stock or similar equity interests of such Subsidiary.

Section 5.5. Financial Statements. The Company has delivered to each Purchaser copies of the financial statements of the Company and its Subsidiaries listed on SCHEDULE 5.5. All of said financial statements (including in each case the related schedules and notes) fairly present in all material respects the consolidated financial position of the Company and its Subsidiaries as of the respective dates specified in such financial statements and the consolidated results of their operations and cash flows for the respective periods so specified and have been prepared in accordance with GAAP consistently applied throughout the periods involved except as set forth in the notes thereto (subject, in the case of any interim financial statements, to normal year-end adjustments).

Section 5.6. Compliance with Laws, Other Instruments, Etc. The execution, delivery and performance by the Company of this Agreement and the Notes will not (a) contravene, result in any breach of, or constitute a default under, or result in the creation of any Lien in respect of any property of the Company or any Subsidiary under, any indenture, mortgage, deed of trust, loan, purchase or credit agreement, lease, corporate charter or by-laws, or any other agreement or instrument to which the Company or any Subsidiary is bound or by which the Company or any Subsidiary or any of their respective properties may be bound or affected, (b) conflict with or result in a breach of any of the terms, conditions or provisions of any order, judgment, decree, or ruling of any court, arbitrator or Governmental Authority applicable to the Company or any Subsidiary or (c) violate any provision of any statute or other rule or regulation of any Governmental Authority applicable to the Company or any Subsidiary.

Section 5.7. Governmental Authorizations, Etc. No consent, approval or authorization of, or registration, filing or declaration with, any Governmental Authority is required in

connection with the execution, delivery or performance by the Company of this Agreement or the Notes.

Section 5.8. Litigation; Observance of Agreements, Statutes and Orders. (a) There are no actions, suits or proceedings pending or, to the knowledge of the Company, threatened against or affecting the Company or any Subsidiary or any property of the Company or any Subsidiary in any court or before any arbitrator of any kind or before or by any Governmental Authority that, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect.

(b) Neither the Company nor any Subsidiary is in default under any term of any agreement or instrument to which it is a party or by which it is bound, or any order, judgment, decree or ruling of any court, arbitrator or Governmental Authority or is in violation of any applicable law, ordinance, rule or regulation (including without limitation Environmental Laws) of any Governmental Authority, which default or violation, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect.

Section 5.9. Taxes. The Company and its Subsidiaries have filed all tax returns that are required to have been filed in any jurisdiction, and have paid all taxes shown to be due and payable on such returns and all other taxes and assessments levied upon them or their properties, assets, income or franchises, to the extent such taxes and assessments have become due and payable and before they have become delinquent, except for any taxes and assessments (a) the amount of which is not individually or in the aggregate Material or (b) the amount, applicability or validity of which is currently being contested in good faith by appropriate proceedings and with respect to which the Company or a Subsidiary, as the case may be, has established adequate reserves in accordance with GAAP. The Company knows of no basis for any other tax or assessment that could reasonably be expected to have a Material Adverse Effect. The charges, accruals and reserves on the books of the Company and its Subsidiaries in respect of Federal, state or other taxes for all fiscal periods are adequate. The Federal income tax liabilities of the Company and its Subsidiaries have been determined by the Internal Revenue Service and paid for all fiscal years up to and including the fiscal year ended December 31, 1999. The Federal tax returns of the Company and its Subsidiaries for the fiscal year ended December 31, 2000 have been submitted to the Internal Revenue Service though they have not audited.

Section 5.10. Title to Property; Leases. The Company and its Subsidiaries have good and sufficient title to their respective properties that individually or in the aggregate are Material, including all such properties reflected in the most recent audited balance sheet referred to in SECTION 5.5 or purported to have been acquired by the Company or any Subsidiary after said date (except as sold or otherwise disposed of in the ordinary course of business), in each case free and clear of Liens prohibited by this Agreement. All leases that individually or in the aggregate are Material are valid and subsisting and are in full force and effect in all material respects.

Section 5.11. Licenses, Permits, Etc. Except as disclosed in SCHEDULE 5.11,

(a) the Company and its Subsidiaries own or possess all licenses, permits, franchises, authorizations, patents, copyrights, service marks, trademarks and trade

names, or rights thereto, that individually or in the aggregate are Material, without known conflict with the rights of others;

(b) to the best knowledge of the Company, no product of the Company or any of its Subsidiaries infringes any license, permit, franchise, authorization, patent, copyright, service mark, trademark, trade name or other right owned by any other Person where the infringement would be likely to result in a Material Adverse Effect; and

(c) to the best knowledge of the Company, there is no violation by any Person of any right of the Company or any of its Subsidiaries with respect to any patent, copyright, service mark, trademark, trade name or other right owned or used by the Company or any of its Subsidiaries where the violation would be likely to result in a Material Adverse Effect.

Section 5.12. Compliance with ERISA. (a) The Company and each ERISA Affiliate have operated and administered each Plan in compliance with all applicable laws except for such instances of noncompliance as have not resulted in and could not reasonably be expected to result in a Material Adverse Effect. Neither the Company nor any ERISA Affiliate has incurred any liability pursuant to Title I or IV of ERISA or the penalty or excise tax provisions of the Code relating to employee benefit plans (as defined in Section 3 of ERISA), and no event, transaction or condition has occurred or exists that could reasonably be expected to result in the incurrence of any such liability by the Company or any ERISA Affiliate, or in the imposition of any Lien on any of the rights, properties or assets of the Company or any ERISA Affiliate, in either case pursuant to Title I or IV of ERISA or to such penalty or excise tax provisions or to Section 401(a)(29) or 412 of the Code, other than such liabilities or Liens as would not be individually or in the aggregate Material.

(b) The present value of the aggregate benefit liabilities under each of the Plans (other than Multiemployer Plans), determined as of the end of such Plan's most recently ended plan year on the basis of the actuarial assumptions specified for funding purposes in such Plan's most recent actuarial valuation report, did not exceed the aggregate current value of the assets of such Plan allocable to such benefit liabilities. The term "benefit liabilities" has the meaning specified in Section 4001 of ERISA and the terms "current value" and "present value" have the meaning specified in Section 3 of ERISA.

(c) The Company and its ERISA Affiliates have not incurred withdrawal liabilities (and are not subject to contingent withdrawal liabilities) under Section 4201 or 4204 of ERISA in respect of Multiemployer Plans that individually or in the aggregate are Material.

(d) The expected post-retirement benefit obligation (determined as of the last day of the Company's most recently ended fiscal year in accordance with Financial Accounting Standards Board Statement No. 106, without regard to liabilities attributable to continuation coverage mandated by Section 4980B of the Code) of the Company and its Subsidiaries is not Material.

(e) The execution and delivery of this Agreement and the issuance and sale of the Notes hereunder will not involve any transaction that is subject to the prohibitions of Section 406 of

ERISA or in connection with which a tax could be imposed pursuant to Section 4975(c)(1)(A)-(D) of the Code. The representation by the Company in the first sentence of this SECTION 5.12(e) is made in reliance upon and subject to the accuracy of your representation in SECTION 6.2 as to the sources of the funds used to pay the purchase price of the Notes to be purchased by you.

Section 5.13. Private Offering by the Company. Neither the Company nor anyone acting on its behalf has offered the Notes, Subsidiary Guaranty or any similar securities for sale to, or solicited any offer to buy any of the same from, or otherwise approached or negotiated in respect thereof with, any Person other than you, the Other Purchasers and not more than 50 other Institutional Investors, each of which has been offered the Notes at a private sale for investment. Neither the Company nor anyone acting on its behalf has taken, or will take, any action that would subject the issuance or sale of the Notes or the Subsidiary Guaranty to the registration requirements of Section 5 of the Securities Act.

Section 5.14. Use of Proceeds; Margin Regulations. The Company will apply the proceeds of the sale of the Notes as set forth in SCHEDULE 5.14. No part of the proceeds from the sale of the Notes hereunder will be used, directly or indirectly, for the purpose of buying or carrying any margin stock within the meaning of Regulation U of the Board of Governors of the Federal Reserve System (12 CFR 221), or for the purpose of buying or carrying or trading in any securities under such circumstances as to involve the Company in a violation of Regulation X of said Board (12 CFR 224) or to involve any broker or dealer in a violation of Regulation T of said Board (12 CFR 220). Margin stock does not constitute more than 2% of the value of the consolidated assets of the Company and its Subsidiaries and the Company does not have any present intention that margin stock will constitute more than 2% of the value of such assets. As used in this Section, the terms "margin stock" and "purpose of buying or carrying" shall have the meanings assigned to them in said Regulation U.

Section 5.15. Existing Indebtedness; Future Liens. (a) SCHEDULE 5.15 sets forth a complete and correct list of all outstanding Indebtedness of the Company and its Subsidiaries as of December 31, 2001, since which date there have been no Material changes in the amounts, interest rates, sinking funds, installment payments or maturities of the Indebtedness of the Company or any Subsidiary. Neither the Company nor any Subsidiary is in default and no waiver of default is currently in effect, in the payment of any principal or interest on any Indebtedness of the Company or such Subsidiary and no event or condition exists with respect to any Indebtedness of the Company or any Subsidiary that would permit (or that with notice or the lapse of time, or both, would permit) one or more Persons to cause such Indebtedness to become due and payable before its stated maturity or before its regularly scheduled dates of payment.

(b) Except as disclosed in SCHEDULE 5.15, neither the Company nor any Subsidiary has agreed or consented to cause or permit in the future (upon the happening of a contingency or otherwise) any of its property, whether now owned or hereafter acquired, to be subject to a Lien not permitted by SECTION 10.6.

Section 5.16. Foreign Assets Control Regulations, Etc. Neither the sale of the Notes by the Company hereunder nor its use of the proceeds thereof will violate the Trading with the

Enemy Act, as amended, or any of the foreign assets control regulations of the United States Treasury Department (31 CFR, Subtitle B, Chapter V, as amended) or any enabling legislation or executive order relating thereto. Without limiting the foregoing, neither the Company nor any of its Subsidiaries (a) is or will become a blocked person described in Section 1 of Executive Order 13224 of September 23, 2001 Blocking Property and Prohibiting Transactions With Persons Who Commit, Threaten to Commit, or Support Terrorism (66 Fed. Reg. 49049 (2001)) or (b) engages or will engage in any dealings or transactions, or be otherwise associated, with any such blocked person.

Section 5.17. Status under Certain Statutes. Neither the Company nor any Subsidiary is an "investment company" registered or required to be registered or subject to regulation under the Investment Company Act of 1940, as amended, or is subject to regulation under the Public Utility Holding Company Act of 1935, as amended, the ICC Termination Act of 1995, as amended, or the Federal Power Act, as amended.

Section 5.18. Notes Rank Pari Passu. The obligations of the Company under this Agreement and the Notes rank at least pari passu in right of payment with all other Senior Indebtedness (actual or contingent) of the Company, including, without limitation, all senior Indebtedness of the Company described in SCHEDULE 5.15 hereto.

Section 5.19. Environmental Matters. Neither the Company nor any Subsidiary has knowledge of any claim or has received any notice of any claim, and no proceeding has been instituted raising any claim against the Company or any of its Subsidiaries or any of their respective real properties now or formerly owned, leased or operated by any of them or other assets, alleging any damage to the environment or violation of any Environmental Laws, except, in each case, such as could not reasonably be expected to result in a Material Adverse Effect. Except as otherwise disclosed to you in writing:

(a) neither the Company nor any Subsidiary has knowledge of any facts which would give rise to any claim, public or private, of violation of Environmental Laws or damage to the environment emanating from, occurring on or in any way related to real properties now or formerly owned, leased or operated by any of them or to other assets or their use, except, in each case, such as could not reasonably be expected to result in a Material Adverse Effect;

(b) neither the Company nor any of its Subsidiaries has stored any Hazardous Materials on real properties now or formerly owned, leased or operated by any of them or has disposed of any Hazardous Materials in a manner contrary to any Environmental Laws in each case in any manner that could reasonably be expected to result in a Material Adverse Effect; and

(c) all buildings on all real properties now owned, leased or operated by the Company or any of its Subsidiaries are in compliance with applicable Environmental Laws, except where failure to comply could not reasonably be expected to result in a Material Adverse Effect.

SECTION 6. REPRESENTATIONS OF THE PURCHASER.

Section 6.1. Purchase for Investment. (a) You represent that you are purchasing the Notes for your own account or for one or more separate accounts maintained by you or for the account of one or more pension or trust funds and not with a view to the distribution thereof; provided that the disposition of your or their property shall at all times be within your or their control. In addition, you represent that you are an Institutional Accredited Investor within the meaning of Rule 501(a)(1), (2), (3) or (7) under the Securities Act. You understand that the Notes have not been registered under the Securities Act and may be resold only if registered pursuant to the provisions of the Securities Act or if an exemption from registration is available, except under circumstances where neither such registration nor such an exemption is required by law, and that the Company is not required to register the Notes.

(b) You acknowledge that you have received such information concerning the Company and the Notes and have been given the opportunity to ask such questions of and receive answers from representatives of the Company as you deem sufficient, based on information provided by the Company to you, to make an informed investment decision with respect to the Notes.

Section 6.2. Source of Funds. You represent that at least one of the following statements is an accurate representation as to each source of funds (a "Source") to be used by you to pay the purchase price of the Notes to be purchased by you hereunder:

(a) the Source is an "insurance company general account" within the meaning of Department of Labor Prohibited Transaction Exemption ("PTE") 95-60 (issued July 12, 1995) and there is no employee benefit plan, treating as a single plan, all plans maintained by the same employer or employee organization, with respect to which the amount of the general account reserves and liabilities for all contracts held by or on behalf of such plan, exceed ten percent (10%) of the total reserves and liabilities of such general account (exclusive of separate account liabilities) plus surplus, as set forth in the NAIC Annual Statement filed with your state of domicile; or

(b) the Source is either (i) an insurance company pooled separate account, within the meaning of PTE 90-1 (issued January 29, 1990), or (ii) a bank collective investment fund, within the meaning of the PTE 91-38 (issued July 12, 1991) and, except as you have disclosed to the Company in writing pursuant to this paragraph (b), no employee benefit plan or group of plans maintained by the same employer or employee organization beneficially owns more than 10% of all assets allocated to such pooled separate account or collective investment fund; or

(c) the Source constitutes assets of an "investment fund" (within the meaning of Part V of the QPAM Exemption) managed by a "qualified professional asset manager" or "QPAM" (within the meaning of Part V of the QPAM Exemption), no employee benefit plan's assets that are included in such investment fund, when combined with the assets of all other employee benefit plans established or maintained by the same employer or by an affiliate (within the meaning of Section V(c)(1) of the QPAM

Exemption) of such employer or by the same employee organization and managed by such QPAM, exceed 20% of the total client assets managed by such QPAM, the conditions of Part l(c) and (g) of the QPAM Exemption are satisfied, neither the QPAM nor a Person controlling or controlled by the QPAM (applying the definition of "control" in Section V(e) of the QPAM Exemption) owns a 5% or more interest in the Company and (i) the identity of such QPAM and (ii) the names of all employee benefit plans whose assets are included in such investment fund have been disclosed to the Company in writing pursuant to this paragraph (C); or

(d) the Source is a governmental plan; or

(e) the Source is one or more employee benefit plans, or a separate account or trust fund comprised of one or more employee benefit plans, each of which has been identified to the Company in writing pursuant to this paragraph (E); or

(f) the Source does not include assets of any employee benefit plan, other than a plan exempt from the coverage of ERISA.

As used in this SECTION 6.2, the terms "employee benefit plan", "governmental plan", "party in interest" and "separate account" shall have the respective meanings assigned to such terms in Section 3 of ERISA.

SECTION 7. INFORMATION AS TO THE COMPANY.

Section 7.1. Financial and Business Information. The Company shall deliver to each holder of Notes that is an Institutional Investor:

(a) Quarterly Statements -- within 60 days after the end of each quarterly fiscal period in each fiscal year of the Company (other than the last quarterly fiscal period of each such fiscal year), duplicate copies of:

(i) a consolidated balance sheet of the Company and its Subsidiaries as at the end of such quarter, and

(ii) consolidated statements of income, changes in shareholders' equity and cash flows of the Company and its Subsidiaries for such quarter and (in the case of the second and third quarters) for the portion of the fiscal year ending with such quarter,

setting forth in each case in comparative form the figures for the corresponding periods in the previous fiscal year, all in reasonable detail, prepared in accordance with GAAP applicable to quarterly financial statements generally, and certified by a Senior Financial Officer as fairly presenting, in all material respects, the financial position of the companies being reported on and their results of operations and cash flows, subject to changes resulting from year-end adjustments; provided that delivery within the time period specified above of copies of the Company's Quarterly Report on Form 10-Q prepared in compliance with the requirements

therefor and filed with the Securities and Exchange Commission shall be deemed to satisfy the requirements of this SECTION 7.1(a);

(b) Annual Statements -- within 105 days after the end of each fiscal year of the Company, duplicate copies of,

(i) a consolidated balance sheet of the Company and its Subsidiaries, as at the end of such year, and

(ii) consolidated statements of income, changes in shareholders' equity and cash flows of the Company and its Subsidiaries, for such year,

setting forth in each case in comparative form the figures for the previous fiscal year, all in reasonable detail, prepared in accordance with GAAP, and accompanied by:

(1) an opinion thereon of independent certified public accountants of recognized national standing, which opinion shall state that such financial statements present fairly, in all material respects, the financial position of the companies being reported upon and their results of operations and cash flows and have been prepared in conformity with GAAP, and that the examination of such accountants in connection with such financial statements has been made in accordance with generally accepted auditing standards, and that such audit provides a reasonable basis for such opinion in the circumstances, and

(2) a certificate of such accountants stating that they have reviewed this Agreement and stating further whether, in making their audit, they have become aware of any condition or event that then constitutes a Default or an Event of Default, and, if they are aware that any such condition or event then exists, specifying the nature and period of the existence thereof (it being understood that such accountants shall not be liable, directly or indirectly, for any failure to obtain knowledge of any Default or Event of Default unless such accountants should have obtained knowledge thereof in making an audit in accordance with generally accepted auditing standards or did not make such an audit),

provided that the delivery within the time period specified above of the Company's Annual Report on Form 10-K for such fiscal year (together with the Company's annual report to shareholders, if any, prepared pursuant to Rule 14a-3 under the Exchange Act) prepared in accordance with the requirements therefor and filed with the Securities and Exchange Commission, together with the accountant's certificate described in clause (2) above, shall be deemed to satisfy the requirements of this SECTION 7.1(b);

(c) SEC and Other Reports -- promptly upon their becoming available, one copy of (i) each financial statement, report, notice or proxy statement sent by the Company or any Subsidiary to public securities holders generally, and (ii) each regular or

periodic report, each registration statement (without exhibits except as expressly requested by such holder), and each prospectus and all amendments thereto filed by the Company or any Subsidiary with the Securities and Exchange Commission and of all press releases and other statements made available generally by the Company or any Subsidiary to the public concerning developments that are Material;

(d) Notice of Default or Event of Default -- promptly, and in any event within five days after a Responsible Officer becoming aware of the existence of any Default or Event of Default or that any Person has given any notice or taken any action with respect to a claimed default hereunder or that any Person has given any notice or taken any action with respect to a claimed default of the type referred to in SECTION 11(f), a written notice specifying the nature and period of existence thereof and what action the Company is taking or proposes to take with respect thereto;

(e) ERISA Matters -- promptly, and in any event within five days after a Responsible Officer becoming aware of any of the following, a written notice setting forth the nature thereof and the action, if any, that the Company or an ERISA Affiliate proposes to take with respect thereto:

(i) with respect to any Plan, any reportable event, as defined in Section 4043(c) of ERISA and the regulations thereunder, for which notice thereof has not been waived pursuant to such regulations as in effect on the date hereof; or

(ii) the taking by the PBGC of steps to institute, or the threatening by the PBGC of the institution of, proceedings under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Plan, or the receipt by the Company or any ERISA Affiliate of a notice from a Multiemployer Plan that such action has been taken by the PBGC with respect to such Multiemployer Plan; or

(iii) any event, transaction or condition that could result in the incurrence of any liability by the Company or any ERISA Affiliate pursuant to Title I or IV of ERISA or the penalty or excise tax provisions of the Code relating to employee benefit plans, or in the imposition of any Lien on any of the rights, properties or assets of the Company or any ERISA Affiliate pursuant to Title I or IV of ERISA or such penalty or excise tax provisions, if such liability or Lien, taken together with any other such liabilities or Liens then existing, could reasonably be expected to have a Material Adverse Effect;

(f) Notices from Governmental Authority -- promptly, and in any event within 30 days of receipt thereof, copies of any notice to the Company or any Subsidiary from any Federal or state Governmental Authority relating to any order, ruling, statute or other law or regulation that could reasonably be expected to have a Material Adverse Effect; and

(g) Requested Information -- with reasonable promptness, such other data and information relating to the business, operations, affairs, financial condition, assets or properties of the Company or any of its Subsidiaries or relating to the ability of the Company to perform its obligations hereunder and under the Notes as from time to time may be reasonably requested by any such holder of Notes, including without limitation, such information as is required by Rule 144A under the Securities Act to be delivered to the prospective transferee of the Notes.

Section 7.2. Officer's Certificate. Each set of financial statements delivered to a holder of Notes pursuant to SECTION 7.1(a) or SECTION 7.1(b) hereof shall be accompanied by a certificate of a Senior Financial Officer setting forth:

(a) Covenant Compliance -- (1) the information (including detailed calculations) required in order to establish whether the Company was in compliance with the requirements of SECTION 10.1 through SECTION 10.8 hereof, inclusive, during the quarterly or annual period covered by the statements then being furnished (including with respect to each such Section, where applicable, the calculations of the maximum or minimum amount, ratio or percentage, as the case may be, permissible under the terms of such Sections, and the calculation of the amount, ratio or percentage then in existence) and (2) the information required in order to establish whether the Company was in compliance with the requirements of SECTION 9.8 hereof during the quarterly or annual period covered by the statements then being furnished (including with respect to such Section, a list of each of the existing Subsidiary Guarantors and their respective jurisdictions of organization); and

(b) Event of Default -- a statement that such officer has reviewed the relevant terms hereof and has made, or caused to be made, under his or her supervision, a review of the transactions and conditions of the Company and its Subsidiaries from the beginning of the quarterly or annual period covered by the statements then being furnished to the date of the certificate and that such review shall not have disclosed the existence during such period of any condition or event that constitutes a Default or an Event of Default or, if any such condition or event existed or exists (including, without limitation, any such event or condition resulting from the failure of the Company or any Subsidiary to comply with any Environmental Law), specifying the nature and period of existence thereof and what action the Company shall have taken or proposes to take with respect thereto.

Section 7.3. Inspection. The Company shall permit the representatives of each holder of Notes that is an Institutional Investor:

(a) No Default -- if no Default or Event of Default then exists, at the expense of such holder and upon reasonable prior notice to the Company, to visit the principal executive office of the Company, to discuss the affairs, finances and accounts of the Company and its Subsidiaries with the Company's officers, and (with the consent of the Company, which consent will not be unreasonably withheld) its independent public accountants, and (with the consent of the Company, which consent will not be

unreasonably withheld) to visit the other offices and properties of the Company and each Subsidiary, all at such reasonable times and as often as may be reasonably requested in writing; and

(b) Default -- if a Default or Event of Default then exists, at the expense of the Company, to visit and inspect any of the offices or properties of the Company or any Subsidiary, to examine all their respective books of account, records, reports and other papers, to make copies and extracts therefrom, and to discuss their respective affairs, finances and accounts with their respective officers and independent public accountants (and by this provision the Company authorizes said accountants to discuss the affairs, finances and accounts of the Company and its Subsidiaries), all at such times and as often as may be requested.

SECTION 8. PREPAYMENT OF THE NOTES.

Section 8.1. Required Prepayments. No regularly scheduled prepayment of the principal of any series of the Notes is required prior to the final maturity date thereof.

Section 8.2. Optional Prepayments with Make-Whole Amount. The Company may, at its option, upon notice as provided below, prepay at any time all, or from time to time any part of, the Notes, in an amount not less than 10% of the aggregate principal amount of the Notes then outstanding in the case of a partial prepayment (but if in the case of a partial prepayment, then against each series of Notes in proportion to the aggregate principal amount outstanding on each series), at 100% of the principal amount so prepaid, together with interest accrued thereon to the date of such prepayment, plus the Make-Whole Amount determined for the prepayment date with respect to such principal amount. The Company will give each holder of Notes written notice of each optional prepayment under this SECTION 8.2 not less than 30 days and not more than 60 days prior to the date fixed for such prepayment. Each such notice shall specify such date, the aggregate principal amount of each series of the Notes to be prepaid on such date, the principal amount of each Note held by such holder to be prepaid (determined in accordance with SECTION 8.4), and the interest to be paid on the prepayment date with respect to such principal amount being prepaid, and shall be accompanied by a certificate of a Senior Financial Officer as to the estimated Make-Whole Amount due in connection with such prepayment (calculated as if the date of such notice were the date of the prepayment), setting forth the details of such computation. Two Business Days prior to such prepayment, the Company shall deliver to each holder of Notes a certificate of a Senior Financial Officer specifying the calculation of such Make-Whole Amount as of the specified prepayment date.

Section 8.3. Change in Control. (a) Notice of Change in Control or Control Event. The Company will, within five Business Days after any Responsible Officer has knowledge of the occurrence of any Change in Control or Control Event, give written notice of such Change in Control or Control Event to each holder of Notes unless notice in respect of such Change in Control (or the Change in Control contemplated by such Control Event) shall have been given pursuant to subparagraph (B) of this SECTION 8.3. If a Change in Control has occurred, such notice shall contain and constitute an offer to prepay Notes as described in subparagraph (C) of

this SECTION 8.3 and shall be accompanied by the certificate described in subparagraph (g) of this SECTION 8.3.

(b) Condition to Company Action. The Company will not take any action that consummates or finalizes a Change in Control unless (i) at least 30 days prior to such action it shall have given to each holder of Notes written notice containing and constituting an offer to prepay Notes as described in subparagraph (c) of this SECTION 8.3, accompanied by the certificate described in subparagraph (g) of this SECTION 8.3, and (ii) contemporaneously with such action, it prepays all Notes required to be prepaid in accordance with this SECTION 8.3. It is understood that the Company does not control the Alford I. Dupont Testimentary Trust.

(c) Offer to Prepay Notes. The offer to prepay Notes contemplated by subparagraphs (A) and (B) of this SECTION 8.3 shall be an offer to prepay, in accordance with and subject to this SECTION 8.3, all, but not less than all, the Notes held by each holder (in this case only, "holder" in respect of any Note registered in the name of a nominee for a disclosed beneficial owner shall mean such beneficial owner) on a date specified in such offer (the "Proposed Prepayment Date"). If such Proposed Prepayment Date is in connection with an offer contemplated by subparagraph (A) of this SECTION 8.3, such date shall be not less than 30 days and not more than 120 days after the date of such offer (if the Proposed Prepayment Date shall not be specified in such offer, the Proposed Prepayment Date shall be the first Business Day after the 45th day after the date of such offer).

(d) Rejection. A holder of Notes may accept the offer to prepay made pursuant to this SECTION 8.3 by causing a notice of such acceptance to be delivered to the Company not later than 15 Business Days after receipt by such holder of the most recent offer of prepayment. A failure by a holder of Notes to respond to an offer to prepay made pursuant to this SECTION 8.3 shall be deemed to constitute a rejection of such offer by such holder.

(e) Prepayment. Prepayment of the Notes to be prepaid pursuant to this SECTION 8.3 shall be at 100% of the principal amount of such Notes, together with interest on such Notes accrued to the date of prepayment, but without Make-Whole Amount or other premium. The prepayment shall be made on the Proposed Prepayment Date except as provided in subparagraph (f) of this SECTION 8.3.

(f) Deferral Pending Change in Control. The obligation of the Company to prepay Notes pursuant to the offers required by subparagraph (C) and accepted in accordance with subparagraph (D) of this SECTION 8.3 is subject to the occurrence of the Change in Control in respect of which such offers and acceptances shall have been made. In the event that such Change in Control has not occurred on the Proposed Prepayment Date in respect thereof, the prepayment shall be deferred until, and shall be made on, the date on which such Change in Control occurs. The Company shall keep each holder of Notes reasonably and timely informed of (i) any such deferral of the date of prepayment, (ii) the date on which such Change in Control and the prepayment are expected to occur, and (iii) any determination by the Company that efforts to effect such Change in Control have ceased or been abandoned (in which case the offers and acceptances made pursuant to this SECTION 8.3 in respect of such Change in Control shall be deemed rescinded).

(g) Officer's Certificate. Each offer to prepay the Notes pursuant to this SECTION 8.3 shall be accompanied by a certificate, executed by a Senior Financial Officer of the Company and dated the date of such offer, specifying: (i) the Proposed Prepayment Date; (ii) that such offer is made pursuant to this SECTION 8.3; (iii) the principal amount of each Note offered to be prepaid; (iv) the interest that would be due on each Note offered to be prepaid, accrued to the Proposed Prepayment Date; (v) that the conditions of this Section have been fulfilled; and (vi) in reasonable detail, the nature and date or proposed date of the Change in Control.

(h) [Reserved].

(i) Certain Definitions. "Change in Control" shall be deemed to have occurred if any person (as such term is used in Section 13(d) and Section 14(d)(2) of the Exchange Act as in effect on the date of the Closing) or related persons constituting a group (as such term is used in Rule 13d-5 under the Exchange Act),

(i) become the "beneficial owners" (as such term is used in Rule 13d-3 under the Exchange Act as in effect on the date of the Closing), directly or indirectly, of more than 50% of the total voting power of all classes then outstanding of the Company's Voting Stock, or

(ii) acquire after the date of the Closing (x) the power to elect, appoint or cause the election or appointment of at least a majority of the members of the board of directors of the Company or (y) all or substantially all of the properties and assets of the Company.

In making any numerical calculation under clause (i) of this definition of "Change in Control", Voting Stock beneficially owned by the Current Management Group shall not be included in the numerator of such calculation, but shall be included as outstanding Voting Stock in the determining the denominator of such calculation.

"Control Event" means:

(i) the execution by the Company or any of its Subsidiaries or Affiliates of any agreement or letter of intent with respect to any proposed transaction or event or series of transactions or events which, individually or in the aggregate, may reasonably be expected to result in a Change in Control,

(ii) the execution of any written agreement which, when fully performed by the parties thereto, would result in a Change in Control, or

(iii) the making of any written offer by any person (as such term is used in Section 13(d) and Section 14(d)(2) of the Exchange Act as in effect on the date of the Closing) or related persons constituting a group (as such term is used in Rule 13d-5 under the Exchange Act as in effect on the date of the Closing) to the holders of the stock of the Company, which offer, if accepted by the requisite number of holders, would result in a Change in Control.

(j) All calculations contemplated in this SECTION 8.3 involving the capital stock of any Person shall be made with the assumption that all convertible Securities of such Person then outstanding and all convertible Securities issuable upon the exercise of any warrants, options and other rights outstanding at such time were converted at such time and that all options, warrants and similar rights to acquire shares of capital stock of such Person were exercised at such time.

Section 8.4. Allocation of Partial Prepayments. In the case of each partial prepayment of the Notes pursuant to SECTION 8.2, the principal amount of the Notes to be prepaid shall be (a) allocated among each series of Notes in proportion to the aggregate unpaid principal amount of each such series of Notes and (b) allocated pro rata among all of the holders of each series of Notes at the time outstanding in proportion, as nearly as practicable, to the respective unpaid principal amounts thereof not theretofore called for prepayment. All partial prepayments made pursuant to SECTION 8.3 shall be applied only to the Notes of the holders who have elected to participate in such prepayment.

Section 8.5. Maturity; Surrender, Etc. In the case of each prepayment of Notes pursuant to this SECTION 8 and subject to any deferral pursuant to SECTION 8.3(f), the principal amount of each Note to be prepaid shall mature and become due and payable on the date fixed for such prepayment, together with interest on such principal amount accrued to such date and the applicable Make-Whole Amount, if any. From and after such date, unless the Company shall fail to pay such principal amount when so due and payable, together with the interest and Make-Whole Amount, if any, as aforesaid, interest on such principal amount shall cease to accrue. Any Note paid or prepaid in full shall be surrendered to the Company and cancelled and shall not be reissued, and no Note shall be issued in lieu of any prepaid principal amount of any Note.

Section 8.6. Purchase of Notes. The Company will not, and will not permit any Affiliate to, purchase, redeem, prepay or otherwise acquire, directly or indirectly, any series of the outstanding Notes or any part or portion of any series thereof except upon the payment or prepayment of each series of the Notes in accordance with the terms of this Agreement and the Notes. The Company will promptly cancel all Notes acquired by it or any Affiliate pursuant to any payment, prepayment or purchase of Notes pursuant to any provision of this Agreement and no Notes may be issued in substitution or exchange for any such Notes.

Section 8.7. Make-Whole Amount. The term "Make-Whole Amount" means, with respect to any Note, an amount equal to the excess, if any, of the Discounted Value of the Remaining Scheduled Payments with respect to the Called Principal of such Note over the amount of such Called Principal; provided that the Make-Whole Amount may in no event be less than zero. For the purposes of determining the Make-Whole Amount, the following terms have the following meanings:

"Called Principal" means, with respect to any Note, the principal of such Note that is to be prepaid pursuant to SECTION 8.2 or has become or is declared to be immediately due and payable pursuant to SECTION 12.1, as the context requires.

"Discounted Value" means, with respect to the Called Principal of any Note, the amount obtained by discounting all Remaining Scheduled Payments with respect to such

Called Principal from their respective scheduled due dates to the Settlement Date with respect to such Called Principal, in accordance with accepted financial practice and at a discount factor (applied on the same periodic basis as that on which interest on the Notes is payable) equal to the Reinvestment Yield with respect to such Called Principal.

"Reinvestment Yield" means, with respect to the Called Principal of any Note, 0.50% over the yield to maturity implied by (a) the yields reported, as of 10:00 A.M. (New York City time) on the second Business Day preceding the Settlement Date with respect to such Called Principal, on the display designated as "Page PX-1" of the Bloomberg Financial Markets Services Screen (or, if not available, any other national recognized trading screen reporting on-line intraday trading in the U.S. Treasury securities) for actively traded on-the-run U.S. Treasury securities having a maturity equal to the Remaining Average Life of such Called Principal as of such Settlement Date, or (b) if such yields are not reported as of such time or the yields reported as of such time are not ascertainable, the Treasury Constant Maturity Series Yields reported, for the latest day for which such yields have been so reported as of the second Business Day preceding the Settlement Date with respect to such Called Principal, in Federal Reserve Statistical Release H.15 (519) (or any comparable successor publication) for actively traded on-the-run U.S. Treasury securities having a constant maturity equal to the Remaining Average Life of such Called Principal as of such Settlement Date. Such implied yield will be determined, if necessary, by (i) converting U.S. Treasury bill quotations to bond-equivalent yields in accordance with accepted financial practice and (ii) interpolating linearly between (1) the actively traded on-the-run U.S. Treasury security with the maturity closest to and greater than the Remaining Average Life and (2) the actively traded on-the-run U.S. Treasury security with the maturity closest to and less than the Remaining Average Life.

"Remaining Average Life" means, with respect to any Called Principal, the number of years (calculated to the nearest one-twelfth year) obtained by dividing (a) such Called Principal into (b) the sum of the products obtained by multiplying (i) the principal component of each Remaining Scheduled Payment with respect to such Called Principal by (ii) the number of years (calculated to the nearest one-twelfth year) that will elapse between the Settlement Date with respect to such Called Principal and the scheduled due date of such Remaining Scheduled Payment.

"Remaining Scheduled Payments" means, with respect to the Called Principal of any Note, all payments of such Called Principal and interest thereon that would be due after the Settlement Date with respect to such Called Principal if no payment of such Called Principal were made prior to its scheduled due date; provided that if such Settlement Date is not a date on which interest payments are due to be made under the terms of the Notes, then the amount of the next succeeding scheduled interest payment will be reduced by the amount of interest accrued to such Settlement Date and required to be paid on such Settlement Date pursuant to SECTION 8.2 or 12.1.

"Settlement Date" means, with respect to the Called Principal of any Note, the date on which such Called Principal is to be prepaid pursuant to SECTION 8.2 or has

become or is declared to be immediately due and payable pursuant to SECTION 12.1, as the context requires.

SECTION 9. AFFIRMATIVE COVENANTS.

The Company covenants that so long as any of the Notes are outstanding:

Section 9.1. Compliance with Law. The Company will, and will cause each of its Subsidiaries to, comply with all laws, ordinances or governmental rules or regulations to which each of them is subject, including, without limitation, ERISA and all Environmental Laws, and will obtain and maintain in effect all licenses, certificates, permits, franchises and other governmental authorizations necessary to the ownership of their respective properties or to the conduct of their respective businesses, in each case to the extent necessary to ensure that non-compliance with such laws, ordinances or governmental rules or regulations or failures to obtain or maintain in effect such licenses, certificates, permits, franchises and other governmental authorizations could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

Section 9.2. Insurance. The Company will, and will cause each of its Subsidiaries to, maintain, with financially sound and reputable insurers, insurance with respect to their respective properties and businesses against such casualties and contingencies, of such types, on such terms and in such amounts (including deductibles, co-insurance and self-insurance, if adequate reserves are maintained with respect thereto) as is customary in the case of entities of established reputations engaged in the same or a similar business and similarly situated.

Section 9.3. Maintenance of Properties. The Company will, and will cause each of its Subsidiaries to, maintain and keep, or cause to be maintained and kept, their respective properties in good repair, working order and condition (other than ordinary wear and tear), so that the business carried on in connection therewith may be properly conducted at all times; provided that this Section shall not prevent the Company or any Subsidiary from discontinuing the operation and the maintenance of any of its properties if such discontinuance is desirable in the conduct of its business and the Company has concluded that such discontinuance could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

Section 9.4. Payment of Taxes and Claims. The Company will, and will cause each of its Subsidiaries to, file all tax returns required to be filed in any jurisdiction and to pay and discharge all taxes shown to be due and payable on such returns and all other taxes, assessments, governmental charges, or levies imposed on them or any of their properties, assets, income or franchises, to the extent such taxes, assessments, charges or levies have become due and payable and before they have become delinquent and all claims for which sums have become due and payable that have or might become a Lien on properties or assets of the Company or any Subsidiary; provided that neither the Company nor any Subsidiary need pay any such tax, assessment charge, levy or claim if (a) the amount, applicability or validity thereof is contested by the Company or such Subsidiary on a timely basis in good faith and in appropriate proceedings, and the Company or a Subsidiary has established adequate reserves therefor in accordance with GAAP on the books of the Company or such Subsidiary or (b) the nonpayment

of all such taxes, assessments, charges, levies and claims in the aggregate could not reasonably be expected to have a Material Adverse Effect.

Section 9.5. Corporate Existence, Etc. Subject to SECTION 10.7, the Company will at all times preserve and keep in full force and effect its corporate existence. Subject to SECTION 10.7, the Company will at all times preserve and keep in full force and effect the corporate existence of each of its Subsidiaries (unless merged into the Company or a Subsidiary) and all rights and franchises of the Company and its Subsidiaries unless, in the good faith judgment of the Company, the termination of or failure to preserve and keep in full force and effect such corporate existence, right or franchise could not, individually or in the aggregate, have a Material Adverse Effect.

Section 9.6. [Reserved].

Section 9.7. Notes to Rank Pari Passu. The Notes and all other obligations under this Agreement of the Company are and at all times shall rank at least pari passu in right of payment with all other present and future Senior Indebtedness (actual or contingent) of the Company which is not expressed to be subordinate or junior in rank to any other Indebtedness of the Company.

Section 9.8. Guaranty by Subsidiaries. The Company will cause each Subsidiary which delivers a Guaranty to the Agent or any other lender which is a party to the Bank Credit Agreement concurrently to enter into a Subsidiary Guaranty, and within three Business Days thereafter will deliver to each of the holders of the Notes the following items:

(a) an executed counterpart of such Subsidiary Guaranty or joinder agreement in respect of an existing Subsidiary Guaranty, as appropriate;

(b) a certificate signed by the President, a Vice President or another authorized Responsible Officer of such Subsidiary making representations and warranties to the effect of those contained in SECTIONS 5.1, 5.2, 5.6 and 5.7, but with respect to such Subsidiary and such Subsidiary Guaranty, as applicable;

(c) such documents and evidence with respect to such Subsidiary as any holder of the Notes may reasonably request in order to establish the existence and good standing of such Subsidiary and the authorization of the transactions contemplated by such Subsidiary Guaranty;

(d) an opinion of counsel satisfactory to the Required Holders to the effect that such Subsidiary Guaranty has been duly authorized, executed and delivered and constitutes the legal, valid and binding contract and agreement of such Subsidiary enforceable in accordance with its terms, except as an enforcement of such terms may be limited by bankruptcy, insolvency, reorganization, moratorium and similar laws affecting the enforcement of creditors' rights generally and by general equitable principles; and

(e) an executed counterpart of an intercreditor agreement or joinder agreement in respect of the Intercreditor Agreement among the holders of the Notes and each such Person to which a Subsidiary is then delivering a Guaranty giving rise the requirements of this SECTION 9.8, which agreement or joinder agreement, as the case may be, shall provide that the proceeds from the enforcement of any such Guaranty shall be shared on an equal and ratable basis with the holders of the Notes.

SECTION 10. NEGATIVE COVENANTS.

The Company covenants that so long as any of the Notes are outstanding:

Section 10.1. Consolidated Net Worth. The Company and its Subsidiaries will at all times keep and maintain Consolidated Net Worth at an amount not less than the sum of (a) $425,000,000 plus (b) an amount equal to one hundred percent (100%) of net proceeds from any issuance by the Company of shares of its Capital Stock or other equity interest occurring after the Closing. Without limiting the foregoing, the exercise by a present or former employee, officer or director of any stock option issued pursuant to a stock incentive plan, stock option plan or other equity based compensation plan or arrangement shall in no event be deemed or construed to constitute the issuance of shares of the Capital Stock of the Company.

Section 10.2. Leverage Ratio. The Company and its Subsidiaries will not as at the end of each fiscal quarter permit the ratio of Consolidated Indebtedness to Consolidated Total Assets to exceed 0.45 to 1.00.

Section 10.3. Unencumbered Assets Ratio. The Company and its Subsidiaries will not permit as at the end of each fiscal quarter the ratio of Unsecured Indebtedness to Unencumbered Assets to exceed 0.50 to 1.00.

Section 10.4. Fixed Charges Coverage Ratio. The Company and its Subsidiaries will not permit as at the end of each fiscal quarter the ratio of Consolidated Net Earnings Available for Fixed Charges for the two immediately preceding fiscal quarters (taken as a single accounting period) to Consolidated Fixed Charges for such two fiscal quarter periods to be less than 2.5 to 1.0.

Section 10.5. Limitations on Indebtedness. (a) The Company will not, and will not permit any Subsidiary to, create, issue, assume, guarantee or otherwise incur or in any manner be or become liable in respect of any Indebtedness, except:

(i) Indebtedness evidenced by the Notes and the Subsidiary Guaranty;

(ii) Indebtedness of a Subsidiary Guarantor evidenced by the Guaranty delivered pursuant to the Bank Credit Agreement; provided that the Indebtedness evidenced by any such Guaranty constitutes Qualified Subsidiary Indebtedness;

(iii) Indebtedness of the Company and its Subsidiaries outstanding as of the date of this Agreement and described on SCHEDULE 5.15 hereto;

(iv) additional Indebtedness of the Company and its Subsidiaries; provided that at the time of creation, issuance, assumption, guarantee or incurrence thereof and after giving effect thereto and to the application of the proceeds thereof:

(1) the ratio of Consolidated Indebtedness to Consolidated Total Assets as at such date shall not exceed 0.45 to 1.00; and

(2) in the case of the issuance of any Indebtedness of the Company or its Subsidiaries secured by Liens permitted by SECTION 10.6(i) and any Indebtedness of a Subsidiary (other than (A) Qualified Subsidiary Indebtedness and (B) Indebtedness of any Subsidiary described on SCHEDULE 5.15 and any renewal, extension, refinancing, replacement or refunding of such Indebtedness), the sum of (A) the aggregate amount of all Indebtedness secured by Liens permitted by SECTION 10.6(I) plus (B) the aggregate amount of all Indebtedness of Subsidiaries (other than (A) Qualified Subsidiary Indebtedness and (B) Indebtedness of any Subsidiary described on SCHEDULE 5.15 and any renewal, extension, refinancing, replacement or refunding of such Indebtedness), shall not exceed 33% of Consolidated Total Assets as at such date; and

(v) Indebtedness of a Subsidiary to the Company or to a Wholly-owned Subsidiary and Indebtedness of the Company to a Wholly-owned Subsidiary.

(b) Indebtedness existing within the limitations of SECTION 10.5(a)(iii) may be renewed, extended, refinanced, replaced or refunded (without increase in principal amount) without regard to the limitations of SECTION 10.5(a)(iv).

(c) Any Person which becomes a Subsidiary after the date hereof shall for all purposes of this SECTION 10.5 be deemed to have created, issued, assumed or incurred at the time it becomes a Subsidiary all Indebtedness of such Person existing immediately after it becomes a Subsidiary.

Section 10.6. Limitation on Liens. The Company will not, and will not permit any Subsidiary to, create or incur, or suffer to be incurred or to exist, any Lien on its or their property or assets, whether now owned or hereafter acquired, or upon any income or profits therefrom, or transfer any property for the purpose of subjecting the same to the payment of obligations in priority to the payment of its or their general creditors, or acquire or agree to acquire, or permit any Subsidiary to acquire, any property or assets upon conditional sales agreements or other title retention devices, except:

(a) Liens for taxes and assessments or governmental charges or levies; provided that payment thereof is not at the time required by SECTION 9.4;

(b) Liens of or resulting from any judgment or award (i) the time for the appeal or petition for rehearing of which shall not have expired or (ii) in respect of which the Company or a Subsidiary shall at any time in good faith be prosecuting an appeal or proceeding for a review and in respect of which a stay of execution pending such appeal

or proceeding for review shall have been secured; provided that the Company or such Subsidiary (i) is contesting such judgment or award on a timely basis, in good faith and in appropriate proceedings, and (ii) has established adequate reserves therefor in accordance with GAAP on the books of the Company or such Subsidiary;

(c) statutory Liens of landlords and Liens of carriers, warehousemen, mechanics, materialmen and suppliers and other Liens imposed by law or pursuant to customary reservations or retentions of title arising in the ordinary course of business, provided that (i) such Liens secure only amounts not yet due and payable or the payment of which is being contested in good faith by appropriate actions or proceedings and (ii) such Liens do not materially impair the business of the Company and its Subsidiaries;

(d) minor survey exceptions or minor encumbrances, leases or subleases granted to others, easements or reservations, or rights of others for rights-of-way, utilities and other similar purposes, or zoning or other restrictions as to the use of real properties, (i) which are necessary for the conduct of the activities of the Company and its Subsidiaries or which customarily exist on properties of Persons engaged in similar activities and similarly situated and (ii) which do not in any event in the aggregate Materially impair the use of such properties in the operation of the business of the Company and its Subsidiaries, taken as a whole, or the value of such properties;

(e) Liens incidental to the conduct of business or the ownership of properties and assets (including pledges, deposits or Liens in connection with worker's compensation, unemployment insurance and other like social security laws, attorneys' liens and statutory landlords' liens) and Liens to secure the performance of bids, tenders or trade contracts, or to secure statutory obligations, supersedeas, surety or appeal bonds or other Liens of like general nature, in any such case incurred in the ordinary course of business and not in connection with the borrowing of money; provided in each case, the obligation secured is not overdue or, if overdue, is being contested in good faith by appropriate actions or proceedings and any Lien securing such obligation does not in any event materially impair the operation of the business of the Company and its Subsidiaries;

(f) Liens securing Indebtedness of the Company or a Subsidiary to a Wholly-owned Subsidiary or the Company or of the Company to a Wholly-owned Subsidiary;

(g) Liens of the Company and its Subsidiaries existing as of the date of Closing and described on SCHEDULE 10.6 hereto, including, without limitation, the Lien of the Pledge Agreement;

(h) Liens created or incurred after the date of the Closing on an Installment Sale Note given to secure a Company Promissory Note; provided that (i) Indebtedness secured by any such Lien shall have been incurred within the limitations provided in SECTION 10.5(a)(iv) (1) and (ii) at the time of creation, issuance, assumption, guarantee or

incurrence of the Indebtedness secured by such Lien and after giving effect thereto and to the application of the proceeds thereof, no Default or Event of Default would exist; and

(i) Liens created or incurred after the date of the Closing given to secure Indebtedness of the Company or any Subsidiary in addition to the Liens permitted by the preceding clauses (A) through (H) hereof; provided that (i) all Indebtedness secured by such Liens shall have been incurred within the limitations provided in SECTIONS 10.5(A)(IV)(1) and (2) and (ii) at the time of creation, issuance, assumption, guarantee or incurrence of the Indebtedness secured by such Lien and after giving effect thereto and to the application of the proceeds thereof, no Default or Event of Default would exist.

Section 10.7. Mergers, Consolidations, Etc. The Company will not, and will not permit any Subsidiary to, consolidate with or be a party to a merger with any other Person, or sell, lease or otherwise dispose of all or substantially all of its assets; provided that:

(a) any Subsidiary may merge or consolidate with or into the Company or any Wholly-owned Subsidiary so long as in (i) any merger or consolidation involving the Company, the Company shall be the surviving or continuing corporation and (ii) in any merger or consolidation involving a Wholly-owned Subsidiary (and not the Company), a Wholly-owned Subsidiary shall be the surviving or continuing corporation, so long as in the case of any merger or consolidation involving a Subsidiary Guarantor, the surviving or continuing corporation shall have affirmed in writing its obligations under the Subsidiary Guaranty;

(b) the Company may consolidate or merge with or into any other Person if (i) the Person which results from such consolidation or merger (the "Surviving Corporation") is a solvent corporation organized under the laws of any state of the United States or the District of Columbia, (ii) the due and punctual payment of the principal of and premium, if any, and interest on all of the Notes, according to their tenor, and the due and punctual performance and observation of all of the covenants in the Notes and this Agreement to be performed or observed by the Company are expressly assumed in writing by the Surviving Corporation and the Surviving Corporation shall furnish to the holders of the Notes an opinion of counsel satisfactory to such holders to the effect that the instrument of assumption has been duly authorized, executed and delivered and constitutes the legal, valid and binding contract and agreement of the Surviving Corporation enforceable in accordance with its terms, except as enforcement of such terms may be limited by bankruptcy, insolvency, reorganization, moratorium and similar laws affecting the enforcement of creditors' rights generally and by general equitable principles, (iii) each Subsidiary Guarantor shall have affirmed in writing its obligations under the Subsidiary Guaranty to which it is a party, and (iv) at the time of such consolidation or merger and immediately after giving effect thereto, (1) no Default or Event of Default would exist and (2) the Surviving Corporation would be permitted by the provisions of SECTION 10.5(a)(iv)(1) to incur at least $1.00 of additional Indebtedness;

(c) the Company may sell or otherwise dispose of all or substantially all of its assets (other than as provided in SECTIONS 10.7(a) and (b) and SECTION 10.8) to any

Person for consideration which represents the fair market value of such assets (as determined in good faith by the Board of Directors of the Company) at the time of such sale or other disposition if (i) the acquiring Person is a corporation organized under the laws of any state of the United States or the District of Columbia, (ii) the due and punctual payment of the principal of and premium, if any, and interest on all the Notes, according to their tenor, and the due and punctual performance and observance of all of the covenants in the Notes and in this Agreement to be performed or observed by the Company are expressly assumed in writing by the acquiring corporation and the acquiring corporation shall furnish to the holders of the Notes an opinion of counsel satisfactory to such holders to the effect that the instrument of assumption has been duly authorized, executed and delivered and constitutes the legal, valid and binding contract and agreement of such acquiring corporation enforceable in accordance with its terms, except as enforcement of such terms may be limited by bankruptcy, insolvency, reorganization, moratorium and similar laws affecting the enforcement of creditors' rights generally and by general equitable principles, (iii) each Subsidiary Guarantor shall have affirmed in writing its obligations under the Subsidiary Guaranty to which it is a party, and (iv) at the time of such sale or disposition and immediately after giving effect thereto, (1) no Default or Event of Default would exist and (2) the acquiring Person would be permitted by the provisions of SECTION 10.5(a)(iv)(1) to incur at least $1.00 of additional Indebtedness;

(d) any Subsidiary may merge or consolidate with or into any Person so long as (i) the Person which results from such consolidation or merger is a solvent corporation, (ii) the disposition of any of assets of the Company or any Subsidiary (including the stock of such merging Subsidiary) in connection with such merger is permitted by the limitations of SECTION 10.8(b) and (iii) at the time of such merger and after giving effect thereto, no Default or Event of Default would exist; and

(e) any Subsidiary may sell or otherwise dispose of all or substantially all of its assets so long as (i) the acquiring Person is a solvent corporation, (ii) the disposition of any of assets of the Company or any Subsidiary in connection with such sale or disposition is permitted by the limitations of SECTION 10.8(b) and (iii) at the time of such sale or disposition and after giving effect thereto, no Default or Event of Default would exist.

Nothing contained in this SECTION 10.7 shall be deemed or construed to qualify, amend or otherwise modify the rights of the holders of the Notes under SECTION 8.3 of this Agreement.

Section 10.8. Sale of Assets, Etc. The Company will not, and will not permit any Subsidiary to, sell, lease, transfer, abandon or otherwise dispose of assets (except assets sold in the ordinary course of business for fair market value or pursuant to SECTION 10.7(a), (b) or (c)); provided that the foregoing restrictions do not apply to:

(a) the sale, lease, transfer or other disposition of assets of a Subsidiary to a Wholly-owned Subsidiary or the Company, as the case may be; or

(b) the sale of assets for cash or other property (including without limitation any disposition of assets as contemplated by SECTION 10.7(d) and (e)), to a Person or Persons if all of the following conditions are met:

(i) such assets (valued , in the case of Timberland, at $750 per acre or, otherwise, at net book value) do not, together with all other assets of the Company and its Subsidiaries previously disposed of during the same fiscal year (other than (A) any sale in the ordinary course of business and (B) any sale within the limitations of clause (a) of this SECTION 10.8), exceed 15% of Consolidated Total Assets, determined as of the end of the immediately preceding fiscal quarter;

(ii) in the opinion of the Company's Board of Directors, the sale is for fair value and is in the best interests of the Company; and

(iii) immediately after the consummation of the transaction and after giving effect thereto, (A) no Default or Event of Default would exist, and (B) the Company would be permitted by the provisions of SECTION 10.5(a)(iv)(1) to incur at least $1.00 of additional Indebtedness;

provided, however, that for purposes of the foregoing calculation, there shall not be included any assets the net cash proceeds of which are applied within twelve months of the date of sale of such assets to either (A) the acquisition of assets useful and intended to be used in the operation of the business of the Company and its Subsidiaries as described in SECTION 10.10 and having a fair market value (as determined in good faith by the Board of Directors of the Company) at least equal to that of the assets so disposed of or (B) the prepayment at any applicable prepayment premium, on a pro rata basis, of Senior Indebtedness of the Company, in an amount equal to such net cash proceeds less those amounts used to purchase other assets pursuant to clause (A) above. It is understood and agreed by the Company that any such proceeds paid and applied to the prepayment of the Notes as hereinabove provided shall be prepaid as and to the extent provided in SECTION 8.2.

Section 10.9. Transactions with Affiliates. The Company will not, and will not permit any Subsidiary to, enter into or be a party to any transaction or arrangement with any Affiliate (including, without limitation, the purchase from, sale to or exchange of property with, or the rendering of any service by or for, any Affiliate), except in the ordinary course of and pursuant to the reasonable requirements of the Company's or such Subsidiary's business and upon fair and reasonable terms no less favorable to the Company or such Subsidiary than would be obtainable in a comparable arm's-length transaction with a Person other than an Affiliate.

Section 10.10. Nature of Business. Neither the Company nor any Subsidiary will engage in any business if, as a result, the general nature of the business, taken on a consolidated basis, which would then be engaged in by the Company and its Subsidiaries, would be substantially changed from the general nature of the business engaged in by the Company and its Subsidiaries on the date of this Agreement.

SECTION 11. EVENTS OF DEFAULT.

An "Event of Default" shall exist if any of the following conditions or events shall occur and be continuing:

(a) the Company defaults in the payment of any principal or Make-Whole Amount, if any, on any Note when the same becomes due and payable, whether at maturity or at a date fixed for prepayment or by declaration or otherwise; or

(b) the Company defaults in the payment of any interest on any Note for more than five Business Days after the same becomes due and payable; or

(c) the Company defaults in the performance of or compliance with any term contained in SECTIONS 10.1 through 10.9; or

(d) the Company defaults in the performance of or compliance with any term contained herein (other than those referred to in paragraphs (a), (b) and (c) of this SECTION 11) and such default is not remedied within 30 days after the earlier of (i) a Responsible Officer obtaining actual knowledge of such default and (ii) the Company receiving written notice of such default from any holder of a Note (any such written notice to be identified as a "notice of default" and to refer specifically to this paragraph (D) of SECTION 11); or

(e) any representation or warranty made in writing by or on behalf of the Company, a Subsidiary Guarantor or the Pledgor or by any officer of the Company, a Subsidiary Guarantor or the Pledgor in this Agreement, the Subsidiary Guaranty or the Pledge Agreement or in any writing furnished in connection with the transactions contemplated hereby or thereby proves to have been false or incorrect in any material respect on the date as of which made; or

(f) (i) the Company or any Subsidiary is in default (as principal or as guarantor or other surety) in the payment of any principal of or premium or make-whole amount or interest on any Indebtedness that is outstanding in an aggregate principal amount of at least $10,000,000 beyond any period of grace provided with respect thereto, or (ii) the Company or any Subsidiary is in default in the performance of or compliance with any term of any evidence of any Indebtedness in an aggregate outstanding principal amount of at least $10,000,000 or of any mortgage, indenture or other agreement relating thereto or any other condition exists, and as a consequence of such default or condition such Indebtedness has become, or has been declared, due and payable before its stated maturity or before its regularly scheduled dates of payment, or (iii) as a consequence of the occurrence or continuation of any event or condition (other than the passage of time or the right of the holder of Indebtedness to convert such Indebtedness into equity interests), (1) the Company or any Subsidiary has become obligated to purchase or repay Indebtedness before its regular maturity or before its regularly scheduled dates of payment in an aggregate outstanding principal amount of at least $10,000,000, or (2) one

or more Persons have the right to require the Company or any Subsidiary so to purchase or repay such Indebtedness; or

(g) the Company or any Significant Subsidiary (i) is generally not paying, or admits in writing its inability to pay, its debts as they become due, (ii) files, or consents by answer or otherwise to the filing against it of, a petition for relief or reorganization or arrangement or any other petition in bankruptcy, for liquidation or to take advantage of any bankruptcy, insolvency, reorganization, moratorium or other similar law of any jurisdiction, (iii) makes an assignment for the benefit of its creditors, (iv) consents to the appointment of a custodian, receiver, trustee or other officer with similar powers with respect to it or with respect to any substantial part of its property, (v) is adjudicated as insolvent or to be liquidated, or (vi) takes corporate action for the purpose of any of the foregoing; or

(h) a court or Governmental Authority of competent jurisdiction enters an order appointing, without consent by the Company or any of its Significant Subsidiaries, a custodian, receiver, trustee or other officer with similar powers with respect to it or with respect to any substantial part of its property, or constituting an order for relief or approving a petition for relief or reorganization or any other petition in bankruptcy or for liquidation or to take advantage of any bankruptcy or insolvency law of any jurisdiction, or ordering the dissolution, winding-up or liquidation of the Company or any of its Significant Subsidiaries, or any such petition shall be filed against the Company or any of its Significant Subsidiaries and such petition shall not be dismissed within 60 days; or

(i) a final judgment or judgments for the payment of money aggregating in excess of $10,000,000 are rendered against one or more of the Company and its Subsidiaries and which judgments are not, within 45 days after entry thereof, bonded, discharged or stayed pending appeal, or are not discharged within 45 days after the expiration of such stay; or

(j) if (i) any Plan shall fail to satisfy the minimum funding standards of ERISA or the Code for any plan year or part thereof or a waiver of such standards or extension of any amortization period is sought or granted under Section 412 of the Code, (ii) a notice of intent to terminate any Plan shall have been or is reasonably expected to be filed with the PBGC or the PBGC shall have instituted proceedings under ERISA Section 4042 to terminate or appoint a trustee to administer any Plan or the PBGC shall have notified the Company or any ERISA Affiliate that a Plan may become a subject of any such proceedings, (iii) the aggregate "amount of unfunded benefit liabilities" (within the meaning of Section 4001(a)(18) of ERISA) under all Plans, determined in accordance with Title IV of ERISA, shall exceed $10,000,000, (iv) the Company or any ERISA Affiliate shall have incurred or is reasonably expected to incur any liability pursuant to Title I or IV of ERISA or the penalty or excise tax provisions of the Code relating to employee benefit plans, (v) the Company or any ERISA Affiliate withdraws from any Multiemployer Plan, or (vi) the Company or any Subsidiary establishes or amends any employee welfare benefit plan that provides post-employment welfare benefits in a manner that would increase the liability of the Company or any Subsidiary thereunder;

and any such event or events described in clauses (i) through (vi) above, either individually or together with any other such event or events, could reasonably be expected to have a Material Adverse Effect; or

(k) any Subsidiary Guaranty or the Pledge Agreement shall cease to be in full force and effect for any reason whatsoever, including, without limitation, a determination by any Governmental Authority that such Subsidiary Guaranty or Pledge Agreement is invalid, void or unenforceable or any Subsidiary Guarantor which is a party to such Subsidiary Guaranty or the Pledgor, as applicable, shall contest or deny in writing the validity or enforceability of any of its obligations under such Subsidiary Guaranty or the Pledge Agreement, but excluding any Subsidiary Guaranty which ceases to be in full force and effect in accordance with and by reason of the express provisions of SECTION 2.2(d); or

(l) any event of default shall have occurred and be continuing under the Pledge Agreement.

As used in SECTION 11(j), the terms "employee benefit plan" and "employee welfare benefit plan" shall have the respective meanings assigned to such terms in Section 3 of ERISA.

SECTION 12. REMEDIES ON DEFAULT, ETC.

Section 12.1. Acceleration. (a) If an Event of Default with respect to the Company described in paragraph (g) or (h) of SECTION 11 (other than an Event of Default described in clause (i) of paragraph (g) or described in clause (vi) of paragraph (g) by virtue of the fact that such clause encompasses clause (i) of paragraph (g)) has occurred, all the Notes then outstanding shall automatically become immediately due and payable.

(b) If any other Event of Default has occurred and is continuing, any holder or holders of more than 51% in principal amount of the Notes at the time outstanding may at any time at its or their option, by notice or notices to the Company, declare all the Notes then outstanding to be immediately due and payable.

(c) If any Event of Default described in paragraph (a) or (b) of SECTION 11 has occurred and is continuing, any holder or holders of Notes at the time outstanding affected by such Event of Default may at any time, at its or their option, by notice or notices to the Company, declare all the Notes held by it or them to be immediately due and payable.

Upon any Note's becoming due and payable under this SECTION 12.1, whether automatically or by declaration, such Note will forthwith mature and the entire unpaid principal amount of such Note, plus (i) all accrued and unpaid interest thereon and (ii) the Make-Whole Amount determined in respect of such principal amount (to the full extent permitted by applicable law), shall all be immediately due and payable, in each and every case without presentment, demand, protest or further notice, all of which are hereby waived. The Company acknowledges, and the parties hereto agree, that each holder of a Note has the right to maintain its investment in the Notes free from repayment by the Company (except as herein specifically

provided for), and that the provision for payment of a Make-Whole Amount by the Company in the event that the Notes are prepaid or are accelerated as a result of an Event of Default, is intended to provide compensation for the deprivation of such right under such circumstances.

Section 12.2. Other Remedies. If any Default or Event of Default has occurred and is continuing, and irrespective of whether any Notes have become or have been declared immediately due and payable under SECTION 12.1, the holder of any Note at the time outstanding may proceed to protect and enforce the rights of such holder by an action at law, suit in equity or other appropriate proceeding, whether for the specific performance of any agreement contained herein or in any Note, or for an injunction against a violation of any of the terms hereof or thereof, or in aid of the exercise of any power granted hereby or thereby or by law or otherwise.

Section 12.3. Rescission. At any time after any Notes have been declared due and payable pursuant to clause (b) or (c) of SECTION 12.1, the holders of not less than 66 2/3% in principal amount of the Notes then outstanding, by written notice to the Company, may rescind and annul any such declaration and its consequences if (a) the Company has paid all overdue interest on the Notes, all principal of and Make-Whole Amount, if any, on any Notes that are due and payable and are unpaid other than by reason of such declaration, and all interest on such overdue principal and Make-Whole Amount, if any, and (to the extent permitted by applicable law) any overdue interest in respect of the Notes, at the Default Rate, (b) all Events of Default and Defaults, other than non-payment of amounts that have become due solely by reason of such declaration, have been cured or have been waived pursuant to SECTION 17, and (c) no judgment or decree has been entered for the payment of any monies due pursuant hereto or to the Notes. No rescission and annulment under this SECTION 12.3 will extend to or affect any subsequent Event of Default or Default or impair any right consequent thereon.

Section 12.4. No Waivers or Election of Remedies, Expenses, Etc. No course of dealing and no delay on the part of any holder of any Note in exercising any right, power or remedy shall operate as a waiver thereof or otherwise prejudice such holder's rights, powers or remedies. No right, power or remedy conferred by this Agreement or by any Note upon any holder thereof shall be exclusive of any other right, power or remedy referred to herein or therein or now or hereafter available at law, in equity, by statute or otherwise. Without limiting the obligations of the Company under SECTION 15, the Company will pay to the holder of each Note on demand such further amount as shall be sufficient to cover all costs and expenses of such holder incurred in any enforcement or collection under this SECTION 12, including, without limitation, reasonable attorneys' fees, expenses and disbursements.

SECTION 13. REGISTRATION; EXCHANGE; SUBSTITUTION OF NOTES.

Section 13.1. Registration of Notes. The Company shall keep at its principal executive office a register for the registration and registration of transfers of Notes. The name and address of each holder of one or more Notes, each transfer thereof and the name and address of each transferee of one or more Notes shall be registered in such register. Prior to due presentment for registration of transfer, the Person in whose name any Note shall be registered shall be deemed and treated as the owner and holder thereof for all purposes hereof, and the Company shall not be affected by any notice or knowledge to the contrary. The Company shall give to any holder of a

Note that is an Institutional Investor promptly upon request therefor, a complete and correct copy of the names and addresses of all registered holders of Notes.

Section 13.2. Transfer and Exchange of Notes. Upon surrender of any Note at the principal executive office of the Company for registration of transfer or exchange (and in the case of a surrender for registration of transfer, duly endorsed or accompanied by a written instrument of transfer duly executed by the registered holder of such Note or its attorney duly authorized in writing and accompanied by the address for notices of each transferee of such Note or part thereof), the Company shall execute and deliver, at the Company's expense (except as provided below), one or more new Notes (as requested by the holder thereof) in exchange therefor, of the same series and in an aggregate principal amount equal to the unpaid principal amount of the surrendered Note. Each such new Note shall be payable to such Person as such holder may request and shall be substantially in the form of EXHIBIT 1(a), EXHIBIT 1(b), EXHIBIT 1(c) or EXHIBIT 1(d), as applicable. Each such new Note shall be dated and bear interest from the date to which interest shall have been paid on the surrendered Note or dated the date of the surrendered Note if no interest shall have been paid thereon. The Company may require payment of a sum sufficient to cover any stamp tax or governmental charge imposed in respect of any such transfer of Notes. Notes shall not be transferred in denominations of less than $1,000,000; provided that if necessary to enable the registration of transfer by a holder of its entire holding of Notes, one Note may be in a denomination of less than $1,000,000. Any transferee, by its acceptance of a Note registered in its name (or the name of its nominee), shall be deemed to have made the representation set forth in SECTION 6.2.

Section 13.3. Replacement of Notes. Upon receipt by the Company of evidence reasonably satisfactory to it of the ownership of and the loss, theft, destruction or mutilation of any Note (which evidence shall be, in the case of an Institutional Investor, notice from such Institutional Investor of such ownership and such loss, theft, destruction or mutilation), and

(a) in the case of loss, theft or destruction, of indemnity reasonably satisfactory to it (provided that if the holder of such Note is, or is a nominee for, an original purchaser or another holder of a Note with a minimum net worth of at least $25,000,000, such Person's own unsecured agreement of indemnity shall be deemed to be satisfactory), or

(b) in the case of mutilation, upon surrender and cancellation thereof,

the Company at its own expense shall execute and deliver, in lieu thereof, a new Note of the same series, dated and bearing interest from the date to which interest shall have been paid on such lost, stolen, destroyed or mutilated Note or dated the date of such lost, stolen, destroyed or mutilated Note if no interest shall have been paid thereon.

Section 13.4. Legend. Upon issuance of the Notes and until such time, if any, as the same is no longer required under applicable securities laws, the Notes shall bear the following legend:

THIS NOTE HAS NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED, OR ANY OTHER APPLICABLE

SECURITIES LAWS AND, ACCORDINGLY, MAY NOT BE SOLD OR OTHERWISE TRANSFERRED UNLESS REGISTERED OR EXEMPT FROM REGISTRATION UNDER SAID ACT OR SUCH OTHER LAWS.

Any holder of a Note may, upon surrender of its Notes to the Company together with an opinion of counsel (which counsel may be internal counsel to such holder) to the effect that the foregoing legend is no longer required under applicable securities laws, obtain a like Note in exchange for its Note without such legend.

SECTION 14. PAYMENTS ON NOTES.

Section 14.1. Place of Payment. Subject to SECTION 14.2, payments of principal, Make-Whole Amount, if any, and interest becoming due and payable on the Notes shall be made in New York, New York at the principal office of a bank or trust company in such jurisdiction which the Company agrees to designate at any time when there is any holder of any Note not entitled to the benefits of SECTION 14.2 in such jurisdiction. The Company may at any time, by notice to each holder of a Note, change the place of payment of the Notes so long as such place of payment shall be either the principal office of the Company in such jurisdiction or the principal office of a bank or trust company in such jurisdiction.

Section 14.2. Home Office Payment. So long as you or your nominee shall be the holder of any Note, and notwithstanding anything contained in SECTION 14.1 or in such Note to the contrary, the Company will pay all sums becoming due on such Note for principal, Make-Whole Amount, if any, and interest by the method and at the address specified for such purpose below your name in SCHEDULE A, or by such other method or at such other address as you shall have from time to time specified to the Company in writing for such purpose, without the presentation or surrender of such Note or the making of any notation thereon, except that upon written request of the Company made concurrently with or reasonably promptly after payment or prepayment in full of any Note, you shall surrender such Note for cancellation, reasonably promptly after any such request, to the Company at its principal executive office or at the place of payment most recently designated by the Company pursuant to SECTION 14.1. Prior to any sale or other disposition of any Note held by you or your nominee you will, at your election, either endorse thereon the amount of principal paid thereon and the last date to which interest has been paid thereon or surrender such Note to the Company in exchange for a new Note or Notes of the same series pursuant to SECTION 13.2. The Company will afford the benefits of this SECTION 14.2 to any Institutional Investor that is the direct or indirect transferee of any Note purchased by you under this Agreement and that has made the same agreement relating to such Note as you have made in this SECTION 14.2.

SECTION 15. EXPENSES, ETC.

Section 15.1. Transaction Expenses. Whether or not the transactions contemplated hereby are consummated, the Company will pay all costs and expenses (including reasonable attorneys' fees of a special counsel and, if reasonably required, local or other counsel) incurred by you and each Other Purchaser or holder of a Note in connection with such transactions and in connection with any amendments, waivers or consents under or in respect of this Agreement, the

Notes, the Subsidiary Guaranty, the Pledge Agreement or the Intercreditor Agreement (whether or not such amendment, waiver or consent becomes effective), including, without limitation: (a) the costs and expenses incurred in enforcing or defending (or determining whether or how to enforce or defend) any rights under this Agreement, the Notes, the Subsidiary Guaranty, the Pledge Agreement or the Intercreditor Agreement, or in responding to any subpoena or other legal process or informal investigative demand issued in connection with this Agreement, the Notes, the Subsidiary Guaranty, the Pledge Agreement or the Intercreditor Agreement, or by reason of being a holder of any Note, (b) the costs and expenses, including financial advisors' fees, incurred in connection with the insolvency or bankruptcy of the Company or any Subsidiary or in connection with any work-out or restructuring of the transactions contemplated hereby, by the Notes, the Subsidiary Guaranty, the Pledge Agreement and the Intercreditor Agreement, and (c) the fees and costs incurred in connection with the initial filing of this Agreement and all related documents and financial information and all subsequent annual and interim filings of documents and financial information related to this Agreement, with the Securities Valuation Office of the National Association of Insurance Commissioners or any successor organization acceding to the authority thereof. The Company will pay, and will save you and each other holder of a Note harmless from, all claims in respect of any fees, costs or expenses, if any, of brokers and finders (other than those retained by you).

Section 15.2. Survival. The obligations of the Company under this SECTION 15 will survive the payment or transfer of any Note, the enforcement, amendment or waiver of any provision of this Agreement, the Notes, the Subsidiary Guaranty or the Pledge Agreement, and the termination of this Agreement.

SECTION 16. SURVIVAL OF REPRESENTATIONS AND WARRANTIES; ENTIRE AGREEMENT.

All representations and warranties contained herein or in the Subsidiary Guaranty or the Pledge Agreement shall survive the execution and delivery of this Agreement and the Notes, the purchase or transfer by you of any Note or portion thereof or interest therein and the payment of any Note, and may be relied upon by any subsequent holder of a Note, regardless of any investigation made at any time by or on behalf of you or any other holder of a Note. All statements contained in any certificate or other instrument delivered by or on behalf of the Company, any Subsidiary Guarantor or the Pledgor pursuant to this Agreement, the Subsidiary Guaranty or the Pledge Agreement shall be deemed representations and warranties of the Company, the Subsidiary Guarantors or the Pledgor under this Agreement, the Subsidiary Guaranty or the Pledge Agreement. Subject to the preceding sentence, this Agreement, the Notes, the Subsidiary Guaranty and the Pledge Agreement embody the entire agreement and understanding between you, the Company, the Subsidiary Guarantors and the Pledgor and supersede all prior agreements and understandings relating to the subject matter hereof.

SECTION 17. AMENDMENT AND WAIVER.

Section 17.1. Requirements. This Agreement and the Notes, may be amended, and the observance of any term hereof or of the Notes may be waived (either retroactively or prospectively), with (and only with) the written consent of the Company and the Required Holders, except that (a) no amendment or waiver of any of the provisions of SECTION 1, 2, 3, 4, 5,

6 or 21 hereof, or any defined term (as it is used therein), will be effective as to you unless consented to by you in writing, and (b) no such amendment or waiver may, without the written consent of the holder of each Note at the time outstanding affected thereby, (i) subject to the provisions of SECTION 12 relating to acceleration or rescission, change the amount or time of any prepayment or payment of principal of, or reduce the rate or change the time of payment or method of computation of interest or of the Make-Whole Amount on, the Notes, (ii) change the percentage of the principal amount of the Notes the holders of which are required to consent to any such amendment or waiver, or (iii) amend any of SECTIONS 8, 11(a), 11(b), 12, 17 or 20. The Subsidiary Guaranty, the Pledge Agreement and the Intercreditor Agreement may be amended in accordance with the terms thereof.

Section 17.2. Solicitation of Holders of Notes.

(a) Solicitation. The Company will provide each holder of the Notes (irrespective of the amount of Notes then owned by it) with sufficient information, sufficiently far in advance of the date a decision is required, to enable such holder to make an informed and considered decision with respect to any proposed amendment, waiver or consent in respect of any of the provisions hereof or of the Notes. The Company will deliver executed or true and correct copies of each amendment, waiver or consent effected pursuant to the provisions of this SECTION 17 to each holder of outstanding Notes promptly following the date on which it is executed and delivered by, or receives the consent or approval of, the requisite holders of Notes.

(b) Payment. The Company will not directly or indirectly pay or cause to be paid any remuneration, whether by way of supplemental or additional interest, fee or otherwise, or grant any security, to any holder of Notes as consideration for or as an inducement to the entering into by any holder of Notes of any waiver or amendment of any of the terms and provisions hereof unless such remuneration is concurrently paid, or security is concurrently granted, on the same terms, ratably to each holder of Notes then outstanding even if such holder did not consent to such waiver or amendment.

Section 17.3. Binding Effect, Etc. Any amendment or waiver consented to as provided in this SECTION 17 applies equally to all holders of each series of Notes and is binding upon them and upon each future holder of any Note of any series and upon the Company without regard to whether such Note has been marked to indicate such amendment or waiver. No such amendment or waiver will extend to or affect any obligation, covenant, agreement, Default or Event of Default not expressly amended or waived or impair any right consequent thereon. No course of dealing between the Company and the holder of any Note of any series nor any delay in exercising any rights hereunder or under any Note of any series shall operate as a waiver of any rights of any holder of such Note. As used herein, the term "this Agreement" and references thereto shall mean this Agreement as it may from time to time be amended or supplemented.

Section 17.4. Notes Held by Company, Etc. Solely for the purpose of determining whether the holders of the requisite percentage of the aggregate principal amount of Notes then outstanding approved or consented to any amendment, waiver or consent to be given under this Agreement or the Notes, or have directed the taking of any action provided herein or in the Notes to be taken upon the direction of the holders of a specified percentage of the aggregate principal

amount of Notes then outstanding, Notes of any series directly or indirectly owned by the Company or any of its Affiliates shall be deemed not to be outstanding.

SECTION 18. NOTICES.

All notices and communications provided for hereunder shall be in writing and sent (a) by telefacsimile if the sender on the same day sends a confirming copy of such notice by a recognized overnight delivery service (charges prepaid), or (b) by registered or certified mail with return receipt requested (postage prepaid), or (c) by a recognized overnight delivery service (with charges prepaid). Any such notice must be sent:

(i) if to you or your nominee, to you or it at the address specified for such communications in SCHEDULE A, or at such other address as you or it shall have specified to the Company in writing,

(ii) if to any other holder of any Note, to such holder at such address as such other holder shall have specified to the Company in writing, or

(iii) if to the Company, to the Company at its address set forth at the beginning hereof to the attention of the Chief Financial Officer (with a copy to the General Counsel), or at such other address as the Company shall have specified to the holder of each Note in writing.

Notices under this SECTION 18 will be deemed given only when actually received.

SECTION 19. REPRODUCTION OF DOCUMENTS.

This Agreement and all documents relating thereto, including, without limitation, (a) consents, waivers and modifications that may hereafter be executed, (b) documents received by you at the Closing (except the Notes themselves), and (c) financial statements, certificates and other information previously or hereafter furnished to you, may be reproduced by you by any photographic, photostatic, microfilm, microcard, miniature photographic or other similar process and you may destroy any original document so reproduced. The Company agrees and stipulates that, to the extent permitted by applicable law, any such reproduction shall be admissible in evidence as the original itself in any judicial or administrative proceeding (whether or not the original is in existence and whether or not such reproduction was made by you in the regular course of business) and any enlargement, facsimile or further reproduction of such reproduction shall likewise be admissible in evidence. This SECTION 19 shall not prohibit the Company or any other holder of Notes from contesting any such reproduction to the same extent that it could contest the original, or from introducing evidence to demonstrate the inaccuracy of any such reproduction.

SECTION 20. CONFIDENTIAL INFORMATION.

For the purposes of this SECTION 20, "Confidential Information" means information delivered to you by or on behalf of the Company or any Subsidiary in connection with the transactions contemplated by or otherwise pursuant to this Agreement that is proprietary in nature and that was clearly marked or labeled or otherwise adequately identified in writing when received by you as being confidential information of the Company or such Subsidiary; provided that such term does not include information that (a) was publicly known or otherwise known to you prior to the time of such disclosure, (b) subsequently becomes publicly known through no act or omission by you or any Person acting on your behalf, (c) otherwise becomes known to you other than through disclosure by the Company or any Subsidiary or (d) constitutes financial statements delivered to you under SECTION 7.1 that are otherwise publicly available. You will maintain the confidentiality of such Confidential Information in accordance with procedures adopted by you in good faith to protect confidential information of third parties delivered to you; provided that you may deliver or disclose Confidential Information to (i) your directors, trustees, officers, employees, agents, attorneys and affiliates (to the extent such disclosure reasonably relates to the administration of the investment represented by your Notes), (ii) your financial advisors and other professional advisors who agree to hold confidential the Confidential Information substantially in accordance with the terms of this SECTION 20, (iii) any other holder of any Note, (iv) any Institutional Investor to which you sell or offer to sell such Note or any part thereof or any participation therein (if such Person has agreed in writing prior to its receipt of such Confidential Information to be bound by the provisions of this SECTION 20), (v) any Person from which you offer to purchase any security of the Company (if such Person has agreed in writing prior to its receipt of such Confidential Information to be bound by the provisions of this SECTION 20), (vi) any federal or state regulatory authority having jurisdiction over you, (vii) the National Association of Insurance Commissioners or any similar organization, or any nationally recognized rating agency that requires access to information about your investment portfolio or (viii) any other Person to which such delivery or disclosure may be necessary or appropriate (w) to effect compliance with any law, rule, regulation or order applicable to you, (x) in response to any subpoena or other legal process (provided that you shall, unless prohibited by applicable law or regulation, use commercially reasonable efforts to notify the Company of any disclosure pursuant to this clause (x) as far in advance as is reasonably practicable under such circumstances to enable the Company to seek an appropriate protective order), (y) in connection with any litigation to which you are a party or (z) if an Event of Default has occurred and is continuing, to the extent you may reasonably determine such delivery and disclosure to be necessary or appropriate in the enforcement or for the protection of the rights and remedies under your Notes, this Agreement, the Subsidiary Guaranty and the Pledge Agreement. Each holder of a Note, by its acceptance of a Note, will be deemed to have agreed to be bound by and to be entitled to the benefits of this SECTION 20 as though it were a party to this Agreement. On reasonable request by the Company in connection with the delivery to any holder of a Note of information required to be delivered to such holder under this Agreement or requested by such holder (other than a holder that is a party to this Agreement or its nominee), such holder will enter into an agreement with the Company embodying the provisions of this SECTION 20.

SECTION 21. SUBSTITUTION OF PURCHASER.

You shall have the right to substitute any one of your affiliates as the purchaser of the Notes that you have agreed to purchase hereunder, by written notice to the Company, which notice shall be signed by both you and such affiliate, shall contain such affiliate's agreement to be bound by this Agreement and shall contain a confirmation by such affiliate of the accuracy with respect to it of the representations set forth in SECTION 6. Upon receipt of such notice, wherever the word "you" is used in this Agreement (other than in this SECTION 21), such word shall be deemed to refer to such affiliate in lieu of you. In the event that such affiliate is so substituted as a purchaser hereunder and such affiliate thereafter transfers to you all of the Notes then held by such affiliate, upon receipt by the Company of notice of such transfer, wherever the word "you" is used in this Agreement (other than in this SECTION 21), such word shall no longer be deemed to refer to such affiliate, but shall refer to you, and you shall have all the rights of an original holder of the Notes under this Agreement.

SECTION 22. MISCELLANEOUS.

Section 22.1. Successors and Assigns. All covenants and other agreements contained in this Agreement by or on behalf of any of the parties hereto bind and inure to the benefit of their respective successors and assigns (including, without limitation, any subsequent holder of a Note) whether so expressed or not.

Section 22.2. Payments Due on Non-Business Days. Anything in this Agreement or the Notes to the contrary notwithstanding, any payment of principal of or Make-Whole Amount or interest on any Note that is due on a date other than a Business Day shall be made on the next succeeding Business Day without including the additional days elapsed in the computation of the interest payable on such next succeeding Business Day.

Section 22.3. Severability. Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall (to the full extent permitted by law) not invalidate or render unenforceable such provision in any other jurisdiction.

Section 22.4. Construction. Each covenant contained herein shall be construed (absent express provision to the contrary) as being independent of each other covenant contained herein, so that compliance with any one covenant shall not (absent such an express contrary provision) be deemed to excuse compliance with any other covenant. Where any provision herein refers to action to be taken by any Person, or which such Person is prohibited from taking, such provision shall be applicable whether such action is taken directly or indirectly by such Person.

Where the character or amount of any asset or liability or item of income or expense is required to be discussed or any consolidation or other accounting computation is required to be made by the Company for the purposes of this Agreement, the same shall be done by the Company in accordance with GAAP, to the extent applicable, except where such principles are inconsistent with the requirements of this Agreement.

Section 22.5. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be an original but all of which together shall constitute one instrument. Each counterpart may consist of a number of copies hereof, each signed by less than all, but together signed by all, of the parties hereto.

SECTION 22.6. GOVERNING LAW. THIS AGREEMENT SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH, AND THE RIGHTS OF THE PARTIES SHALL BE GOVERNED BY, THE LAW OF THE STATE OF NEW YORK, EXCLUDING CHOICE-OF-LAW PRINCIPLES OF THE LAW OF SUCH STATE THAT WOULD REQUIRE THE APPLICATION OF THE LAWS OF A JURISDICTION OTHER THAN SUCH STATE.

* * * * *

If you are in agreement with the foregoing, please sign the form of agreement on the accompanying counterpart of this Agreement and return it to the Company, whereupon the foregoing shall become a binding agreement between you and the Company.

Very truly yours,

THE ST. JOE COMPANY

By _____
Title

Accepted as of _____.

[VARIATION]

By _____
Its

DEFINED TERMS

As used herein, the following terms have the respective meanings set forth below or set forth in the Section hereof following such term:

"Affiliate" means, at any time, and with respect to any Person, (a) any other Person that at such time directly or indirectly through one or more intermediaries Controls, or is Controlled by, or is under common Control with, such first Person, and (b) any Person beneficially owning or holding, directly or indirectly, 10% or more of any class of voting or equity interests of the Company or any Subsidiary or any Person of which the Company and its Subsidiaries beneficially own or hold, in the aggregate, directly or indirectly, 10% or more of any class of voting or equity interests. As used in this definition, "Control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise. Unless the context otherwise clearly requires, any reference to an "Affiliate" is a reference to an Affiliate of the Company.

"Agent" means First Union National Bank, as Administrative Agent under the Bank Credit Agreement.

"Bank Credit Agreement" means that certain First Amended and Restated Credit Agreement dated May 18, 2001 among the Company, the lenders named therein and First Union National Bank as Administrative Agent, as amended, modified, refinanced or supplemented.

"Bulk Timberland Sales Transactions" means a transaction or series of transactions by which the Company or its Subsidiaries: (i) sells a timber parcel or parcels to an unrelated third party; (ii) such unrelated third party delivers an installment note (an "Installment Sale Note") to the Company or its Subsidiaries in exchange therefor; (iii) the Company or its Subsidiaries receive cash or other consideration from a lender, person or other entity in exchange for a note from the Company or its Subsidiaries (a "Company Promissory Note") secured by the Installment Sale Note; and (iv) the sole recourse for the payment of the Company Promissory Note is the principal and income generated by the Installment Sale Note. A Bulk Timberland Sales Transaction shall also include any other transaction or series of transactions utilizing a substantially similar structure.

"Business Day" means (a) for the purposes of SECTION 8.7 only, any day other than a Saturday, a Sunday or a day on which commercial banks in New York City are required or authorized to be closed, and (b) for the purposes of any other provision of this Agreement, any day other than a Saturday, a Sunday or a day on which commercial banks in New York, New York or Jacksonville, Florida are required or authorized to be closed.

"Capital Lease" means, at any time, a lease with respect to which the lessee is required concurrently to recognize the acquisition of an asset and the incurrence of a liability in accordance with GAAP.

SCHEDULE B
(to Note Purchase Agreement)

"Capital Stock" means (a) in the case of a corporation, capital stock, (b) in the case of an association or business entity, any and all shares, interests, participations, rights or other equivalents (however designated) of capital stock, (c) in the case of a partnership, partnership interests (whether general or limited), (d) in the case of a limited liability company, membership interests and (e) any other interest or participation that confers on a Person the right to receive a share of the profits and losses of, or distributions of assets of, the issuing Person.

"Closing" is defined in SECTION 3.

"Code" means the Internal Revenue Code of 1986, as amended from time to time, and the rules and regulations promulgated thereunder from time to time.

"Company" means The St. Joe Company, a Florida corporation, and any Person who succeeds to all, or substantially all, of the assets and business of The St. Joe Company.

"Company Promissory Note" is defined in the definition of "Bulk Timberland Sales Transactions."

"Confidential Information" is defined in SECTION 20.

"Consolidated Fixed Charges" for any period means on a consolidated basis the sum of (a) all Rentals (other than Rentals on Capital Leases) payable during such period by the Company and its Subsidiaries, and (b) all Interest Expense on all Indebtedness of the Company and its Subsidiaries payable during such period.

"Consolidated Indebtedness" means, without duplication, the sum of all Indebtedness of the Company and its Subsidiaries, determined on a consolidated basis eliminating intercompany items less (a) Indebtedness attributable to the STARS Transaction and (b) Indebtedness attributable to any Company Promissory Note issued pursuant to a Bulk Timberland Sales Transaction to the extent neither the Company nor any Subsidiary is liable therefor.

"Consolidated Net Earnings" means, with reference to any period and without duplication, the net earnings (or loss) of the Company and its Subsidiaries for such period (taken as a cumulative whole), as determined in accordance with GAAP, after eliminating extraordinary gains and losses.

"Consolidated Net Earnings Available for Fixed Charges" for any period means without duplication, the Consolidated Net Earnings for the Company and its Subsidiaries, plus: (a) provisions for federal, state, local, and foreign income taxes for the Company and its Subsidiaries; (b) Consolidated Fixed Charges for the Company and its Subsidiaries; and (c) consolidated depreciation, depletion and amortization for the Company and its Subsidiaries.

"Consolidated Net Worth" means, as of the date of any determination thereof the net worth of the Company and its Subsidiaries as determined in accordance with GAAP.

"Consolidated Total Assets" means as of the date of any determination thereof and without duplication, the sum of total assets of the Company and its Subsidiaries determined on a consolidated basis in accordance with GAAP less (a) assets attributable to the STARS Transaction and (b) any Installment Sale Note received by the Company to the extent the Company or any Subsidiary receives cash or other consideration in exchange for a Company Promissory Note secured by such Installment Sale Note; provided, that for purposes of any determination of Consolidated Total Assets, Timberland shall be valued at $750 per acre.

"Current Management Group" means (a) Peter S. Rummell, Kevin M. Twomey, Robert M. Rhodes, J. Everitt Drew, Frank W. Herring, Jr., James D. Motta, Robert L. Shinn, Clay Smallwood, Michael N. Regan, Stephen W. Solomon; (b) the heirs, lineal descendants or blood relatives to the third degree of consanguinity of any of the Persons named in clause (a); (c) trusts for the benefit of the Persons named in clauses (a) and (b); and (d) any trust which has as its principal income beneficiaries or remaindermen any combination of any of the Persons described in clauses (a) through (c).

"Default" means an event or condition the occurrence or existence of which would, with the lapse of time or the giving of notice or both, become an Event of Default.

"Default Rate" means, for any series of Notes, that rate of interest that is the greater of (i) 2% per annum above the rate of interest stated in clause (a) of the first paragraph of the Notes of such series or (ii) 2% over the rate of interest publicly announced by First Union National Bank in New York, New York as its "base" or "prime" rate.

"Environmental Laws" means any and all Federal, state, local, and foreign statutes, laws, regulations, ordinances, rules, judgments, orders, decrees, permits, concessions, grants, franchises, licenses, agreements or governmental restrictions relating to pollution and the protection of the environment or the release of any materials into the environment, including but not limited to those related to hazardous substances or wastes, air emissions and discharges to waste or public systems.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time, and the rules and regulations promulgated thereunder from time to time in effect.

"ERISA Affiliate" means any trade or business (whether or not incorporated) that is treated as a single employer together with the Company under Section 414 of the Code.

"Event of Default" is defined in SECTION 11.

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

"Foreign Person" means a Person which is organized in a jurisdiction other than the United States or any state thereof.

"Foreign Subsidiary" means a Subsidiary which is organized in a jurisdiction other than the United States or any state thereof.

"GAAP" means generally accepted accounting principles as in effect from time to time in the United States of America.

"Governmental Authority" means

(a) the government of

(i) the United States of America or any State or other political subdivision thereof, or

(ii) any jurisdiction in which the Company or any Subsidiary conducts all or any part of its business, or which asserts jurisdiction over any properties of the Company or any Subsidiary, or

(b) any entity exercising executive, legislative, judicial, regulatory or administrative functions of, or pertaining to, any such government.

"Guaranty" means, with respect to any Person, any obligation (except the endorsement in the ordinary course of business of negotiable instruments for deposit or collection) of such Person guaranteeing or in effect guaranteeing any Indebtedness, dividend or other obligation of any other Person in any manner, whether directly or indirectly, including (without limitation) obligations incurred through an agreement, contingent or otherwise, by such Person:

(a) to purchase such Indebtedness or obligation or any property constituting security therefor;

(b) to advance or supply funds (i) for the purchase or payment of such Indebtedness or obligation, or (ii) to maintain any working capital or other balance sheet condition or any income statement condition of any other Person or otherwise to advance or make available funds for the purchase or payment of such Indebtedness or obligation;

(c) to lease properties or to purchase properties or services primarily for the purpose of assuring the owner of such Indebtedness or obligation of the ability of any other Person to make payment of the Indebtedness or obligation; or

(d) otherwise to assure the owner of such Indebtedness or obligation against loss in respect thereof.

In any computation of the Indebtedness or other liabilities of the obligor under any Guaranty, the Indebtedness or other obligations that are the subject of such Guaranty shall be assumed to be direct obligations of such obligor.

"Hazardous Material" means any and all pollutants, toxic or hazardous wastes or any other substances, including all substances listed in or regulated in any Environmental Law that might pose a hazard to health or safety, the removal of which may be required or the generation, manufacture, refining, production, processing, treatment, storage, handling, transportation, transfer, use, disposal, release, discharge, spillage, seepage, or filtration of which is or shall be restricted, regulated, prohibited or penalized by any applicable law (including, without limitation, asbestos, urea formaldehyde foam insulation and polychlorinated biphenyls).

"holder" or "Holder" means, with respect to any Note, the Person in whose name such Note is registered in the register maintained by the Company pursuant to SECTION 13.1.

"Indebtedness" with respect to any Person means, at any time, without duplication,

(a) its liabilities for borrowed money;

(b) its liabilities for the deferred purchase price of property acquired by such Person (excluding accounts payable arising in the ordinary course of business but including all liabilities created or arising under any conditional sale or other title retention agreement with respect to any such property);

(c) all liabilities appearing on its balance sheet in accordance with GAAP in respect of Capital Leases;

(d) all liabilities for borrowed money secured by any Lien with respect to any property owned by such Person (whether or not it has assumed or otherwise become liable for such liabilities);

(e) all its liabilities in respect of letters of credit or instruments serving a similar function issued or accepted for its account by banks and other financial institutions (whether or not representing obligations for borrowed money); and

(f) any Guaranty of such Person with respect to liabilities of a type described in any of clauses (a) through (e) hereof.

Indebtedness of any Person shall include all obligations of such Person of the character described in clauses (a) through (f) to the extent such Person remains legally liable in respect thereof notwithstanding that any such obligation is deemed to be extinguished under GAAP.

"Installment Sale Note" is defined in the definition of "Bulk Timberland Sales Transactions."

"Institutional Investor" means (a) any original purchaser of a Note, (b) any holder of a Note holding more than 5% of the aggregate principal amount of the Notes then outstanding, and (c) any bank, trust company, savings and loan association or other financial institution, any pension plan, any investment company, any insurance company, any broker or dealer, or any other similar financial institution or entity, regardless of legal form.

"Intercreditor Agreement" is defined in SECTION 2.2(C).

"Interest Expense" means all amounts which would, in accordance with GAAP, be deducted in computing net income on account of interest on Indebtedness, including imputed interest in respect of Capital Lease obligations, amortization of debt discounts and expenses, fees and commissions for letters of credit and bankers' acceptance financing and the net interest costs of interest rate swaps and hedges.

"Lien" means, with respect to any Person, any mortgage, lien, pledge, charge, security interest or other encumbrance, or any interest or title of any vendor, lessor, lender or other secured party to or of such Person under any conditional sale or other title retention agreement or Capital Lease, upon or with respect to any property or asset of such Person (including in the case of stock, stockholder agreements, voting trust agreements and all similar arrangements).

"Make-Whole Amount" is defined in SECTION 8.7.

"Material" means material in relation to the business, operations, affairs, financial condition, assets or properties of the Company and its Subsidiaries taken as a whole.

"Material Adverse Effect" means a material adverse effect on (a) the business, operations, affairs, financial condition, assets or properties of the Company and its Subsidiaries taken as a whole, or (b) the ability of the Company to perform its obligations under this Agreement and the Notes, or (c) the validity or enforceability of this Agreement or the Notes.

"Memorandum" is defined in SECTION 5.3.

"Multiemployer Plan" means any Plan that is a "multiemployer plan" (as such term is defined in Section 4001(a)(3) of ERISA).

"Notes" is defined in SECTION 1.

"Officer's Certificate" means a certificate of a Senior Financial Officer or of any other officer of the Company whose responsibilities extend to the subject matter of such certificate.

"Other Agreements" is defined in SECTION 2.1.

"Other Purchasers" is defined in SECTION 2.1.

"PBGC" means the Pension Benefit Guaranty Corporation referred to and defined in ERISA or any successor thereto.

"Person" means an individual, partnership, corporation, limited liability company, association, trust, unincorporated organization, or a government or agency or political subdivision thereof.

"Plan" means an "employee benefit plan" (as defined in Section 3(3) of ERISA) that is or, within the preceding five years, has been established or maintained, or to which contributions are or, within the preceding five years, have been made or required to be made, by the Company or any ERISA Affiliate or with respect to which the Company or any ERISA Affiliate may have any liability.

"Pledge Agreement" is defined in SECTION 2.2(B).

"Pledgor" is defined in SECTION 2.2(B).

"property" or "properties" means, unless otherwise specifically limited, real or personal property of any kind, tangible or intangible, choate or inchoate.

"QPAM Exemption" means Prohibited Transaction Class Exemption 84-14 issued by the United States Department of Labor.

"Qualified Subsidiary Indebtedness" means Indebtedness of a Subsidiary Guarantor, provided that the obligee of such Indebtedness shall have entered into the Intercreditor Agreement.

"Rentals" means and includes as of the date of any determination thereof, without duplication, all fixed payments (including as such all payments which the lessee is obligated to make to the lessor on termination of the lease or surrender of the property) payable by the Company or a Subsidiary, as lessee or sublessee under a lease of real or personal property, but shall be exclusive of any amounts required to be paid by the Company or a Subsidiary (whether or not designated as rents or additional rents) on account of maintenance, repairs, insurance, taxes and similar charges. Fixed rents under any so-called "percentage leases" shall be computed solely on the basis of the minimum rents, if any, required to be paid by the lessee regardless of sales volume or gross revenues.

"Required Holders" means, at any time, the holders of at least 51% in principal amount of the Notes at the time outstanding (exclusive of Notes then owned by the Company or any of its Affiliates).

"Responsible Officer" means any Senior Financial Officer and any other officer of the Company with responsibility for the administration of the relevant portion of this Agreement.

"Securities Act" means the Securities Act of 1933, as amended from time to time.

"Senior Indebtedness" means, without duplication, all Indebtedness of the Company which is not expressed to be subordinate or junior in rank to any other Indebtedness of the Company.

"Senior Financial Officer" means the chief financial officer, principal accounting officer, treasurer or comptroller of the Company.

"Series A Notes" is defined in SECTION 1.

"Series B Notes" is defined in SECTION 1.

"Series C Notes" is defined in SECTION 1.

"Series D Notes" is defined in SECTION 1.

"Significant Subsidiary" means, at any time, any Subsidiary which (i) is a Subsidiary Guarantor, (ii) constitutes more than 1% of Consolidated Total Assets or (iii)(1) contributed more than 1% of Consolidated Net Earnings for any period of four consecutive fiscal quarters at any time in the three previous fiscal years or (2) contributed on an aggregate basis more than 2% of the cumulative Consolidated Net Earnings for the preceding five year period.

"STARS Transaction" means the three-year forward sale transaction with Bank of America entered into by the Company on October 15, 1999 involving certain equity securities owned by the Company with a market value on October 15, 1999 of $139.4 million; provided, that the transaction is "settled" by October 15, 2002. The transaction may be "settled" by delivering either cash or a number of shares to Bank of America. All of such shares have been pledged to Bank of America. At October 15, 2002, the settlement amount is to be determined by a set of formulae that limit the Company's obligation if stock values fall and allow the Company to keep some appreciation if stock values rise. Specifically, if stock values fall, the Company may settle its obligation by delivering all of the pledged shares. If stock value rise, the Company may retain an amount of the shares that represents appreciation up to 20 percent of the value of the securities on October 15, 1999.

"Subsidiary" means, as to any Person, any corporation, association or other business entity in which such Person or one or more of its Subsidiaries or such Person and one or more of its Subsidiaries owns sufficient equity or voting interests to enable it or them (as a group) ordinarily, in the absence of contingencies, to elect a majority of the directors (or Persons performing similar functions) of such entity, and any partnership or joint venture if more than a 50% interest in the profits or capital thereof is owned by such Person or one or more of its Subsidiaries or such Person and one or more of its Subsidiaries (unless such partnership can and does ordinarily take major business actions without the prior approval of such Person or one or more of its Subsidiaries). Unless the context otherwise clearly requires, any reference to a "Subsidiary" is a reference to a Subsidiary of the Company.

"Subsidiary Guarantor" is defined in SECTION 2.2(a) and shall include any Subsidiary which becomes a Subsidiary Guarantor pursuant to SECTION 9.8.

"Subsidiary Guaranty" is defined in SECTION 2.2(a) and shall include any Subsidiary Guaranty delivered pursuant to SECTION 9.8.

"Timberland" means undeveloped real estate on which the Company conducts active silvicultural operations.

"Unencumbered Assets" means all assets (valued at $750 per acre in the case of Timberland) of the Company or its Subsidiaries which are not subject to a Lien securing any Indebtedness of the Company or any of its Subsidiaries.

"Unsecured Indebtedness" means all Indebtedness of the Company or its Subsidiaries which is not secured by a Lien on any asset of the Company or any of its Subsidiaries.

"Voting Stock" means Capital Stock or interests of any class or classes, the holders of which are ordinarily, in the absence of contingencies, entitled to elect the directors (or Persons performing similar functions) of a Person.

"Wholly-owned Subsidiary" means, at any time, any Subsidiary one hundred percent (100%) of all of the equity interests (except directors' qualifying shares) and voting interests of which are owned by any one or more of the Company and the Company's other Wholly-owned Subsidiaries at such time.

[FORM OF NOTE]

THIS NOTE HAS NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED, OR ANY OTHER APPLICABLE SECURITIES LAWS AND, ACCORDINGLY, MAY NOT BE SOLD OR OTHERWISE TRANSFERRED UNLESS REGISTERED OR EXEMPT FROM REGISTRATION UNDER SAID ACT OR SUCH OTHER LAWS.

THE ST. JOE COMPANY

5.64% SENIOR SECURED NOTE, SERIES A, DUE FEBRUARY 7, 2005

No. [_____] [Date]
$[_____] PPN 790148A*1

FOR VALUE RECEIVED, the undersigned, THE ST. JOE COMPANY (herein called the "Company"), a corporation organized and existing under the laws of the State of Florida, hereby promises to pay to [_____], or registered assigns, the principal sum of [_____] DOLLARS on February 7, 2005, with interest (computed on the basis of a 360-day year of twelve 30-day months) (a) on the unpaid balance thereof at the rate of 5.64% per annum from the date hereof, payable semiannually, on the seventh day of February and August in each year, commencing with the February 7 or August 7 next succeeding the date hereof, until the principal hereof shall have become due and payable, and (b) to the extent permitted by law on any overdue payment (including any overdue prepayment) of principal, any overdue payment of interest and any overdue payment of any Make-Whole Amount (as defined in the Note Purchase Agreements referred to below), payable semiannually as aforesaid (or, at the option of the registered holder hereof, on demand), at a rate per annum from time to time equal to the greater of (i) 7.64% or (ii) 2% over the rate of interest publicly announced by First Union National Bank from time to time in New York, New York as its "base" or "prime" rate.

Payments of principal of, interest on and any Make-Whole Amount with respect to this Note are to be made in lawful money of the United States of America at First Union National Bank in New York, New York or at such other place as the Company shall have designated by written notice to the holder of this Note as provided in the Note Purchase Agreements referred to below.

This Note is one of a series of the 5.64% Senior Secured Notes, Series A, due February 7, 2005 (the "Series A Notes") of the Company in the aggregate principal amount of $18,000,000 which, together with the Company's $67,000,000 aggregate principal amount 6.66% Senior Secured Notes, Series B, due February 7, 2007 (the "Series B Notes"), $15,000,000 aggregate principal amount 7.02% Senior Secured Notes, Series C, due February 7, 2009 (the "Series C Notes") and $75,000,000 aggregate principal amount 7.37% Senior Secured Note, Series D, due February 7, 2012 (the "Series D Notes"; said Series D Notes, Series C Notes and Series B Notes together with the Series A Notes being hereinafter referred to collectively as the "Notes") issued pursuant to separate Note Purchase Agreements, dated as of February 7, 2002 (as from time to time amended, the "Note Purchase Agreements"), between the Company and the respective purchasers named therein and is entitled to the benefits thereof. Each holder of this Note will be

deemed, by its acceptance hereof, (i) to have agreed to the confidentiality provisions set forth in SECTION 20 of the Note Purchase Agreements and (ii) to have made the representation set forth in SECTION 6.2 of the Note Purchase Agreements.

This Note is a registered Note and, as provided in the Note Purchase Agreements, upon surrender of this Note for registration of transfer, duly endorsed, or accompanied by a written instrument of transfer duly executed, by the registered holder hereof or such holder's attorney duly authorized in writing, a new Note for a like principal amount will be issued to, and registered in the name of, the transferee. Prior to due presentment for registration of transfer, the Company may treat the person in whose name this Note is registered as the owner hereof for the purpose of receiving payment and for all other purposes, and the Company will not be affected by any notice to the contrary.

This Note is subject to optional prepayment, in whole or from time to time in part, at the times and on the terms specified in the Note Purchase Agreements, but not otherwise.

If an Event of Default, as defined in the Note Purchase Agreements, occurs and is continuing, the principal of this Note may be declared or otherwise become due and payable in the manner, at the price (including any applicable Make-Whole Amount) and with the effect provided in the Note Purchase Agreements.

THIS NOTE SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH, AND THE RIGHTS AND PARTIES SHALL BE GOVERNED BY, THE LAW OF THE STATE OF NEW YORK, EXCLUDING CHOICE-OF-LAW PRINCIPLES OF THE LAW OF SUCH STATE WHICH WOULD REQUIRE APPLICATION OF THE LAWS OF THE JURISDICTION OTHER THAN SUCH STATE.

THE ST. JOE COMPANY

By _____
Title

[FORM OF NOTE]

THIS NOTE HAS NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED, OR ANY OTHER APPLICABLE SECURITIES LAWS AND, ACCORDINGLY, MAY NOT BE SOLD OR OTHERWISE TRANSFERRED UNLESS REGISTERED OR EXEMPT FROM REGISTRATION UNDER SAID ACT OR SUCH OTHER LAWS.

THE ST. JOE COMPANY

6.66% SENIOR SECURED NOTE, SERIES B, DUE FEBRUARY 7, 2007

No. [_____] [Date]
$[_____] PPN 790148 A@9

FOR VALUE RECEIVED, the undersigned, THE ST. JOE COMPANY (herein called the "Company"), a corporation organized and existing under the laws of the State of Florida, hereby promises to pay to [_____], or registered assigns, the principal sum of [_____] DOLLARS on February 7, 2007, with interest (computed on the basis of a 360-day year of twelve 30-day months) (a) on the unpaid balance thereof at the rate of 6.66% per annum from the date hereof, payable semiannually, on the seventh day of February and August in each year, commencing with the February 7 or August 7 next succeeding the date hereof, until the principal hereof shall have become due and payable, and (b) to the extent permitted by law on any overdue payment (including any overdue prepayment) of principal, any overdue payment of interest and any overdue payment of any Make-Whole Amount (as defined in the Note Purchase Agreements referred to below), payable semiannually as aforesaid (or, at the option of the registered holder hereof, on demand), at a rate per annum from time to time equal to the greater of (i) 8.66% or (ii) 2% over the rate of interest publicly announced by First Union National Bank from time to time in New York, New York as its "base" or "prime" rate.

Payments of principal of, interest on and any Make-Whole Amount with respect to this Note are to be made in lawful money of the United States of America at First Union National Bank in New York, New York or at such other place as the Company shall have designated by written notice to the holder of this Note as provided in the Note Purchase Agreements referred to below.

This Note is one of a series of the 6.66% Senior Secured Notes, Series B, due February 7, 2007 (the "Series B Notes") of the Company in the aggregate principal amount of $67,000,000 which, together with the Company's $18,000,000 aggregate principal amount 5.64% Senior Secured Notes, Series A, due February 7, 2005 (the "Series A Notes"), $15,000,000 aggregate principal amount 7.02% Senior Secured Notes, Series C, due February 7, 2009 (the "Series C Notes") and $75,000,000 aggregate principal amount 7.37% Senior Secured Notes, Series D, due February 7, 2012 (the "Series D Notes"; said Series D Notes, Series C Notes and Series A Notes, together with the Series B Notes, being hereinafter referred to collectively as the "Notes") issued pursuant to separate Note Purchase Agreements, dated as of February 7, 2002 (as from time to time amended, the "Note Purchase Agreements"), between the Company and the respective purchasers named therein and is entitled to the benefits thereof. Each holder of this Note will be

deemed, by its acceptance hereof, (i) to have agreed to the confidentiality provisions set forth in SECTION 20 of the Note Purchase Agreements and (ii) to have made the representation set forth in SECTION 6.2 of the Note Purchase Agreements.

This Note is a registered Note and, as provided in the Note Purchase Agreements, upon surrender of this Note for registration of transfer, duly endorsed, or accompanied by a written instrument of transfer duly executed, by the registered holder hereof or such holder's attorney duly authorized in writing, a new Note for a like principal amount will be issued to, and registered in the name of, the transferee. Prior to due presentment for registration of transfer, the Company may treat the person in whose name this Note is registered as the owner hereof for the purpose of receiving payment and for all other purposes, and the Company will not be affected by any notice to the contrary.

This Note is subject to optional prepayment, in whole or from time to time in part, at the times and on the terms specified in the Note Purchase Agreements, but not otherwise.

If an Event of Default, as defined in the Note Purchase Agreements, occurs and is continuing, the principal of this Note may be declared or otherwise become due and payable in the manner, at the price (including any applicable Make-Whole Amount) and with the effect provided in the Note Purchase Agreements.

THIS NOTE SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH, AND THE RIGHTS AND PARTIES SHALL BE GOVERNED BY, THE LAW OF THE STATE OF NEW YORK, EXCLUDING CHOICE-OF-LAW PRINCIPLES OF THE LAW OF SUCH STATE WHICH WOULD REQUIRE APPLICATION OF THE LAWS OF THE JURISDICTION OTHER THAN SUCH STATE.

THE ST. JOE COMPANY

By _____
Title

[FORM OF NOTE]

THIS NOTE HAS NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED, OR ANY OTHER APPLICABLE SECURITIES LAWS AND, ACCORDINGLY, MAY NOT BE SOLD OR OTHERWISE TRANSFERRED UNLESS REGISTERED OR EXEMPT FROM REGISTRATION UNDER SAID ACT OR SUCH OTHER LAWS.

THE ST. JOE COMPANY

7.02% SENIOR SECURED NOTE, SERIES C, DUE FEBRUARY 7, 2009

No. [_____] [Date]
$[_____] PPN 790148 A#7

FOR VALUE RECEIVED, the undersigned, THE ST. JOE COMPANY (herein called the "Company"), a corporation organized and existing under the laws of the State of Florida, hereby promises to pay to [_____], or registered assigns, the principal sum of [_____] DOLLARS on February 7, 2009, with interest (computed on the basis of a 360-day year of twelve 30-day months) (a) on the unpaid balance thereof at the rate of 7.02% per annum from the date hereof, payable semiannually, on the seventh day of February and August in each year, commencing with the February 7 or August 7 next succeeding the date hereof, until the principal hereof shall have become due and payable, and (b) to the extent permitted by law on any overdue payment (including any overdue prepayment) of principal, any overdue payment of interest and any overdue payment of any Make-Whole Amount (as defined in the Note Purchase Agreements referred to below), payable semiannually as aforesaid (or, at the option of the registered holder hereof, on demand), at a rate per annum from time to time equal to the greater of (i) 9.02% or (ii) 2% over the rate of interest publicly announced by First Union National Bank from time to time in New York, New York as its "base" or "prime" rate.

Payments of principal of, interest on and any Make-Whole Amount with respect to this Note are to be made in lawful money of the United States of America at First Union National Bank in New York, New York or at such other place as the Company shall have designated by written notice to the holder of this Note as provided in the Note Purchase Agreements referred to below.

This Note is one of a series of the 7.02% Senior Secured Notes, Series C, due February 7, 2009 (the "Series C Notes") of the Company in the aggregate principal amount of $15,000,000 which, together with the Company's $18,000,000 aggregate principal amount 5.64% Senior Secured Notes, Series A, due February 7, 2005 (the "Series A Notes"), $67,000,000 aggregate principal amount 6.66% Senior Secured Notes, Series B, due February 7, 2007 (the "Series B Notes") and $75,000,000 aggregate principal amount 7.37% Senior Secured Notes, Series D, due February 7, 2012 (the "Series D Notes"; said Series D Notes, Series B Notes and Series A Notes, together with the Series C Notes, being hereinafter referred to collectively as the "Notes") issued pursuant to separate Note Purchase Agreements, dated as of February 7, 2002 (as from time to time amended, the "Note Purchase Agreements"), between the Company and the respective purchasers named therein and is entitled to the benefits thereof. Each holder of this Note will be

deemed, by its acceptance hereof, (i) to have agreed to the confidentiality provisions set forth in SECTION 20 of the Note Purchase Agreements and (ii) to have made the representation set forth in SECTION 6.2 of the Note Purchase Agreements.

This Note is a registered Note and, as provided in the Note Purchase Agreements, upon surrender of this Note for registration of transfer, duly endorsed, or accompanied by a written instrument of transfer duly executed, by the registered holder hereof or such holder's attorney duly authorized in writing, a new Note for a like principal amount will be issued to, and registered in the name of, the transferee. Prior to due presentment for registration of transfer, the Company may treat the person in whose name this Note is registered as the owner hereof for the purpose of receiving payment and for all other purposes, and the Company will not be affected by any notice to the contrary.

This Note is subject to optional prepayment, in whole or from time to time in part, at the times and on the terms specified in the Note Purchase Agreements, but not otherwise.

If an Event of Default, as defined in the Note Purchase Agreements, occurs and is continuing, the principal of this Note may be declared or otherwise become due and payable in the manner, at the price (including any applicable Make-Whole Amount) and with the effect provided in the Note Purchase Agreements.

THIS NOTE SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH, AND THE RIGHTS AND PARTIES SHALL BE GOVERNED BY, THE LAW OF THE STATE OF NEW YORK, EXCLUDING CHOICE-OF-LAW PRINCIPLES OF THE LAW OF SUCH STATE WHICH WOULD REQUIRE APPLICATION OF THE LAWS OF THE JURISDICTION OTHER THAN SUCH STATE.

THE ST. JOE COMPANY

By _____
Title

[FORM OF NOTE]

THIS NOTE HAS NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED, OR ANY OTHER APPLICABLE SECURITIES LAWS AND, ACCORDINGLY, MAY NOT BE SOLD OR OTHERWISE TRANSFERRED UNLESS REGISTERED OR EXEMPT FROM REGISTRATION UNDER SAID ACT OR SUCH OTHER LAWS.

THE ST. JOE COMPANY

7.37% SENIOR SECURED NOTE, SERIES D, DUE FEBRUARY 7, 2012

No. [_____] [Date]
$[_____] PPN 790148 B*O

FOR VALUE RECEIVED, the undersigned, THE ST. JOE COMPANY (herein called the "Company"), a corporation organized and existing under the laws of the State of Florida, hereby promises to pay to [_____], or registered assigns, the principal sum of [_____] DOLLARS on February 7, 2012, with interest (computed on the basis of a 360-day year of twelve 30-day months) (a) on the unpaid balance thereof at the rate of 7.37% per annum from the date hereof, payable semiannually, on the seventh day of February and August in each year, commencing with the February 7 or August 7 next succeeding the date hereof, until the principal hereof shall have become due and payable, and (b) to the extent permitted by law on any overdue payment (including any overdue prepayment) of principal, any overdue payment of interest and any overdue payment of any Make-Whole Amount (as defined in the Note Purchase Agreements referred to below), payable semiannually as aforesaid (or, at the option of the registered holder hereof, on demand), at a rate per annum from time to time equal to the greater of (i) 9.37% or (ii) 2% over the rate of interest publicly announced by First Union National Bank from time to time in New York, New York as its "base" or "prime" rate.

Payments of principal of, interest on and any Make-Whole Amount with respect to this Note are to be made in lawful money of the United States of America at First Union National Bank in New York, New York or at such other place as the Company shall have designated by written notice to the holder of this Note as provided in the Note Purchase Agreements referred to below.

This Note is one of a series of the 7.37% Senior Secured Notes, Series D, due February 7, 2012 (the "Series D Notes") of the Company in the aggregate principal amount of $75,000,000 which, together with the Company's $18,000,000 aggregate principal amount 5.64% Senior Secured Notes, Series A, due February 7, 2005 (the "Series A Notes"), $67,000,000 aggregate principal amount 6.66% Senior Secured Notes, Series B, due February 7, 2007 (the "Series B Notes") and $15,000,000 aggregate principal amount 7.02% Senior Secured Notes, Series C, due February 7, 2009 (the "Series C Notes"; said Series C Notes, Series B Notes and Series A Notes, together with the Series D Notes, being hereinafter referred to collectively as the "Notes") issued pursuant to separate Note Purchase Agreements, dated as of February 7, 2002 (as from time to time amended, the "Note Purchase Agreements"), between the Company and the respective purchasers named therein and is entitled to the benefits thereof. Each holder of this Note will be

deemed, by its acceptance hereof, (i) to have agreed to the confidentiality provisions set forth in SECTION 20 of the Note Purchase Agreements and (ii) to have made the representation set forth in SECTION 6.2 of the Note Purchase Agreements.

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This Note is subject to optional prepayment, in whole or from time to time in part, at the times and on the terms specified in the Note Purchase Agreements, but not otherwise.

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THE ST. JOE COMPANY

By _____
Title

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Exhibit 21.1

SUBSIDIARY ENTITY LIST
(includes joint ventures, indirect ownership and 100% directly owned entities)

COMPANY NAME	STATE INCORPORATED
1133 D.C., L.L.C. f/k/a/ 1133 20th Street, L.L.C. f/k/a Centrum 780, L.L.C.	FL
1750 K, L.L.C.	FL
280 INTERSTATE NORTH, L.L.C.	DE
5660 NND, L.L.C.	FL
ABB/DICKINSON PARTNERSHIP, LTD.	FL
ADVANTIS CONSTRUCTION COMPANY f/k/a St. Joe Commercial Construction Services, Inc. f/k/a St. Joe/Arvida Mortgage	FL
ADVANTIS REAL ESTATE SERVICES COMPANY f/k/a St. Joe Commercial Property Services, Inc. f/k/a Jacksonville Properties, Inc.	FL
APALACHICOLA NORTHERN RAILROAD COMPANY	FL
ARTISAN PARK, L.L.C.	DE
ARVIDA CAPITAL CONTRACTING, INC.	FL
ARVIDA CENTRAL FLORIDA CONTRACTING, INC.	FL
ARVIDA COMMUNITY SALES, INC.	FL
ARVIDA HOUSING L.P., INC.	DE
ARVIDA MID-ATLANTIC CONTRACTING, INC.	NC
ARVIDA MID-ATLANTIC HOMES, INC.	NC
ARVIDA NORTHEAST FLORIDA CONTRACTING, INC.	FL
ARVIDA RESORTS & CLUBS, L.L.C. f/k/a St. Joe/Arvida West Florida Resort Holdings, L.L.C. d/b/a's: Camp Creek Golf Club WaterColor Inn Fish Out of Water Bait House WaterColor Beach Club St. Johns Golf & Country Club Victoria Hills Golf Club WaterColor Market WaterColor Workout Center SouthWood Golf Club	FL
ARVIDA WEST FLORIDA CONTRACTING, INC.	FL
ARVIDA/JMB PARTNERS, L.P.	DE
BEACON SQUARE, L.L.C.	FL
C RIDGE ONE, L.L.C. f/k/a St. Joe Commercial, L.L.C.	FL
CODINA GROUP, INC. f/k/a Codina Bush Group, Inc. f/k/a Codina Group, Inc.	FL
CROOKED CREEK REAL ESTATE COMPANY	FL
CROOKED CREEK UTILITY COMPANY	FL

DEERFIELD COMMONS I, LLC	DE
DEERFIELD PARK, LLC	GA
EAGLE POINT, L.L.C.	FL
GEORGIA WIND I, LLC f/k/a Georgia Wind, LLC	FL
GEORGIA WIND II, LLC	FL

SUBSIDIARY ENTITY LIST
(includes joint ventures, indirect ownership and 100% directly owned entities)

COMPANY NAME	STATE INCORPORATED
GEORGIA WIND III, LLC	FL
GOODMAN-SEGAR-HOGAN-HOFFLER, LP d/b/a Goodman-Segar-Hogan-Hoffler Limited Partnership in North Carolina	VA
MCNEILL BURBANK HOMES, LLC	NC
MILLENIA PARK ONE, L.L.C.	FL
MONTEITH HOLDINGS, LLC	NC
PASEOS MORTGAGE, LLC	DE
PASEOS TITLE, LLC	DE
PASEOS, LLC f/k/a Jupiter Woods, LLC a Arvida(R)/Terrabrook(TM) Community	DE
PSJ DEVELOPMENT L.P.	DE
PSJ WATERFRONT, LLC	FL
RESIDENTIAL COMMUNITY MORTGAGE COMPANY, LLC f/k/a Community Residential Mortgage Services, LLC	DE
RESIDENTIAL COMMUNITY TITLE COMPANY	DE
RIVERCREST MORTGAGE, LLC	DE
RIVERCREST TITLE, LLC	DE
RIVERCREST, LLC	DE
RIVERSIDE CORPORATE CENTER, L.L.C.	FL
SAUSSY BURBANK, INC.	NC
SGW, INC.	FL
SJA LICENSES ETC. COMPANY	FL
SJP TECHNOLOGY COMPANY	FL
SOUTHEAST BONDED HOMEBUILDER WARRANTY ASSOCIATION, L.L.C. f/k/a Sunbelt Bonded Homebuilder Warranty Association, L.L.C.	FL
SOUTHEAST INSURANCE COMPANY	VT
SOUTHHALL CENTER, L.L.C.	FL
SOUTHWOOD MORTGAGE, INC.	FL
SOUTHWOOD REAL ESTATE, INC.	FL
ST. JAMES ISLAND UTILITY COMPANY	FL
ST. JOE CAPITAL I, INC.	DE
ST. JOE COMMERCIAL DEVELOPMENT, INC.	DE
ST. JOE COMMERCIAL, INC.	FL
ST. JOE DEERWOOD PARK, L.L.C.	FL
ST. JOE DEVELOPMENT, INC.	FL
ST. JOE FINANCE COMPANY	FL
ST. JOE LAND COMPANY	FL

ST. JOE RESIDENTIAL ACQUISITIONS, INC. f/k/a St. Joe/James Island Development, Inc. f/k/a St. Joe/Alaqua Lakes, Inc.	FL
ST. JOE TERMINAL COMPANY	FL
ST. JOE TIMBERLAND COMPANY OF DELAWARE, L.L.C. successor by merger of St. Joe Timberland Company, a Florida corporation, f/k/a St. Joseph Land and Development Company into St. Joe Timberland Company of Delaware, a Delaware corporation	DE
ST. JOE UTILITIES COMPANY	FL
ST. JOE/ARVIDA COMPANY, INC.	FL

SUBSIDIARY ENTITY LIST
(includes joint ventures, indirect ownership and 100% directly owned entities)

COMPANY NAME	STATE INCORPORATED
ST. JOE/ARVIDA COMPANY, L.P. d/b/a Education Partners	DE
ST. JOE/CENTRAL FLORIDA DEVELOPMENT, INC.	FL
ST. JOE/CENTRAL FLORIDA MANAGEMENT, INC.	FL
ST. JOE/CNL PLAZA, INC.	FL
ST. JOE/CNL REALTY GROUP, LTD.	FL
ST. JOE-ARVIDA HOME BUILDING, L.P.	DE
ST. JOE-SOUTHWOOD PROPERTIES, INC., f/k/a Southwood Properties, Inc. f/k/a Jacksonville Properties, Inc.	FL
SUNSHINE STATE CYPRESS, INC.	FL
TALISMAN SUGAR CORPORATION	FL
THE PORT ST. JOE MARINA, INC.	FL
TNT DEERWOOD, L.L.C.	FL
VICTORIA PARK MORTGAGE, INC.	FL
VICTORIA PARK REAL ESTATE, INC.	FL
WAKULLA SILVER SPRINGS COMPANY	FL
WATERCOLOR REALTY, INC.	FL
WATERSOUND REALTY, INC.	FL
WESTCHASE DEVELOPMENT VENTURE, L.P.	TX
WESTSIDE CORPORATE CENTER, L.L.C.	FL

Exhibit 23.1

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, No. 333-43007, No. 333-51726, No. 333-51728 and No. 333-106046) on Forms S-8 of The St. Joe Company of our reports dated March 11, 2004, with respect to the consolidated balance sheets of The St. Joe Company as of December 31, 2003 and 2002, and the related consolidated statements of income, stockholders' equity, and cash flow of each of the years in the three-year period ended December 31, 2003, and related financial statement schedule, which reports appear in the December 31, 2003, annual report on Form 10-K of The St. Joe Company.

Our report on the consolidated financial statements refers to the adoption by The St. Joe Company of Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets," and Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," effective January 1, 2002.

KPMG LLP

Jacksonville, Florida
March 11, 2004

Exhibit 31.1

I, Peter S. Rummell, certify that:

1. I have reviewed this annual report on Form 10-K for the year ended December 31, 2003 of The St. Joe Company;

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

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

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

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

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

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

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

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

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

Date: March 12, 2004

/s/ Peter S. Rummell

Peter S. Rummell
Chief Executive Officer

Exhibit 31.2

I, Kevin M. Twomey, certify that:

1. I have reviewed this annual report on Form 10-K for the year ended December 31, 2003 of The St. Joe Company;

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

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

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

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

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

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

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

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

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

Date: March 12, 2004

/s/ Kevin M. Twomey

Kevin M. Twomey
Chief Financial Officer

Exhibit 32.1

Pursuant to 18 USC ss.1350, the undersigned officer of The St. Joe Company (the "Company") hereby certifies that the Company's Annual Report on Form 10-K for the year ended December 31, 2003 (the "Report") fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Peter S. Rummell

Peter S. Rummell
Chief Executive Officer

Dated: March 12, 2004

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

Exhibit 32.2

Pursuant to 18 USC ss.1350, the undersigned officer of The St. Joe Company (the "Company") hereby certifies that the Company's Annual Report on Form 10-K for the year ended December 31, 2003 (the "Report") fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Kevin M. Twomey

Kevin M. Twomey
Chief Financial Officer

Dated: March 12, 2004

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