AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON DECEMBER 16, 1997
REGISTRATION NO. 333-

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM S-3
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

ST. JOE CORPORATION
(Exact name of Registrant as specified in its charter)

FLORIDA	1-10466	59-0432511
(State or other jurisdiction of incorporation or organization)	(Commission File No.)	(I.R.S. Employer Identification No.)

1650 PRUDENTIAL DRIVE
JACKSONVILLE, FLORIDA 32207
(904) 396-6600
(Address, including zip code, and telephone number, including area code, of Registrant's principal executive offices)

ROBERT M. RHODES
SENIOR VICE PRESIDENT AND GENERAL COUNSEL
1650 PRUDENTIAL DRIVE
JACKSONVILLE, FLORIDA 32207
(904) 396-6600
(Name, address, including zip code, and telephone number, including area code, of agent for service)

COPIES TO:

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NEW YORK, NEW YORK 10017
TELEPHONE: (212) 450-4000

APPROXIMATE DATE OF COMMENCEMENT OF THE PROPOSED SALE TO THE PUBLIC: As soon as practicable after the effective date of this Registration Statement.

If the only securities being registered on this form are being offered pursuant to dividend or interest reinvestment plans, please check the following box. [ ]

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box. [ ]

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act of 1933, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ]

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act of 1933, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ]

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. [ ]

CALCULATION OF REGISTRATION FEE

TITLE OF SECURITIES TO BE REGISTERED	AMOUNT TO BE REGISTERED(1)	PROPOSED MAXIMUM OFFERING PRICE PER SHARE(2)	PROPOSED MAXIMUM AGGREGATE OFFERING PRICE(1)	AMOUNT OF REGISTRATION FEE
Common Stock, no par value.........	4,600,000 Shares	$94.375	$434,125,000	$128,066.88

(1) Includes 600,000 shares which the Underwriters have the option to purchase to cover over-allotments, if any.

(2) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457 under the Securities Act of 1933.

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(A) OF THE SECURITIES ACT OF 1933 OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE SECURITIES AND EXCHANGE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(A), MAY DETERMINE.

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EXPLANATORY NOTE

This registration statement contains two forms of prospectus: one to be used in connection with a United States offering of the shares of Common Stock (the "U.S. Prospectus") and one to be used in connection with a concurrent international offering of the shares of Common Stock (the "International Prospectus" and together with the U.S. Prospectus, the "Prospectuses"). The International Prospectus will be identical to the U.S. Prospectus except that it will have a different front cover page. The alternate front cover page for the International Prospectus included herein has been labeled "Alternate Cover Page for International Prospectus."

INFORMATION CONTAINED HEREIN IS SUBJECT TO COMPLETION OR AMENDMENT. A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION. THESE SECURITIES MAY NOT BE SOLD NOR MAY OFFERS TO BUY BE ACCEPTED PRIOR TO THE TIME THE REGISTRATION STATEMENT BECOMES EFFECTIVE. THIS PROSPECTUS SHALL NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY NOR SHALL THERE BE ANY SALE OF THESE SECURITIES IN ANY STATE IN WHICH SUCH OFFER, SOLICITATION OR SALE WOULD BE UNLAWFUL PRIOR TO REGISTRATION OR QUALIFICATION UNDER THE SECURITIES LAWS OF ANY SUCH STATE.

PROSPECTUS (Subject To Completion)

Issued December   , 1997

4,000,000 Shares

St. Joe Corporation
COMMON STOCK

OF THE 4,000,000 SHARES OF COMMON STOCK OFFERED HEREBY, 3,400,000 ARE BEING OFFERED INITIALLY IN THE UNITED STATES AND CANADA BY THE U.S. UNDERWRITERS (THE "U.S. OFFERING") AND 600,000 ARE BEING OFFERED INITIALLY OUTSIDE THE UNITED STATES AND CANADA BY THE INTERNATIONAL UNDERWRITERS (THE "INTERNATIONAL OFFERING," AND TOGETHER WITH THE U.S. OFFERING, THE "OFFERINGS"). SEE "UNDERWRITERS." ALL OF THE SHARES OF COMMON STOCK OFFERED HEREBY ARE BEING SOLD BY THE ALFRED I. DUPONT TESTAMENTARY TRUST (THE "SELLING STOCKHOLDER" OR THE "TRUST"). SEE "ALFRED I. DUPONT TESTAMENTARY TRUST." ST. JOE CORPORATION (THE "COMPANY" OR "ST. JOE") WILL NOT RECEIVE ANY PROCEEDS FROM THE SALE OF THE SHARES BEING OFFERED HEREBY. THE COMPANY'S COMMON STOCK IS LISTED ON THE NEW YORK STOCK EXCHANGE UNDER THE SYMBOL "SJP." ON DECEMBER 15, 1997, THE LAST REPORTED SALE PRICE OF THE COMMON STOCK ON THE NEW YORK STOCK EXCHANGE WAS $94.75 PER SHARE.

SEE "RISK FACTORS" BEGINNING ON PAGE 8 HEREIN FOR CERTAIN FACTORS THAT SHOULD BE CONSIDERED BY PROSPECTIVE PURCHASERS OF THE COMMON STOCK.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

PRICE $ A SHARE

	PRICE TO PUBLIC	UNDERWRITING DISCOUNTS AND COMMISSIONS(1)	PROCEEDS TO SELLING STOCKHOLDER
Per Share	$	$	$
Total(2)	$	$	$

- ------------

(1) The Company and the Selling Stockholder have agreed to indemnify the Underwriters against certain liabilities, including liabilities under the Securities Act of 1933, as amended.

(2) The Selling Stockholder has granted to the U.S. Underwriters an option, exercisable within 30 days of the date hereof, to purchase up to an aggregate of 600,000 additional Shares of Common Stock at the price to public less underwriting discounts and commissions for the purpose of covering over-allotments, if any. If the U.S. Underwriters exercise such option in full, the total price to public, underwriting discounts and commissions and proceeds to the Selling Stockholder will be $, $ and $, respectively. See "Underwriters."

The Shares of Common Stock are offered, subject to prior sale, when, as, and if accepted by the Underwriters named herein, and subject to approval of certain legal matters by Davis Polk & Wardwell, counsel for the Underwriters. It is expected that delivery of the shares of Common Stock will be made on or about   , 1998, at the offices of Morgan Stanley & Co. Incorporated, New York, N.Y., against payment therefor in immediately available funds.

MORGAN STANLEY DEAN WITTER

DONALDSON, LUFKIN & JENRETTE
Securities Corporation

MERRILL LYNCH & CO.

RAYMOND JAMES & ASSOCIATES, INC.

, 1998

[MAP OF NORTHWESTERN FLORIDA SHOWING THE COMPANY'S LAND HOLDINGS AND THE LAND HOLDINGS OF THE STATE OF FLORIDA]

[FOLDOUT MAP OF THE STATE OF FLORIDA SHOWING THE LOCATION OF THE COMPANY'S PROPERTIES]

CERTAIN PERSONS PARTICIPATING IN THE OFFERING MAY ENGAGE IN TRANSACTIONS THAT STABILIZE, MAINTAIN OR OTHERWISE AFFECT THE PRICE OF THE COMMON STOCK. SPECIFICALLY, THE UNDERWRITERS MAY OVER-ALLOT THE COMMON STOCK IN CONNECTION WITH THE OFFERINGS, AND MAY BID FOR AND PURCHASE THE SHARES OF THE COMMON STOCK IN THE OPEN MARKET. FOR A DESCRIPTION OF THESE ACTIVITIES, SEE "UNDERWRITERS."

NO PERSON IS AUTHORIZED IN CONNECTION WITH THE OFFERING MADE HEREBY TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS NOT CONTAINED IN THIS PROSPECTUS, AND IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE COMPANY, BY THE SELLING STOCKHOLDER OR BY ANY UNDERWRITER. THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY THE COMMON STOCK OFFERED HEREBY TO ANY PERSON IN ANY JURISDICTION IN WHICH IT IS UNLAWFUL FOR SUCH PERSON TO MAKE ANY SUCH OFFER OR SOLICITATION TO SUCH PERSON. NEITHER THE DELIVERY OF THIS PROSPECTUS NOR ANY SALE MADE HEREUNDER SHALL UNDER ANY CIRCUMSTANCES IMPLY THAT THE INFORMATION CONTAINED HEREIN IS CORRECT AS OF ANY DATE SUBSEQUENT TO THE DATE HEREOF.

There are restrictions on the offer and sale of the Common Stock offered hereby in the United Kingdom. All applicable provisions of the Public Offers of Securities Regulations of 1995, the Financial Services Act of 1986 and the Companies Act of 1985 with respect to anything done by any person in relation to the Common Stock in, from or otherwise involving the United Kingdom must be complied with. See "Underwriters."

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STATEMENT REGARDING FORWARD LOOKING DISCLOSURE

Certain statements contained under "Prospectus Summary," "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Business and Properties" and elsewhere in this Prospectus, including, without limitation, those concerning implementation of the Company's new business strategy, its expansion plans, economic performance and financial condition, the Company's ability to obtain appropriate entitlements relating to its real estate operations, the scope and profitability of the Company's developable land, the ability of the Company to optimize the value of its assets (including, without limitation, through dispositions or otherwise), projected harvesting levels and the ability of the Company to successfully integrate existing or future joint venture and/or acquisition candidates into its operations are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act") and Section 21E of the Securities and Exchange Act of 1934, as amended (the "Exchange Act"), and the Company intends that such forward-looking statements be subject to the safe harbor protection provided thereby. Such forward-looking statements may be identified by use of forward-looking terminology, such as "may," "intend," "will," "expect," "anticipate," "estimate," "continue" or the negative thereof or other variations thereon or comparable terminology. Because such statements involve risks and uncertainties,

actual results may differ materially from those expressed or implied by such forward-looking statements. Factors that could cause such differences include, but are not limited to, those discussed under "Risk Factors."

AVAILABLE INFORMATION

The Company is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and in accordance therewith files reports, proxy statements and other information with the Securities and Exchange Commission (the "Commission"). Such reports, proxy statements and other information may be inspected and copied at the public reference facilities maintained by the Commission at Judiciary Plaza, 450 Fifth Street, N.W., Room 1024, Washington, D.C., and at the Commission's regional offices at 75 Park Place, New York, New York and at Northwest Atrium Center, 500 West Madison Street, Suite 1400, Chicago, Illinois, and copies may be obtained at prescribed rates from the Public Reference Section of the Commission at its principal office at Judiciary Plaza, 450 Fifth Street, N.W., Room 1024, Washington, D.C. 20549. Such reports, proxy statements and other information may also be inspected and copied at the offices of the New York Stock Exchange, 20 Broad Street, New York, New York. The Commission also maintains a site on the World Wide Web at "http://www.sec.gov" that contains reports, proxy and information statements and other information regarding registrants that file electronically with the Commission.

The Company has filed with the Commission a Registration Statement on Form S-3 under the Securities Act of 1933, as amended (the "Securities Act"), with respect to the shares of Common Stock offered hereby. This Prospectus, which constitutes part of the Registration Statement, omits certain of the information contained in the Registration Statement and the exhibits and schedules thereto on file with the Commission pursuant to the Securities Act and the rules and regulations of the Commission thereunder. In addition, certain documents filed by the Company with the Commission have been incorporated by reference in this Prospectus. See "Incorporation of Certain Documents by Reference." The Registration Statement, including exhibits and schedules thereto and such incorporated documents, may be inspected and copied at the public reference facilities maintained by the Commission at its principal office in Washington, D.C. or at its regional offices. Statements contained in this Prospectus as to the contents of any contract or other document referred to are not necessarily complete and in each instance reference is made to the copy of such contract or other document filed as an exhibit to the Registration Statement, each such statement being qualified in all respects by such reference.

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

The following documents, filed with the Commission by the Company pursuant to the Exchange Act, are incorporated herein by reference and made part of this Prospectus: (i) the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1996 (the "1996 10-K"); (ii) the portions of the Company's 1996 Annual Report to Stockholders that have been incorporated by reference into the 1996 10-K; (iii) the portions of the Company's 1996 definitive Proxy Statement for its Annual Meeting of Stockholders dated April 11, 1997 that have been incorporated by reference into the 1996 10-K; (iv) the Company's Quarterly Reports on Form 10-Q for the quarters ended March 30, 1997, June 30, 1997 and September 30, 1997; and (v) the Company's Current Reports on Form 8-K dated November 25, 1997 and December 10, 1997.

Each document filed by the Company pursuant to Sections 13(a), 13(c), 14 and 15(d) of the Exchange Act subsequent to the date of this Prospectus and prior to the termination of the offering of all shares of Common Stock to which this Prospectus relates shall be deemed to be incorporated by reference in this Prospectus and to be part hereof from the date of filing such documents. Any statement contained herein or in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes of this Prospectus to the extent that a statement contained herein (or in the applicable Prospectus Supplement) or in any other subsequently filed document which also is or is deemed to be

incorporated by reference herein modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Prospectus.

Copies of all documents which are incorporated herein by reference (not including the exhibits to such information that are incorporated by reference, unless such exhibits are specifically incorporated by reference in such information) will be provided without charge to each person, including any beneficial owner, to whom this Prospectus (or the applicable Prospectus Supplement) is delivered upon written or oral request. Requests for such documents should be directed to St. Joe Corporation, 1650 Prudential Drive, Jacksonville, Florida 32207, Attention: Investor Relations (telephone: (904) 396-6600).

PROSPECTUS SUMMARY

The following summary is qualified in its entirety by the more detailed information and financial statements (including the notes thereto) appearing elsewhere in this Prospectus. Unless otherwise indicated, all information in this Prospectus is presented on the assumption that the over-allotment option granted to the U.S. Underwriters has not been exercised. As used herein, the terms "Company" and "St. Joe" refer to St. Joe Corporation and its subsidiaries.

THE COMPANY

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

- Real Estate -- the development, ownership and management of commercial, industrial and residential properties as well as the prospective development of resort and entertainment properties;

- Forestry -- the management and harvesting of extensive timberland holdings;

- Transportation -- the operation of two railroads within Florida; and

- Sugar -- the cultivation, harvesting and processing of sugar cane.

St. Joe is currently undergoing a number of important changes in its mix of businesses and its overall business strategy. In early 1997, the Company hired a new chairman and chief executive officer, Peter Rummell, the former President of Disney Development Company and Chairman of Walt Disney Imagineering, as well as several other senior members of management with strong backgrounds in large-scale real estate development, the complex Florida entitlement process, and financial and asset management. Under the direction of this new management team, the Company intends to focus more closely on the development of its large land portfolio. In addition, the Company is implementing a new strategy in its forestry segment by extending the harvest rotation of certain sections of its timberlands in order to effect a shift toward higher margin products. In order to focus more closely on its core assets, the Company sold its linerboard mill as well as its container and communications businesses in 1996. In addition, on December 6, 1997, management announced that it had reached an agreement in principle to sell the Company's sugar lands to certain federal and state government agencies on or before June 6, 1998, although the Company will retain the right to farm the sugar lands through the 2002-2003 crop year.

Management believes that the Company has a number of key business strengths and competitive advantages, including, in its opinion, the largest inventory of private land suitable for development in the State of Florida, a very low cost basis in its land assets, a strong cash position and no material indebtedness, which management believes will allow St. Joe the financial flexibility to aggressively pursue development opportunities. Management is also focusing on optimizing the value of the Company's other operating assets and may employ financially-driven strategies to improve returns, such as acquisitions, joint ventures and dispositions.

OPERATIONS

Real Estate. The Company currently conducts its real estate operations in two principal segments: commercial/industrial development and management and community/residential development.

The Company owns and manages commercial and industrial properties through Gran Central Corporation ("GCC"), a wholly-owned subsidiary of Florida East Coast Industries, Inc. ("FECI"), in which the Company has a 54% equity interest. At October 31, 1997, GCC owned and operated 59 buildings with approximately 5.6 million square feet of rentable commercial/industrial space. On the same date, GCC's

buildings in service for one year or more were 91% leased (82% for its portfolio as a whole, including newly constructed buildings). GCC's buildings are primarily Class "A" office space and high quality commercial/ industrial facilities constructed after 1987 and are well-located in business parks near major transportation hubs, primarily in the Jacksonville and Miami, Florida areas. At December 1, 1997, GCC had an additional 479,000 square feet under construction and had entitlements to develop an additional approximately 14.3 million square feet of buildings, primarily in its Miami, Jacksonville and Orlando parks. GCC also owns over 15,300 acres of unentitled land that management believes are suitable for future commercial, industrial and residential development, primarily situated adjacent to the Florida East Coast Railway right-of-ways in attractive markets that the Company believes will provide significant growth opportunities.

In the community/residential real estate sector, the Company intends to develop large-scale mixed-use communities, primarily on Company-owned land. The Company's land holdings include large tracts near Tallahassee, the state capital, and in northwestern Florida that the Company believes to be well-suited for community/residential as well as resort and second-home development. These holdings include significant Gulf of Mexico frontage (with over five miles of white sand beaches), and bay and riverfront properties, as well as properties adjacent to existing communities. The Company intends to design and entitle well-conceived master plans, install major infrastructure improvements and either sell permitted lots to merchant builders for construction or build and sell finished residential units to end purchasers. The Company recently initiated master-planning of 800 acres with over 7,000 feet of white sand beach frontage in south Walton County near the Town of Seaside for development as second-home and resort communities and 3,000 acres of a Tallahassee parcel for development as a mixed-use residential community. The Company is currently evaluating other properties for development as resort and second-home communities and believes that its holdings in northwestern Florida offer unique opportunities to create high amenity projects, with gulf, lake and river access, at comparatively low costs due to the Company's low basis in its long-term land holdings.

In order to increase the pace of community/residential development and to gain a foothold in the home building industry, the Company recently acquired the personnel, trademark and selected assets of the Arvida Company ("Arvida") through a majority-owned joint venture (the "Arvida Venture"). Arvida is a prominent Florida-based community and residential real estate developer, which in 1996 and the first nine months of 1997 closed contracts on 2,077 houses and 566 lots.

Forestry. The Company is the largest private owner of timberlands in Florida, with over 700,000 acres of planted pine forests, primarily in northwestern Florida, and an additional 300,000 acres of mixed timberland, wetlands and lake and canal properties. The principal product of the Company's forestry operations is softwood pulpwood. In addition, the Company produces and sells sawtimber. The Company estimates that it can increase its long-term sustainable yearly harvest over the next decade to 1.6 million tons of softwood pulpwood and .9 million tons of softwood sawtimber. The major customer for the Company's timber has been and continues to be the Company's former linerboard mill, which it sold to Florida Coast Paper Company, L.L.C. ("Florida Coast") in May 1996. In 1996, the Company harvested 697,398 tons of timber, of which 610,418 tons were sold to Florida Coast, and the balance to a number of other market participants, including Georgia-Pacific Corporation, Champion International Corporation and Louisiana-Pacific Corporation.

After the closure of the mill for several months in 1997, the Company renegotiated its 15 year supply contract with Florida Coast to allow it to supply pulpwood to the mill at a level (700,000 tons per year beginning June 1, 1998) significantly lower than historical levels. The Company sought to reduce its obligation to supply pulpwood under the agreement and intends to extend growing periods for certain portions of its timber and to sell such timber in the form of higher margin products, which the Company anticipates will increase the long-term profitability of its forestry operations. The Company estimates that its standing pine inventory on January 1, 1998 will total 10.6 million tons and its hardwood inventory will total 5.9 million tons.

Transportation. FECI's subsidiary, Florida East Coast Railway ("FEC"), provides rail and freight service over 351 miles of main line track between Jacksonville and Miami, Florida and 71 miles of branch line track between Fort Pierce and Lake Harbor, Florida. FEC has the only coastal right-of-way between Jacksonville and West Palm Beach, Florida and is the exclusive rail-service provider to the Port of Palm

Beach, Port Everglades and the Port of Miami. Principal commodities carried by FEC, by weight, include trailers-on-flatcars, containers-on-flatcars, crushed stone, foodstuffs, vehicles and cement. FEC is pursuing a number of opportunities to enhance returns, including through leasing its right-of-ways for the laying of fiber-optic conduit and the construction of communications towers. The Company also owns the Apalachicola Northern Railroad ("ANRR"), a short-line railroad that operates on 96 miles of track between Port St. Joe and Chattahoochee, Florida.

Sugar. Talisman Sugar Corporation ("Talisman"), a wholly-owned subsidiary of the Company, grows sugarcane on over 52,000 acres in the Belle Glade region of south central Florida. Talisman processes this sugarcane at its mill facility and sells all of the output of raw sugar to the Everglades Sugar Refinery, Inc., a wholly owned subsidiary of Savannah Foods & Industries, Inc. During the 1996-1997 crop year, Talisman produced 117,000 tons of raw sugar. As part of its efforts to focus more intently on the Company's core assets, the Company has agreed in principle to sell its sugar lands to certain federal and state government agencies on or before June 6, 1998 for $133.5 million in cash. In the event the proposed sale is consummated, Talisman would retain the right to farm the sugar lands through the 2002-2003 crop year. The proposed transaction is subject to both government and board approval.

KEY BUSINESS STRATEGIES

The Company's principal objective is to optimize the value of its substantial asset base. The Company's management team is focused on the following key strategies:

Increase the Pace of Development. Through its new management team, the Company intends to take a more aggressive approach to the development of its properties. In the commercial/industrial sector, GCC has secured entitlements to develop an additional 14.3 million square feet of buildings. In the community/residential development sector, the Company's inventory includes approximately 51,000 acres, including land adjacent to existing developments and prime gulf-front properties as well as numerous lake and riverfront parcels that management believes can be developed in a variety of formats. As part of its strategy to increase the pace of development, St. Joe intends to initiate home-building activity, primarily through the Arvida Venture. During the near term, the Arvida Venture will accelerate development through the acquisition of land from third parties. Over the longer term, management believes the Company's large raw land portfolio will allow the Company to maintain low development costs relative to its competitors and that its existing large portfolio of income-producing properties, together with its other businesses, will generate cash to fund a significant portion of its long-term projects.

Pursue Strategic Acquisitions and Joint Ventures. The Company believes that its diverse capabilities and access to capital provide a competitive advantage in identifying and acquiring additional development opportunities. The Company intends to pursue such development opportunities through potential acquisitions, joint ventures and other strategic alliances, particularly with established Florida-based developers. Management believes that joint venture relationships will provide the Company with immediate access to the human resources, local market expertise and information systems necessary to enable the Company to compete effectively for development opportunities. As part of this strategy, the Company recently entered into the Arvida Venture. The Company also recently formed a joint venture with CNL Group, Inc. ("CNL"), a large privately held real estate investment, finance and development company, to develop commercial properties in the central Florida region along the U.S. Interstate Highway 4 corridor, including Tampa, Orlando and Daytona Beach. On December 10, 1997, the Company entered into a letter of intent with Codina Group, Inc. ("Codina") and Weeks Corporation ("Weeks") under which the Company and Weeks each agreed to purchase a one-third interest in Codina, a commercial/industrial developer active principally in southern Florida.

Pursue Resort and Location-Based Entertainment Development Opportunities. The Company plans to actively pursue the development of resorts (including hotels, golf courses and other recreational facilities) and location-based entertainment facilities as a new line of business. These development projects may be in the form of stand alone projects or, in the case of resort facilities, in conjunction with the Company's large-scale community development projects. The Company's management has extensive

expertise in these development areas and the Company believes it has the land inventory (including attractive beach and other waterfront properties) necessary to enter these new markets effectively. As part of this strategy, in December 1997, the Company acquired the Riverside Golf Management Company, which manages three daily fee public golf courses in Jacksonville, Florida, Atlanta, Georgia and Clemson, South Carolina, and a 50% interest in the Champions Club Golf Course at Alaqua Lakes in Orlando, Florida.

Aggressively Pursue the Entitlement Process. The Company believes that the complex Florida land entitlement process can be a significant entry barrier to less capitalized developers. In developing new residential real estate projects, the Company intends to capitalize on its large existing land portfolio by, if appropriate, deeding or donating portions of its existing properties in exchange for long-term development rights. The Company believes its large, established land inventory provides an advantage relative to competitors that must purchase real estate before beginning development projects.

Enhance Operating Performance. The Company believes it can improve its operating performance through the following means:

Implement Aggressive Leasing Policy. Due to currently favorable market conditions, the Company believes that it can generate incremental earnings through enhanced management of its existing rental portfolio and through more aggressive leasing. Leases for approximately 73% of GCC's 5.6 million rentable square feet expire over the next five years. In exercising this strategy, the Company intends to balance rental revenue with occupancy levels in order to optimize project revenues.

Increase Long-Term Profitability of Forestry Operations. The Company intends to improve returns in its forestry operations by growing portions of its timber for longer periods in order to capitalize on higher margins for older-growth timber. In 1996, the Company shed the lower margin component of its forestry operations through the sale of its linerboard mill and container facilities, and in 1997, the Company reduced employment in its forestry operations by 72% through outsourcing. In addition, the Company is considering potential transactions to increase the nearer term value of the Company's timberlands, such as asset swaps, sales, joint ventures or lease arrangements.

Achieve Cost Reductions in Transportation Operations. The Company believes it can improve the profitability of its transportation segment through reductions in its cost structure, including more efficient use of its railyards and equipment.

Capital Structure and Financing Strategy. The Company has historically financed expansion with internally generated funds, held large cash balances and avoided the incurrence of debt. Although the Company expects to continue to employ conservative financing policies, management intends to use the Company's balance of cash and cash equivalents to invest more aggressively in development, acquisitions and joint ventures and to incur debt in appropriate circumstances in order to more effectively leverage the value of the Company's assets. The Company had cash and cash equivalents of $560 million at December 4, 1997.

THE FLORIDA ECONOMY

The Company's businesses are centered in Florida and the state's economic health and growth rate will be important factors in creating demand for the Company's products and services. According to the Bureau of Economic Analysis of the WEFA Group, from 1992 to 1996 Florida's gross domestic product grew at an average rate of approximately 6.1% per year compared to 5.3% per year for the United States as a whole, and from 1997 to 2001 is expected to grow at an average annual rate of 5.8% compared to 5.3% for the nation as a whole. According to U.S. Census Bureau statistics, Florida's annual population growth over the last ten years has been 2.0%, while the average U.S. rate of population growth has been approximately 1.0%. According to the Bureau of Economic and Business Research at the University of Florida (the "Bureau"), Florida's population will increase 26% between 1995 and 2010 compared to a U.S. Census Bureau projection of 13.5% for the United States as a whole. Population growth rates on the eastern coast of Florida, where many of GCC's properties are located, are projected by the Bureau to be significantly higher than the statewide rate.

With the exception of Walton County (where population growth rates have exceeded those of the State of Florida), population growth rates in northwestern Florida, where most of the Company's properties are located, have not been as high as those of the State as a whole, but have still exceeded the national average. The Bureau estimates that employment in Florida grew at an average annual rate of 3.5% from 1980 to 1995 and will continue to increase at an average annual rate of 2.2% from 1996 to 2010. According to the Bureau, personal incomes in Florida grew at 4.1% from 1980 to 1995 and are expected to continue to grow at approximately 2.9% per year from 1996 to 2010. Florida's population, job and income growth have created substantial demand for new residential and commercial construction. According to a study conducted by the Bureau, in 1995 Florida ranked first in the nation with respect to the number of housing units permitted for construction and second in the nation on a value per unit basis. Housing starts in the state of Florida are expected to reach an aggregate level of 113,200 for 1996 and 1997 combined and to increase to 116,000 for 1998 alone. Management expects Florida's economic and population growth to continue and believes that St. Joe is well positioned to benefit from increasing demand for housing as well as office and industrial space in the Florida real estate market.

THE OFFERINGS

Common Stock Offered by the Trust:	
U.S. Offering	3,400,000 shares
International Offering	600,000 shares
Total:	4,000,000 shares
Common Stock Outstanding(1)	30,565,937 shares
Use of Proceeds	No proceeds will be received by the Company.
New York Stock Exchange Symbol	"SJP"

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(1) As of December 15, 1997. Does not reflect 1,836,447 shares of Common Stock issuable upon the exercise of options. A total of 173,713 additional shares of Common Stock are reserved for issuance under the Company's stock option plan. See Note 10 to the Consolidated Financial Statements.

THE ALFRED I. DUPONT TESTAMENTARY TRUST

The Company currently is, and following the Offerings will continue to be, controlled by the Alfred I. duPont Testamentary Trust (the "Selling Stockholder" or the "Trust"). The Trust was established under the Last Will and Testament of Alfred I. duPont (the "Will") to provide certain testamentary dispositions specified in the Will and to establish and benefit The Nemours Foundation (the "Nemours Foundation"), a charitable foundation for the care and treatment of crippled, but not incurable, children and certain elderly. Prior to the Offerings, the Trust and the Nemours Foundation together beneficially owned 68.9% (after giving effect to management stock options exercisable within the next 60 days) of the outstanding Common Stock, and after the Offerings the Trust and the Nemours Foundation together will own 54.0% of the outstanding Common Stock (assuming exercise of the U.S. Underwriters' over-allotment option). Two of the six trustees of the Trust serve as directors of the Company and FECI. The Trust is selling the Common Stock in order to diversify the Trust's assets and to reinvest the proceeds of the Offerings in assets which produce higher current income. See "Alfred I. duPont Testamentary Trust" and "Management."

SUMMARY CONSOLIDATED FINANCIAL DATA

	YEAR ENDED DECEMBER 31,			NINE MONTHS ENDED SEPTEMBER 30,	
	1994	1995	1996	1996	1997
				(UNAUDITED)	
	(IN THOUSANDS, EXCEPT PER SHARE DATA)				
STATEMENT OF OPERATIONS DATA:					
Net sales(1)	$155,122	$ 150,564	$245,704	$173,401	$ 79,566
Operating revenues(2)	175,784	184,360	185,485	162,307	172,328
Total revenues	330,906	334,924	431,189	335,708	251,894
Cost of sales	111,014	116,014	112,163	64,765	63,282
Operating expenses	133,091	139,875	139,640	120,524	118,493
Selling, general and administrative expenses	26,836	31,718	31,215	24,373	28,103
Operating profit	59,965	47,317	148,171	126,046	42,016
Other income	25,164	18,770	40,857	32,005	32,650
Income from continuing operations before income taxes and minority interest	85,129	66,087	189,028	158,051	74,666
Provision for income taxes	31,446	24,535	83,117	71,211	32,981
Income from continuing operations before minority interest	53,683	41,552	105,911	86,840	41,685
Minority interest	15,827	12,194	14,002	9,922	13,404
Income from continuing operations	37,856	29,358	91,909	76,918	28,281
Income (loss) from discontinued operations(3)	4,253	44,461	(4,528)	(4,528)	--
Gain on sale of discontinued operations(3)	--	--	88,641	95,644	--
Net income	$ 42,109	$ 73,819	$176,022	$168,034	$ 28,281
PER SHARE DATA:					
Income from continuing operations	$ 1.24	$ 0.96	$ 3.01	$ 2.52	$ 0.93
Earnings (loss) from discontinued operations	0.14	1.46	(0.15)	(0.15)	--
Gain on the sale of discontinued operations	--	--	2.91	3.14	--
Net income	$ 1.38	$ 2.42	$ 5.77	$ 5.51	$ 0.93
Dividends paid(4)	$ 0.20	$ 0.20	$ 0.20	$ 0.15	$ 0.15
Special distribution(5)	--	--	--	--	10.00
OTHER OPERATING DATA:					
EBDDT(6)	$ 58,327	$ 73,992	$ 72,682	$ 55,701	$ 60,938
Capital expenditures	65,450	78,816	64,271	41,135	53,256
Cash flows provided by (used in)					
Operating activities	102,718	154,082	117,345	136,818	75,237
Investing activities(5)	(82,750)	(137,115)	322,877	344,437	(11,773)
Financing activities(5)	(11,143)	(46,554)	(8,011)	(6,065)	(311,491)

	AS OF DECEMBER 31,		AS OF SEPTEMBER 30,
	1995	1996	1997
			(UNAUDITED)
	(IN THOUSANDS)		
BALANCE SHEET DATA:			
Cash and cash equivalents(7)	$ 303,590	$ 819,851	$ 576,712
Total property, plant and equipment, net	804,974	834,167	853,217
Total assets	1,530,994	1,806,238	1,584,860
Total stockholders' equity	1,016,067	1,196,941	934,606

(1) Net sales includes real estate, land and building sales, forestry and timber sales and sugar sales. Net sales for the nine months ended September 30, 1996 included two related one-time condemnation sales of land to the State of Florida in exchange for $97.8 million in cash plus certain limited development rights. Net operating results of the communications segment, linerboard mill and container plants are shown separately as income (loss) from discontinued operations for all years presented.

(2) Operating revenues includes real estate rental revenue and transportation revenue.

(3) Net operating results of the communications segment, linerboard mill and container plants are shown separately as income (loss) from discontinued operations for all years presented. The gain on sale of discontinued operations declined by approximately $7.0 million during the fourth quarter of 1996 as a result of finalizing the post closing working capital adjustments, closing expenses and pension curtailment gain, which had been previously estimated. See Note 3 to the Consolidated Financial Statements.

(4) On December 15, 1997, the Company declared a dividend of $.05 per share to stockholders of record on December 24, 1997, payable on December 30, 1997.

(5) Approximately $359.3 million of proceeds from the sales of the communications segment, linerboard mill and container plants were held in special accounts during 1996. A special distribution of a portion of the net proceeds of the sales of $10.00 per share was paid on March 25, 1997, for stockholders of record on March 21, 1997. The Company has announced its intention to distribute the remaining net proceeds of $1.02 per share in a special distribution to stockholders of record on December 19, 1997, payable on December 30, 1997.

(6) The Company uses a supplemental performance measure along with net income to report its operating results. This measure, Earnings Before Depreciation and Deferred Taxes (EBDDT), is not a measure of operating results or cash flows from operating activities as defined by generally accepted accounting principles. Additionally, EBDDT is not necessarily indicative of cash available to fund cash needs and should not be considered as an alternative to cash flows as a measure of liquidity. However, the Company believes that EBDDT provides relevant information about its operations and is necessary, along with net income, for an understanding of its operating results. Depreciation, amortization and deferred income taxes are excluded from EBDDT as they represent non-cash charges. Earnings and gains on sales of discontinued operations and gains on the sale of non-strategic land and other assets represent non-operating, unusual and/or nonrecurring items and are therefore excluded from EBDDT.

(7) Includes cash, cash equivalents, marketable securities and short-term investments.

RISK FACTORS

The following risk factors should be considered carefully in conjunction with the other information contained in this Prospectus or incorporated by reference herein in evaluating the Company and its business before purchasing the Common Stock offered hereby.

IMPLEMENTATION OF NEW BUSINESS STRATEGY

The Company is currently undergoing a number of important changes in its mix of businesses and its overall business strategy. In the first quarter of 1997, the Company hired a new chairman and chief executive officer as well as several other senior members of management with strong backgrounds in large-scale real estate planning and development and financial and asset management. Under the direction of this new management team, the Company intends to focus more closely on the development of its large land portfolio. Management is also implementing a new strategy in the Company's forestry operations pursuant to which the Company intends to extend the harvest rotation of certain forest sections in order to effect a shift toward higher margin products. As part of the Company's strategy to focus more closely on core assets, the Company sold its linerboard mill and container facilities as well as its communication businesses in 1996. In addition, management has reached an agreement in principle to sell the Company's sugar lands to certain federal and state government agencies.

Management expects the Company's new business strategy will result in a larger portion of the Company's overall revenues being attributable to real estate operations. However, many of the Company's proposed projects will require a lengthy development process before lots or residential units can be sold or otherwise generate revenue. See "Business and Properties -- Real Estate -- Community and Residential Development." In addition, during the aging of the Company's timberlands, management expects near-term revenues will remain flat or fall to levels below those achieved by the business in earlier years. See "Business and Properties -- Forestry." While the Company believes that its new business strategy will enable it to enhance the value of its asset base as well as improve its long-term financial results, there can be no assurance that this new strategy will be successful, that the anticipated benefits of this new strategy will be realized, or that management will be able to implement its strategy on a timely basis.

RISKS RELATING TO REAL ESTATE OPERATIONS

General Real Estate Investment Risks. In general, real property investments are subject to varying degrees of risk. The yields available from real estate investments depend on the amount of income earned and capital appreciation generated by the related properties as well as the expenses incurred in connection therewith. If the Company's properties do not generate income sufficient to meet operating expenses, the Company's financial performance could be adversely affected. The Company's properties intended for residential development are primarily located in northwestern Florida and GCC's commercial/industrial properties are primarily located in or near Miami, Orlando and Jacksonville, Florida. Income from and the performance of the Company's properties may therefore be adversely affected by the general economic climate of these regions, including unemployment rates and local conditions such as the supply of and demand for real estate in the area, the attractiveness of the Company's properties to potential residents or tenants, zoning or other regulatory restrictions, competition from other available properties, the affordability of homes and comparable commercial/industrial properties, and the potential of increased operating costs (including real estate taxes). Over the last decade, the growth of Florida's economy has substantially outperformed that of the U.S. economy. Northwestern Florida's growth is also expected to continue, although at a lesser rate than is expected for the rest of the state. However, there can be no assurance that the Florida economy (including the northwest region) will continue to experience positive growth rates or that Florida will not be affected by a recession in the future. Certain significant expenditures associated with an investment in real estate (such as real estate taxes, maintenance costs and debt payments) would generally not be reduced if circumstances in the local economy caused a reduction in revenue from the Company's properties. Accordingly, if growth rates for the Florida economy begin to decline or if a recession in the Florida economy occurs, the Company's financial results could be adversely affected.

Development Risks. Any existing or future development activities of the Company will entail certain risks, including the expenditure of funds on and devotion of management's time to projects which may not come to fruition; the risk that development or redevelopment costs of a project may exceed original estimates, possibly making the project uneconomical; the risk that occupancy rates or rents at a completed project will be less than anticipated or that there will be vacant space at the project; the risk that expenses at a completed development will be higher than anticipated; and the risk that permits and other governmental approvals will not be obtained. In addition, the Company's real estate development activities require significant capital expenditures. The Company will be required to obtain funds for its capital expenditures and operating activities through cash flow from operations, property sales or financings. There can be no assurances that funds available from cash flow, property sales and financings will be sufficient to fund the Company's required or desired capital expenditures for development. If the Company were unable to obtain sufficient funds, it might have to defer or otherwise limit certain development activities. Further, any new development or any rehabilitation of older projects can require compliance with new building codes and other regulations. The Company cannot estimate the cost of complying with such codes and regulations, and such costs can make a new project or some otherwise desirable uses of an existing project uneconomic.

Before the Company can develop property, it must obtain a variety of approvals (entitlements) from local governments with respect to such matters as zoning, subdivision, environmental and other issues. The Company must also obtain a variety of approvals from state and federal governments with respect to matters that may include issues related to the environment, special status species, the public trust and others. Because of the discretionary nature of these approvals and concerns that may be raised by various governmental officials, public interest groups and other interested parties during both the approval and development process, the Company's ability to develop properties and realize income from its projects could be delayed, reduced or eliminated. See "Business and Properties -- Real Estate -- Regulations."

Joint Venture Risks. The Company has direct or indirect equity interests in several joint ventures and may initiate future joint venture projects as part of its overall development strategy. A joint venture may involve special risks associated with the possibility that (i) the venture partner at any time may have economic or business interests or goals that are inconsistent with those of the Company, (ii) the venture partner may take actions contrary to the instructions or requests of the Company or contrary to the Company's policies or objectives with respect to its real estate investments or (iii) the venture partner could experience financial difficulties. Actions by the Company's venture partners may have the result of subjecting property owned by the joint venture to liabilities in excess of those contemplated by the terms of the joint venture agreement or have other adverse consequences. In its role as a general partner of certain joint ventures, the Company may be jointly or severally liable for the debts and liabilities of the joint ventures. The Company may not be able to control decisions made by its joint ventures. In addition, the Company's joint venture partners may dedicate time and resources to existing commitments and responsibilities. See "Business and Properties -- Community and Residential Development -- Other."

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

Natural Disasters. Natural disasters, such as hurricanes, floods or fires, or unexpected climactic conditions, such as unusually heavy or prolonged rain, particularly in Florida, where the Company's assets are concentrated, may have an adverse impact on the ability of the Company to develop its properties and realize income from its projects.

Regulation. The Company's current and past ownership and operation of real property are subject to environmental laws and regulations generally applicable to all businesses. The Company may be liable for the costs of remediating hazardous materials contamination on its properties, regardless of fault, and the Company's ability to sell or develop its properties may be severely restricted by various federal, state and local environmental laws, including laws relating to the protection of wetlands and endangered species. See "-- Environmental Matters" and "Business and Properties -- Real Estate -- Regulation."

Rental Income and Competition for Tenants. Because of the Company's substantial investment in rental properties, the Company's overall financial performance would be adversely affected if a significant number of the Company's tenants were unable to meet their obligations to the Company. In addition, when space becomes available at its properties, the Company is subject to risks that the leases may not be renewed and that the terms of the renewal or reletting (including the cost of required renovations or concessions to tenants) may be less economically advantageous to the Company. The Company has established annual property budgets, including estimates of costs for renovation and reletting expenses, that it believes are reasonable in light of each property's situation, but no assurance can be given that estimates will sufficiently cover all expenses. If the Company is unable to promptly lease all or substantially all of the space at its properties, if the rental rates are significantly lower than expected or if the Company's reserves for these purposes prove inadequate, there could be an adverse effect on the Company's financial performance. See "Business and Properties -- Commercial and Industrial Development -- Leasing."

RISKS RELATED TO FORESTRY OPERATIONS

Committed Product Purchases by Florida Coast; Possible Inability to Develop New Markets. The major customer for the timber harvested from the Company's timberlands has been and continues to be the Company's former linerboard mill, which was sold on May 30, 1996 to Florida Coast. Sales to the mill accounted for 89% of the segment's sales in 1996. The mill was temporarily shut down from April through September 1997 due to soft market conditions in the paper industry. As a result of the shutdown, the Company's forestry net sales decreased 48.2% from $44.6 million in the nine-month period ending September 30, 1996 to $23.1 million in the comparable period in 1997. The mill was reopened in September 1997 and the existing supply agreement was renegotiated on a reduced tonnage basis. Although management believes the mill will continue to operate, there can be no assurances regarding the ability of the mill to satisfy its obligations, particularly on a long-term basis, under the existing agreement. See "Business and Properties -- Forestry -- Sales and Marketing."

As tonnage required to be supplied under the agreement decreases, the Company intends to allow its forest to grow for longer periods, shifting the usage of its timber to higher margin products. However, the performance of the forestry segment may decline in the near term as that shift occurs. While management believes that there is significant demand for the Company's timber and wood fiber products from users other than the mill, no assurance can be given that such demand exists, that the forestry operations will be able to develop new customers on a timely basis, if at all, or that it will be able to sell its products to third parties at market prices. Any excess supply of timber and wood fiber that results from the inability of the Company to sell its products to users other than the mill could result in lower prices for its products, which could have a material adverse effect on the net sales, operating income and cash flow of the Company's forestry operations.

Factors Affecting Supply and Demand. The results of operations of the Company's forestry segment are and will continue to be affected by cyclical supply and demand factors related to the forest products industry. The supply of timber is significantly affected by land use management policies of the United States government. Government agencies historically have been major suppliers of timber to the United States forest products industry, but timber sales by such government agencies currently are at historically low levels. Any reversal of government land use management policies that substantially increases sales of timber by United

States government agencies could significantly reduce prices for forest products. The demand for wood products also has been, and in the future can be expected to be, subject to cyclical fluctuations. Demand is primarily affected by the level of housing starts, repair and remodeling activity, industrial wood product use, competition from non-wood products, and the demand for pulp and paper products. These factors are subject to fluctuations due to changes in economic conditions, interest rates, population growth, weather conditions, competitive pressures and other factors. Any decrease in the level of industry demand for wood products generally can be expected to result in lower net sales, operating income and cash flow of the Company's forestry operations. See "Business and Properties -- Forestry -- Pricing."

Harvesting Limitations. Weather conditions, timber growth cycles, access limitations and regulatory requirements associated with the protection of wildlife and water resources may restrict harvesting on the Company's forestry lands. Timber harvests also may be affected by various natural factors, including damage by fire, insect infestation, disease, prolonged drought, severe weather conditions and other causes. The effects of such natural disasters may be particularly damaging to young timber. Although damage from such natural causes usually is localized and affects only a limited percentage of the timber, there can be no assurance that any damage affecting the Company's forestry lands will in fact be so limited. Any of the above factors could materially limit the ability of the Company to harvest timber and could have a significant adverse impact on the net sales, operating income and cash flow of the Company's forestry operations.

Commodity Price Fluctuations and Markets. The forestry operations' results of operations are highly dependent upon the prices received for wood products. Although most of the Company's forestry operations' sales are made pursuant to a long-term contract with Florida Coast, this contract includes a price adjustment provision which permits an increase or decrease at specified times in contract price to reflect changes in certain price or other economic indices, taxes and other charges. In addition, the industry could experience significant price declines from current levels as a result of natural market forces. Any significant decline in prices for wood products could have a material adverse effect on the Company's forestry operations.

Regulation. In conducting its harvesting activities, the Company voluntarily complies with the "Best Management Practices" recommended by the Florida Division of Forestry. From time to time, proposals have been made in state legislatures regarding the regulation of timber harvesting methods. There can be no assurance that such proposals, if adopted, will not adversely affect the Company or its ability to harvest and sell logs or timber in the manner currently contemplated. The forestry operations are also subject to environmental and endangered species laws and regulations. See "-- Environmental Matters" and "Business and Properties -- Forestry -- Regulation."

RISKS RELATING TO TRANSPORTATION OPERATIONS

Relationships With Other Railroads. Most of the traffic on the Company's railroads is interchanged with other railroads. The Company's ability to provide service to its customers depends in part upon its ability to maintain cooperative relationships with connecting railroads with respect to, among other matters, joint line rates, car supply, and interchange and haulage rights. In addition, the Company's future revenues could be adversely affected by a significant deterioration in the operational or financial condition of its connecting carriers. See "Business and Properties -- Transportation."

Regulation. The Company's transportation operations are subject to environmental, safety, health and other regulations generally applicable to all businesses. In addition, the Company's railroads, like other rail common carriers, are subject to regulation by the Surface Transportation Board ("STB"), the Federal Railroad Administration, state departments of transportation and other state and local regulatory agencies. Government regulation of the railroad industry is a significant determinant of the competitiveness and profitability of railroads.

FEC is a party to various proceedings before state regulatory agencies relating to compliance with environmental laws. In addition, the Company's present and historic ownership and operation of real property, including yards and maintenance facilities, in connection with its transportation operations involve the storage, use or disposal of hazardous substances that have contaminated and may in the future contaminate the environment. The Company may also be liable for the costs of cleaning up a site at which it has disposed

(intentionally or unintentionally by virtue of, for example, an accident, derailment or leak) or to which it has transported hazardous substances. The Company is currently involved in various remediations of properties relating to its transportation operations. See "-- Environmental Matters," "Business and Properties -- Transportation -- Regulation" and "Business and Properties -- Environmental Proceedings."

Liability for Casualty Losses. The Company's railroads, like other freight railroads, are liable for damage to freight, for losses arising from personal injury and for property damage in the event of derailments or other accidents or occurrences. The Company has obtained insurance covering many of these risks; however, under catastrophic circumstances, particularly those involving transportation of hazardous materials, such liability could exceed the Company's insurance limits. Also, insurance is available from only a very limited number of insurers and there can be no assurance that insurance protection at the Company's current levels will continue to be available or, if available, will be obtainable by the Company on acceptable terms. To the extent payments required in connection with losses or other liabilities arising from derailments or other causes are not covered by insurance or exceed the Company's insurance limits, the financial condition of the Company could be adversely affected. See "Business and Properties -- Transportation."

Fluctuations in Revenues and Expenses. The Company has historically experienced fluctuations in revenues and expenses due to unpredictable events such as customer plant expansions and shut-downs, accidents and derailments. The occurrence of such events in the future could cause further fluctuations in revenues and expenses and negatively affect the Company's financial performance. See "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Results of Operations -- Transportation."

Customer Concentration. In 1996, FEC's five largest customers accounted for approximately 31.0% of FEC's operating revenues. FEC's two largest customers in 1996 were Rinker Materials Corporation and Tarmac-Florida, Inc., which accounted for 11.9% and 7.8% of operating revenues, respectively, in the transportation segment. The Company's business could be adversely affected if its customers suffer significant reductions in their businesses or reduce shipments of commodities transported by the Company. See "Business and Properties -- Transportation."

RISKS RELATED TO SUGAR OPERATIONS

The Company's sugar operations are located in the Florida Everglades, which are the subject of extensive environmental review by a variety of governmental entities. In 1994 the State of Florida enacted the Everglades Forever Act, which significantly affects agriculture in the Everglades Agriculture Area ("EAA"). The Act calls for the creation of six Stormwater Treatment Areas ("STAs") as buffers between the Everglades Protection Area and the EAA. The Act imposes substantial taxes on the Company's sugar operations (approximately $1.3 million was paid in each of 1995 and 1996) and other agricultural interests to pay for construction of the STAs. No assurances can be given that compliance costs with the EAA will not increase materially in the future. The Company also must maintain compliance with other environmental laws, including the federal Clean Water Act and the federal Clean Air Act. See "-- Environmental Matters" and "Business and Properties -- Sugar -- Regulation."

On December 6, 1997, the Company reached an agreement in principle with certain federal and state government agencies for the sale of the Company's sugar lands. The Company will be required to deliver the lands in compliance with all federal and state environmental laws and be responsible for and bear the expenses of the cleanup of such lands and the sugar mill. No assurances can be given that cleanup costs will not materially affect the Company.

ENVIRONMENTAL MATTERS

The Company's current and past railroad, forestry and sugar operations, its past paper operations and its current and past ownership, operation and leasing of real property, are subject to extensive and changing local, state and federal environmental laws and regulations governing, among other things, emissions into the air, discharges into waters, the use, handling, transportation and disposal of hazardous substances, the protection, investigation and remediation of soil and groundwater contamination and employee health and safety. Such

laws include, but are not limited to, the federal Clean Water Act, the federal Clean Air Act, the Endangered Species Act of 1973 ("ESA"), the Resource Conservation and Recovery Act of 1978, the Comprehensive Environmental Response, Compensation and Liability Act of 1980 ("CERCLA"), the Federal Insecticide, Fungicide and Rodenticide Act and the Toxic Substances Control Act. Such laws can impose criminal and civil penalties, remediation expenses, natural resource damages and injunctive relief. The Company has made and will continue to make expenditures to comply with such laws. Liability under such laws and regulations may be imposed on current and prior owners and operators of property without regard to fault and without regard to knowledge about the condition or action causing the liability. The Company may also be contractually liable for indemnification of environmental clean-up costs in connection with the sale of its assets, businesses or real property, including the sale of its former linerboard mill and container plants to Florida Coast, and will be contractually required to bear the expenses of any environmental clean-up costs in connection with the sale of its sugar lands. In addition, the Company may potentially incur substantial costs relating to the clean-up of contamination caused by hazardous substances. The presence of hazardous substances on a property may also adversely affect the Company's ability to sell or develop such property or to borrow using such property as collateral. The presence, use or release of hazardous materials could also lead to claims for personal injury, damages to natural resources or property damage. In addition, the ESA protects species threatened with possible extinction and restricts the Company's harvesting activities on certain of the timberlands on which the bald eagle and the red cockaded woodpecker are present.

The Company has previously owned or operated other businesses or real property, including those relating to the operation of paper mill and container plants, which may have adversely affected the environment. As a prior owner or operator of those facilities, the Company could have liability for environmental damage, even though it is no longer the owner or operator. Subject to certain deductibles and sharing provisions, which are not expected to have a material adverse effect on the Company, the Company believes the purchaser of the paper mill and container plants will be responsible to the Company for costs relating to environmental damage; however, should the purchaser not be responsible, the Company would be liable for such costs. The Company may also be liable for the costs of cleaning up a site at which it has disposed (intentionally or unintentionally by virtue of, for example, an accident, derailment or leak), or over or to which it has transported, hazardous substances. The Company is currently a party to, or involved in, legal proceedings directed at the clean-up of certain off-site locations, including sites which are listed on the National Priorities List under CERCLA or other similar federal or state lists.

The Company accrues for the total estimated clean-up costs for the sites at which it has clean-up responsibilities when those costs become probable and when amounts (or at least a minimum amount) can be reasonably estimated. In accruing those amounts, the Company considers currently available information and management's evaluation of whether other potentially responsible parties are reasonably likely to contribute to the cost of a clean-up. As of September 30, 1997, the Company's aggregate environmental accruals were $7.3 million. Based on presently available information, the Company does not expect to incur amounts in excess of its accruals that are likely to have a material adverse effect on its financial position, liquidity or results of operations. However, it is not possible to quantify environmental costs with certainty because future laws, ordinances or regulations could impose material environmental liability, and new or different facts about the Company's operations or its ownership, operation or leasing of real property could arise in the future. In addition, the Company has incomplete technical information concerning environmental conditions at certain sites. See "Business and Properties -- Environmental Proceedings."

COMPETITION

Real Estate. The real estate industry is generally characterized by significant competition. The Company plans to continue to expand through a combination of office, industrial and residential developments in Florida where the acquisition and/or development of property would, in the opinion of management, result in a favorable risk-adjusted return on investment. There are a number of office, industrial and residential developers and real estate companies that compete with the Company in seeking properties for acquisition, resources for development and prospective tenants. Competition from other real estate developments may adversely affect the Company's ability to attract and retain tenants, rental rates and expenses of operation

(particularly in light of the higher vacancy rates of many competing properties which may result in lower-priced space being available in such properties). The Company may compete with other entities that have greater financial and other resources than the Company. There can be no assurance that the existence of such competition could not have a material adverse effect on the Company's business, operations and cash flow.

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

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

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

CONTROL BY PRINCIPAL SHAREHOLDER

After consummation of the Offerings, the Trust and the Nemours Foundation will collectively continue to own 16,691,900 shares of Common Stock or approximately 54% of the outstanding voting securities of the Company (assuming exercise of the U.S. Underwriters' over-allotment option and giving effect to management stock options exercisable within 60 days). See "Principal and Selling Stockholders." Accordingly, the Trust is and will continue to be able to control the election of the Company's directors and to determine the corporate and management policies of the Company, including decisions relating to any mergers or acquisitions by the Company, sales of all or substantially all of the Company's assets and other significant corporate transactions. In addition, the Company has entered into a registration rights agreement with the Trust (the "Registration Rights Agreement"), under which the Company has agreed that for a period of one year from the completion of the Offerings it will not issue any shares of Common Stock or options or securities convertible into Common Stock that would cause the Trust's and the Nemours Foundation's collective ownership in the Company to fall below 51% on a fully diluted basis. As a result, during such period the Company will not be able to issue shares of Common Stock in connection with acquisitions or other financings without the consent of the Trust. Pursuant to the Registration Rights Agreement, the Trust will also have the right to nominate two members of the Company's Board of Directors so long as the Trust and the Nemours Foundation collectively own in excess of 20% of the Company's outstanding Common Stock, and one member so long as such entities collectively own in excess of 5%. See "Alfred I. duPont Testamentary Trust -- Registration Rights Agreement."

DEPENDENCE ON KEY PERSONNEL

The Company's future success depends to a significant extent upon the leadership and performance of its executive officers and key employees. See "Management." The loss of the services of any of these individuals could have a material adverse effect on the Company's business, financial performance and results of operations. While the Company has entered into employment agreements with Peter S. Rummell, Charles A. Ledsinger, Jr., Robert M. Rhodes and other members of senior management, the Company cannot assure that

such individuals will remain with the Company throughout the terms of the agreements, or thereafter. As the Company continues to grow, it will continue to hire, appoint or otherwise change senior managers and other key executives. There can be no assurance that the Company will be able to retain its executive officers and key personnel or attract additional qualified members to its management team in the future. The Company does not maintain any policies of key person life insurance on the lives of its senior management personnel.

SHARES AVAILABLE FOR FUTURE SALE

On completion of the Offerings, the Trust and the Nemours Foundation together will own 54% of the shares of Common Stock outstanding (assuming exercise of the U.S. Underwriters' over-allotment option and giving effect to management stock options exercisable within 60 days). No prediction can be made as to the effect, if any, that future sales of shares, or the availability of shares for future sale, will have on the market price of the Common Stock. Sales of substantial amounts of shares of Common Stock in the public market or the perception that such sales might occur could adversely affect the market price of the shares of Common Stock. In the event of any future issuance of equity securities, the interests of holders of Common Stock, including the shares of Common Stock offered hereby, could be diluted. In addition, the Trust, the Company, and certain of the Company's officers, directors and other stockholders have agreed, except in certain limited circumstances, not to offer, sell, contract to sell, or otherwise dispose of any Common Stock or securities exercisable for, convertible into or exchangeable for Common Stock, for a period of 180 days after the closing of the Offerings, without the prior written consent of Morgan Stanley & Co. Incorporated. See "Underwriters."

DIVIDENDS

The Company paid aggregate annual cash dividends of $.20 per share to holders of the Common Stock in 1995 and 1996 and, upon payment of an additional $.05 to stockholders on December 30, 1997, will have paid aggregate cash dividends of $.20 to holders in 1997. In addition, the Company distributed net proceeds of $10.00 per share to all holders of record on March 21, 1997 arising from the sale of the Company's linerboard and container facilities and its communications business, and announced its intention to distribute an additional $1.02 per share to stockholders of record on December 19, 1997, payable on December 30, 1997. Although the Company has historically paid quarterly cash dividends of $.05 per share, there can be no assurance that such practice will continue in the future.

MARKET FOR COMMON STOCK

The Company had 899 common stockholders of record as of November 24, 1997. The Company's common stock is quoted on the New York Stock Exchange ("NYSE") Composite Transactions Tape under the symbol "SJP".

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

	COMMON STOCK PRICE	
	HIGH	LOW
1995		
First Quarter	$ 68	$53 1/4
Second Quarter	66 1/4	60
Third Quarter	64 1/2	60
Fourth Quarter	64 3/4	52 1/2
1996		
First Quarter	62 1/4	53 7/8
Second Quarter	65 7/8	57 7/8
Third Quarter	65 3/4	59 7/8
Fourth Quarter	69 1/2	63 1/2
1997		
First Quarter	93	63 1/8
Second Quarter	84 3/4	69 7/8
Third Quarter	100 7/8	81
Fourth Quarter(1)	115	91 1/2

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(1) Through December 15, 1997.

A recently reported sale price of the Company's common stock on the NYSE is set forth on the cover page of this Prospectus.

ALFRED I. DUPONT TESTAMENTARY TRUST

The Trust was established under the Last Will and Testament of Alfred I. duPont (the "Will") to provide testamentary dispositions to persons named in the Will and otherwise to benefit the Nemours Foundation, a charitable foundation provided for under the Will for the care and treatment of crippled, but not incurable, children and certain elderly. The Trust has been the controlling stockholder of the Company since 1940.

The Trust and the Nemours Foundation together currently own 21,291,900 shares or 68.9% of the outstanding Common Stock (after giving effect to management options exercisable within the next 60 days) and upon consummation of the Offerings will own 16,691,900 shares or 54.0% of the outstanding Common Stock (assuming exercise of the U.S. Underwriters' over-allotment option), and thus will continue to control the Company. The trustees of the Trust as of November 30, 1997 were W. L. Thornton, Chairman, J. C. Belin, H. H. Peyton, J. F. Porter, W. T. Thompson, III and Wachovia Bank, N.A. One trustee position is currently vacant due to the recent death of Alfred duPont Dent, who had been a trustee for 32 years.

REASONS FOR THE OFFERINGS

The Trust has concluded that it is desirable to sell a portion of its holdings of the Company's Common Stock to diversify its assets and to enable the Trust to invest the proceeds of the Offerings in assets that produce higher current income. Florida law requires the Trust to distribute annually at least 3% of the fair market value of its assets, regardless of its earnings in a given year. Under the terms of the Will, the Trust is separately required to distribute annually all of its income. Historically, the Trust has allocated its investments between debt securities, held to generate current income, and equity securities, principally the Company's Common Stock, held for long-term capital appreciation. Because the Company pays relatively low dividends on its Common Stock, the Trust's other assets must generate income sufficient to permit the Trust to meet its obligation to distribute annually an amount equal to 3% of the fair market value of the Trust's total assets. As the equity securities held by the Trust, principally the Company's Common Stock, have appreciated over time, the fair market value of the Trust's assets has reached a level at which its income-producing assets may not generate income equal to 3% of the fair market value of its assets.

In the future, the Trust may sell additional shares of Common Stock, but has agreed with the Underwriters that it will not effect any sales of Common Stock for a period of 180 days after the commencement of the Offerings without the consent of Morgan Stanley & Co. Incorporated. See "-- Registration Rights Agreement" and "Underwriters."

CERTAIN RELATIONSHIPS

Apart from its ownership interest in the Company's Common Stock, the Trust owns 46,859 units, or 93.7%, of the outstanding limited partnership units of Al-Zar, Ltd. ("Al-Zar"), a limited partnership organized by the Company for the purpose of holding approximately 300 acres of real property in Wilmington, Delaware. A subsidiary of the Company serves as general partner of Al-Zar and owns 500 units, or 1%, of Al-Zar's outstanding partnership units.

In addition to their positions with the Trust, Messrs. Thornton, Belin, Peyton, Porter, Thompson and H. M. Durden, the representative of the corporate trustee, Wachovia Bank, N.A., also serve as directors of the Nemours Foundation. The Nemours Foundation owns 450,224 shares, or approximately 5%, of FECI's outstanding common stock. Mr. Belin and Mr. Thornton also serve as directors of the Company and FECI.

CERTAIN TRANSACTIONS

The Nemours Foundation rents office space from GCC at rates approximating market rentals. In addition, Mr. Belin and Mr. Thornton have entered into consulting agreements with the Company. See "Certain Transactions."

EXPENSES OF THE OFFERINGS

The Company will bear all expenses of the Offerings, other than underwriting commissions and discounts, the fees and expenses of legal counsel and financial advisors to the Trust and certain other expenses.

REGISTRATION RIGHTS AGREEMENT

Pursuant to a Registration Rights Agreement between the Trust and the Company, the Trust may require the Company on up to five occasions to file a registration statement under the Securities Act so long as such registration covers not less than 10% of the Registrable Securities (as defined in the Registration Rights Agreement) held by the Trust and the Nemours Foundation collectively (unless the registration demand is the last demand available under the Registration Rights Agreement, in which case it may cover less than 10% of the Registrable Securities). The Trust may not exercise a demand registration within six months following the effectiveness of a registration statement for an earlier demand registration, and the Company may defer filing such a registration statement or proceeding with an offering for up to 60 days under certain conditions. The Offerings will constitute the first demand under the Registration Rights Agreement. In addition, the Trust and the Nemours Foundation have unlimited "piggy-back" registration rights under the terms of the Registration Rights Agreement. The Registration Rights Agreement provides that if the Trust has made a demand for registration and decides not to proceed with the related offering, in certain circumstances such demand shall be deemed to have been effected, unless the Trust agrees to pay all expenses of registration.

Pursuant to the Registration Rights Agreement, the Company will bear all of the expenses of demand registrations, except that the Trust will pay with respect to its Registrable Securities only its own underwriting discounts and commissions, the fees and expenses of the Trust's legal counsel and financial advisors and certain other expenses.

In the Registration Rights Agreement, the Trust has agreed, if required by the managing underwriter of a public offering of Common Stock by the Company or the Trust, not to effect any public sale or distribution or otherwise dispose of any securities of the Company during the seven days prior to, and the 90 days after, the effectiveness of the registration statement for any such offering. In connection with the Offerings, the Company and the Trust have agreed not to effect any such sale or disposition for a period of 180 days after the date of this Prospectus without the prior written consent of Morgan Stanley & Co. Incorporated. See "Underwriters."

In the Registration Rights Agreement, the Company has agreed that, so long as the Trust and the Nemours Foundation collectively beneficially own at least 51% of the Company's issued and outstanding Common Stock calculated on a fully diluted basis (as defined in the Registration Rights Agreement), the Company will not for a period of one year after the closing of the Offerings, without the prior written consent of the Trust, issue any common stock, convertible preferred stock, stock subject to options, warrants or other rights, convertible or exchangeable debt or equity securities or other securities which would cause the collective beneficial ownership interests of the Trust and the Nemours Foundation in the Company's Common Stock to fall below 51% on a fully diluted basis. In addition, for so long as the Trust and the Nemours Foundation collectively beneficially own at least 20% of the issued and outstanding shares of the Company's Common Stock, the Trust will be entitled to nominate, and the Company and the Board of Directors of the Company will support the election by the Company's stockholders of, two individuals designated by the Trust to be members of the Company's Board of Directors. For so long as the Trust and the Nemours Foundation collectively own at least 5% and less than 20% of the issued and outstanding shares of the Company's Common Stock, the Trust will be entitled to nominate, and the Company and the Board of Directors of the Company will support the election by the Company's stockholders of, one individual designated by the Trust to be a member of the Company's Board of Directors. If the size of the Company's Board of Directors is increased, the number of individuals designated by the Trust shall be appropriately and proportionately increased. These provisions of the Registration Rights Agreement are not intended to limit the ability of the Trust or the Nemours Foundation to vote their shares as they see fit with respect to the election of directors or otherwise.

Under the Registration Rights Agreement, the Trust and the Company have also agreed to indemnify each other against certain civil liabilities, including certain liabilities under the Securities Act.

SELECTED CONSOLIDATED FINANCIAL DATA

The selected consolidated financial data set forth below are qualified in their entirety by and should be read in conjunction with the consolidated financial statements and the notes related thereto included elsewhere in this Prospectus. The statement of operations data with respect to the years ended December 31, 1994, 1995 and 1996 and the balance sheet data as of December 31, 1995 and 1996 have been derived from the financial statements of the Company included herein, which have been audited by KPMG Peat Marwick LLP. The statement of operations data with respect to the years ended December 31, 1992 and 1993 and the balance sheet data as of December 31, 1992, 1993 and 1994 has been derived from the financial statements of the Company previously filed with the SEC although not incorporated by reference or included elsewhere herein, which have also been audited by KPMG Peat Marwick LLP. The following selected financial data for the nine months ended on September 30, 1996 and September 30, 1997 have been derived from the Company's unaudited consolidated financial statements which, in the opinion of management, contain all adjustments (consisting of only normal and recurring adjustments) necessary to present fairly the Company's financial position and results of operations at such dates and for such periods. Historical results are not necessarily indicative of the results to be expected in the future and results for interim periods are not necessarily indicative of results for the entire year.

	YEAR ENDED DECEMBER 31,					NINE MONTHS ENDED SEPTEMBER 30,	
	1992	1993	1994	1995	1996	1996	1997
						(UNAUDITED)	
	(IN THOUSANDS, EXCEPT PER SHARE DATA)						
STATEMENT OF OPERATIONS DATA:							
Net sales(1)	$ 130,085	$ 135,417	$ 155,122	$ 150,564	$ 245,704	$ 173,401	$ 79,566
Operating revenues(2)	169,439	177,040	175,784	184,360	185,485	162,307	172,328
Total revenues	299,524	312,457	330,906	334,924	431,189	335,708	251,894
Cost of sales	95,005	105,644	111,014	116,014	112,163	64,765	63,282
Operating expenses	138,317	129,704	133,091	139,875	139,640	120,524	118,493
Selling, general and administrative expenses	23,269	22,145	26,836	31,718	31,215	24,373	28,103
Operating profit	42,933	54,964	59,965	47,317	148,171	126,046	42,016
Other income	17,860	12,330	25,164	18,770	40,857	32,005	32,650
Income from continuing operations before income taxes and minority interest	60,793	67,294	85,129	66,087	189,028	158,051	74,666
Provision for income taxes	21,837	30,328	31,446	24,535	83,117	71,211	32,981
Income from continuing operations before minority interest	38,956	36,966	53,683	41,552	105,911	86,840	41,685
Minority interest	11,074	10,241	15,827	12,194	14,002	9,922	13,404
Income from continuing operations	27,882	26,725	37,856	29,358	91,909	76,918	28,281
Cumulative effect of change in accounting principle(3)	--	20,518	--	--	--	--	--
Income (loss) from discontinued operations(4)	(12,292)	(14,600)	4,253	44,461	(4,528)	(4,528)	--
Gain on sale of discontinued operations(4)	--	--	--	--	88,641	95,644	--
Net income	$ 15,590	$ 32,643	$ 42,109	$ 73,819	$ 176,022	$ 168,034	$ 28,281

	YEAR ENDED DECEMBER 31,					NINE MONTHS ENDED SEPTEMBER 30,	
	1992	1993	1994	1995	1996	1996	1997
						(UNAUDITED)	
	(IN THOUSANDS, EXCEPT PER SHARE DATA)						
PER SHARE DATA:							
Income from continuing operations	$ 0.91	$ 0.87	$ 1.24	$ 0.96	$ 3.01	$ 2.52	$ 0.93
Earnings (loss) from discontinued operations(4)	(0.40)	(0.48)	0.14	1.46	(0.15)	(0.15)	--
Gain on the sale of discontinued operations(4)	--	--	--	--	2.91	3.14	--
Cumulative effect of change in accounting principle(3)	--	0.68	--	--	--	--	--
Net income	$ 0.51	$ 1.07	$ 1.38	$ 2.42	$ 5.77	$ 5.51	$ 0.93
Dividends paid(5)	$ 0.20	$ 0.20	$ 0.20	$ 0.20	$ 0.20	$ 0.15	$ 0.15
Special distribution(6)	--	--	--	--	--	--	10.00
OTHER OPERATING DATA:							
EBDDT(7)	$ 50,140	$ 68,469	$ 58,327	$ 73,992	$ 72,682	$ 55,701	$ 60,938
Capital expenditures	71,574	68,615	65,450	78,816	64,271	41,135	53,256
Cash flows provided by (used in)							
Operating activities	68,960	81,605	102,718	154,082	117,345	136,818	75,237
Investing activities(6)	(85,498)	(68,108)	(82,750)	(137,115)	322,877	344,437	(11,773)
Financing activities(6)	(7,210)	(6,153)	(11,143)	(46,554)	(8,011)	(6,065)	(311,491)

	AS OF DECEMBER 31,					AS OF SEPTEMBER 30,	
	1992	1993	1994	1995	1996	1996	1997
						(UNAUDITED)	
	(IN THOUSANDS, EXCEPT PER SHARE DATA)						
BALANCE SHEET DATA:							
Cash and cash equivalents(8)	$ 201,112	$ 256,292	$ 275,417	$ 303,590	$ 819,851	$ 848,636	$ 576,712
Total property, plant and equipment, net	684,043	722,043	756,954	804,974	834,167	825,816	853,217
Total assets	1,289,384	1,395,833	1,449,390	1,530,994	1,806,238	1,817,606	1,584,860
Total stockholders' equity(9)	833,682	901,710	936,982	1,016,067	1,196,941	1,185,164	934,606

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(1) Net sales includes real estate, land and building sales, forestry and timber sales and sugar sales. Net sales for the nine months ended September 30, 1996 included two related one-time condemnation sales of land to the State of Florida in exchange for $97.8 million in cash plus certain limited development rights. Net operating results of the communications segment, linerboard mill and container plants are shown separately as income (loss) from discontinued operations for all years presented.

(2) Operating revenues includes real estate rental revenue and transportation revenue.

(3) Cumulative effect of adopting Statement of Financial Accounting Standards (SFAS) No. 109, "Accounting for Income Taxes."

(4) Net operating results of the communications segment, linerboard mill and container plants are shown separately as income (loss) from discontinued operations for all years presented. The gain on sale of discontinued operations declined by approximately $7.0 million during the fourth quarter of 1996 as a result of finalizing the post closing working capital adjustments, closing expenses and pension curtailment gain, which had been previously estimated. See Note 3 to the Consolidated Financial Statements.

(5) On December 15, 1997, the Company declared a dividend of $.05 per share to stockholders of record on December 24, 1997, payable on December 30, 1997.

(6) Approximately $359.3 million of proceeds from the sales of the communications segment, linerboard mill and container plants were held in special accounts during 1996. A special distribution of a portion of the net proceeds of the sales of $10.00 per share was paid on March 25, 1997, for stockholders of record on March 21, 1997. The Company has announced its intention to distribute the remaining net proceeds of approximately $1.02 per share in a special distribution to stockholders of record on December 19, 1997, payable on December 30, 1997.

(7) The Company uses a supplemental performance measure along with net income to report its operating results. This measure, Earnings Before Depreciation and Deferred Taxes (EBDDT), is not a measure of operating results or cash flows from operating activities as defined by generally accepted accounting principles. Additionally, EBDDT is not necessarily indicative of cash available to fund cash needs and should not be considered as an alternative to cash flows as a measure of liquidity. However, the Company believes that EBDDT provides relevant information about its operations and is necessary, along with net income, for an understanding of its operating results. Depreciation, amortization and deferred income taxes are excluded from EBDDT as they represent non-cash charges. Earnings and gains on sales of discontinued operations and gains on the sale of non-strategic land and other assets represent non-operating, unusual and/or nonrecurring items and are therefore excluded from EBDDT. The cumulative effect in 1993 of a change in accounting principle has also been excluded from EBDDT.

(8) Includes cash, cash equivalents, marketable securities and short-term investments.

(9) The Company adopted the provisions of SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities" at December 31, 1993. This adoption increased stockholders' equity by $41.5 million.

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

Management's discussion and analysis should be read in conjunction with the Consolidated Financial Statements and "Business and Properties" included elsewhere in this Prospectus. The following discussion contains forward-looking statements. The Company's actual results may differ significantly from those projected in the forward-looking statements. Factors that might cause future actual results to differ materially from the Company's recent results or those projected in the forward-looking statements include, but are not limited to, those discussed in "Risk Factors" and below.

The text below includes a discussion of the Company's results of operations for the nine month period ended September 30, 1996 compared to the nine month period ended September 30, 1997. For a discussion of the results of operations for the years ended December 31, 1994, 1995 and 1996, see Item 7, "Management's Discussion and Analysis of Financial Condition and Result of Operations," in the Company's 1996 Form 10-K, incorporated by reference herein.

OVERVIEW

St. Joe Corporation is a diversified company engaged in the real estate, forestry, transportation and sugar industries. Until the second quarter of 1996, the Company was also engaged in communications and the manufacture and distribution of forest products.

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

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

The Company is also undergoing certain strategic changes in its forestry operations. The major customer for the Company's timber has been and continues to be the Company's former linerboard mill which was sold in May, 1996. The wood fiber supply agreement between the Company and the mill was recently renegotiated to provide for a level of tonnage that is significantly less than historical levels. Partly as a result of the reduced tonnage under the agreement, the Company has decided to allow its forests to grow for longer periods in order to age the timber and shift its focus toward higher margin products. However, during this transition period, management believes that revenues in the forestry segment may continue to decline.

RECENT EVENTS

On December 10, 1997, the Company entered into a letter of intent with Codina Group, Inc. and Weeks Corporation under which the Company and Weeks each agreed to purchase a one-third interest in Codina, a

commercial/industrial developer, active principally in southern Florida. After the consummation of the transaction, Codina will continue to develop commercial, industrial and office property in southern Florida. The purchase price of this transaction is not material to the Company's financial position.

On December 6, 1997, the Company announced that it had reached an agreement in principle to sell its sugar lands to certain federal and state government agencies for $133.5 million in cash. Under the preliminary agreement, the Company would retain the right to farm the sugar lands through the 2002-2003 crop year. The proposed transaction is subject to both government and board approval.

On December 3, 1997, the Company and Orlando-based CNL Group, Inc. formed a real estate joint venture to invest in and develop office and industrial properties in the central Florida region. The Company, through two subsidiaries, received a 50% ownership interest in the joint venture. The Company committed to supply $25 million in funding for new projects the venture determines to develop and/or manage.

On November 21, 1997, the Company announced the withdrawal of its outstanding offer to purchase all outstanding FECI common stock not owned by the Company at $102 per share.

On November 12, 1997, the Company, through two subsidiaries, purchased certain assets, including the personnel, trademark and proprietary information systems, of Arvida Company through a newly formed limited partnership with JMB Southeast Development, L.L.C. and JMB Southeast Development, L.P. for the purpose of developing and/or managing residential communities on certain lands owned by the Company, as well as the purchase of other lands for development and management. The Company owns 74% of the new limited partnership, St. Joe/Arvida Company, L.P. The purchase price for the 74% partnership interest in the new entity is not material to the Company's financial position.

RESULTS OF OPERATIONS

COMPARISON OF NINE MONTH PERIODS ENDED SEPTEMBER 30, 1996 AND 1997

Net sales decreased 54.1% from $173.4 million in the first nine months of 1996 to $79.6 million in the first nine months of 1997. Sales in 1996 were unusually high due to two related condemnation sales of land to the State of Florida in exchange for $97.8 million in cash plus certain limited development rights. Sales of real estate totaled $30.5 million in 1997. Operating revenues increased 6.2% from $162.3 million in 1996 to $172.3 million in 1997, primarily due to an increase in transportation revenues of $6.8 million as well as increases in real estate rental revenues.

Cost of sales decreased 2.3% from $64.8 million in the first nine months of 1996 to $63.3 million in the first nine months of 1997, as a result of decreases in cost of timber and other sales of $21.9 million offset by increases in cost of real estate sales of $20.3 million. Operating expenses decreased 1.7% from $120.5 million in the first nine months of 1996 to $118.5 million in the first nine months of 1997 resulting from decreases in transportation costs of $3.9 million offset in part by an increase in real estate operating costs of $1.9 million.

Selling, general and administrative expenses increased 15.3% from $24.4 million in the first nine months of 1996 to $28.1 million in the first nine months of 1997, primarily due to a one-time write-off of approximately $2.9 million for expenses incurred in the transportation segment in connection with the possible disposition of certain of its assets.

Other income (expense) increased 2.0% from $32.0 million in 1996 to $32.7 million in 1997. The year to date increase for the first nine months of 1997 was due to higher average investment balances compared to the first nine months of 1996.

Income tax expense on continuing operations for the nine months ended in September 30, 1997 totaled $33.0 million, representing an effective rate of 44% compared to $71.2 million for a similar effective tax rate in the 1996 comparable period. These rates exceed statutory rates primarily because of the 50% excise tax on prepaid pension cost totaling $4.2 million in 1997 and $11.0 million in 1996. It is anticipated that as long as the Company continues to record prepaid pension cost, an excise tax of 50% will be accrued.

Net income for the nine months ended September 30, 1997 was $28.3 million or $0.93 per share compared to $168.0 million or $5.51 per share in 1996. Results for 1996 included income from discontinued operations of $91.1 million, net of tax.

Real Estate

	NINE MONTHS ENDED SEPTEMBER 30,		
	1996	1997	% CHANGE
	($ IN MILLIONS)		
Net Sales and Operating Revenue	$124.2	$59.2	(52.3)
Cost of Sales and Operating Expense	18.4	41.2	123.9
Selling, General and Administrative Expenses	3.1	3.4	9.7
Operating Profit	102.7	14.6	(85.8)

The Company's real estate operations currently consist of commercial and industrial development and management through GCC, a subsidiary of FECI, and community residential development through the Southwood Properties Division of the Company ("Southwood").

Real estate net sales and operating revenue decreased $65.0 million, or 52.3%, from $124.2 million in the first nine months of 1996 to $59.2 million in the first nine months of 1997. Costs of sales and operating expenses increased 123.9% from $18.4 million in the first nine months of 1996 to $41.2 million in the first nine months of 1997. The decrease in sales was largely due to two related condemnation sales of land to the State of Florida in 1996 for $97.8 million in cash plus certain limited development rights. Costs associated with these sales were $.1 million. The increase in costs of sales and operating expense was due to a higher cost basis on 1997 land and building sales. Year to date selling, general and administrative expenses increased 9.7% during 1997 due primarily to additional salaries and related benefits.

In the commercial/industrial segment, conducted through GCC, rental revenues increased $3.6 million, or 14.3%, from $25.1 million in the first nine months of 1996 to $28.7 million in the first nine months of 1997. Operating expenses in the commercial/industrial segment were $17.6 million for a 38.7% gross margin in the 1997 period compared to $15.7 million in 1996 for a gross margin of 37.5%. During the first nine months of 1997 eight buildings were placed in service adding approximately 973,000 leasable square feet. In the first nine months of 1997, land and building sales totaled $26.5 million and included three buildings, totaling $20.1 million, one of which was developed and constructed specifically for the purpose of resale. The total cost of these sales was $22.4 million.

In the community/residential segment, land sales increased $2.7 million, or 200.7%, from $1.3 million in the first nine months of 1996 to $4.0 million in the first nine months of 1997 (not including the condemnation sales). Costs of these sales increased 200.0% from $.4 million in the first nine months of 1996 to $1.2 million in the first nine months of 1997.

As a result of these factors, operating profit decreased 85.8% from $102.7 million for the nine months ended September 30, 1996 to $14.6 million for the comparable period in 1997.

Forestry

	NINE MONTHS ENDED SEPTEMBER 30,		
	1996	1997	% CHANGE
	($ IN MILLIONS)		
Net Sales	$44.6	$23.1	(48.2)
Cost of Sales	42.3	20.3	(52.0)
Selling, General and Administrative Expenses	1.4	1.7	21.4
Operating Profit (Loss)	.9	1.1	22.2

Total net sales decreased $21.5 million, or 48.2%, from $44.6 million in the first nine months of 1996 to $23.1 million the first nine months of 1997, all of which is attributable to the Florida Coast linerboard mill

shutdown which lasted from April 1997 through September 1997. Costs of sales decreased 52% from $42.3 million in 1996 to $20.3 million in 1997 due to declining sales, although cost of sales as a percentage of sales continued to improve as the Company sold more of its grown timber with higher margins than procured wood. Selling, general and administrative costs increased $.3 million from $1.4 million in 1996 to $1.7 million in 1997 primarily due to severance payments of approximately $1.2 million paid to 62 terminated employees, offset by reductions in ongoing staffing levels. Operating profit increased 22.2% from $.9 million in 1996 to $1.1 million in 1997.

On August 25, 1997, the Company renegotiated certain terms of its wood fiber supply agreement with Florida Coast Paper Company. Under the new agreement, the Company will supply 615,400 tons of pulpwood and wood chips between August 25, 1997 and May 30, 1998; thereafter the Company will supply 700,000 tons per year through December, 2011 with two five year renewal periods. Under the previous agreement, up to 1.6 million tons per year were to be provided to Florida Coast. As a result of the decrease in tonnage required to be provided to Florida Coast, management expects that the Company's revenues will be temporarily depressed, but the change should result in higher quality older-growth timber in the future. The pricing mechanism for the wood remains the same as in the original agreement.

Transportation

	NINE MONTHS ENDED SEPTEMBER 30,		
	1996	1997	% CHANGE
	($ IN MILLIONS)		
Operating Revenues	$137.2	$144.0	5.0
Operating Expenses	104.8	100.9	(3.7)
Selling, General and Administrative Expenses	14.5	17.7	22.1
Operating Profit	17.9	25.4	41.9

Operating revenues in the transportation segment were $144.0 million in 1997, an increase of 5% over the comparable period in 1996. Total FEC transportation operating revenues increased $9.0 million, or 7.1% from $127.5 million in the first nine months of 1996 to $136.5 million in the first nine months of 1997. This increase is attributable to a combination of an 8.2% increase in the number of shipments handled in the first nine months of 1997 versus 1996 and various rate increases achieved since the beginning of the year. ANRR's operating revenues were $7.5 million in 1997, $2.2 million lower than in 1996 due to the shutdown of the Florida Coast Paper linerboard mill shutdown, its largest customer. Operating expenses for this segment were $100.9 million, $3.9 million lower than last year as a result of decreases in casualty reserves totaling $2.5 million and overall reductions in operating expenses. The 1996 comparable figures for casualty and insurance costs included an accrual for an adverse legal judgment against the Company, which was subsequently reversed on appeal, of approximately $2.2 million. Selling, general and administrative expenses increased 22.1% over the previous year from $14.5 million in 1996 to $17.7 million in 1997. Operating profit for the transportation segment overall has increased from 13.0% in 1996 to 17.6% in 1997 as a result.

Sugar

	NINE MONTHS ENDED SEPTEMBER 30,		
	1996	1997	% CHANGE
	($ IN MILLIONS)		
Net Sales	$29.7	$25.5	(14.1)
Cost of Sales	19.9	19.3	(3.0)
Selling, General and Administrative Expenses	3.5	3.5	0
Operating Profit (Loss)	6.3	2.7	(57.1)

Net sales decreased $4.2 million, or 14.1%, from $29.7 million in the first nine months of 1996 to $25.5 million in the first nine months of 1997, due primarily to a 12.4% volume decrease (8,400 tons) resulting from the timing of shipments and fewer acres being harvested, and a sales price decrease of $7 dollars per ton. Cost

of sales as a percentage of sales increased from 67.0% to 75.7% due to lower selling price, higher direct costs including cultivation expenses, as well as higher indirect costs compared to 1996. Selling, general and administrative expense levels were consistent with 1996. Included in selling, general and administrative expense is the Everglades Agricultural Privileges Tax of $905,000 and $976,000 for 1997 and 1996, respectively.

CORPORATE AND OTHER

On February 25, 1997 the Board of Directors approved an interim severance program. The program was available to all employees (including early and regular retirees) who elected to leave employment with the Company prior to May 2, 1997. In total 80 employees elected to participate, and the Company incurred total severance costs of approximately $2.5 million during 1997, of which $1.3 million is included in corporate general and administrative expense and $1.2 million is included in the forestry segment.

FINANCIAL POSITION AND CAPITAL RESOURCES

Total cash and cash equivalents decreased 55.2% from $449.0 million at December 31, 1996 to $201.0 million at September 30, 1997 primarily as a result of the special distribution of $10.00 per share paid during the first quarter totaling approximately $305 million. The Company has announced its intention to distribute the remaining net proceeds of the sales of operations which occurred in 1996 of approximately $1.02 per share in a special distribution to stockholders of record on December 19, 1997, payable on December 30, 1997. The Company has also declared a dividend of $.05 per share to stockholders of record on December 24, 1997, payable on December 30, 1997. Total cash, cash equivalents, short-term investments and marketable securities were $576 million at September 30, 1997.

Capital expenditures for the year to date totaled $53.3 million, of which $40.8 million related to real estate construction and land purchases. It is anticipated that expenditures in the foreseeable future will be funded through available cash and cash equivalents and funds from operations.

Stockholders' equity at September 30, 1997 was $30.58 per share, a decrease of $8.67 from December 31, 1996, due to total distributions of $310.2 million, including the special distribution and the regular $.05 per share dividend paid each quarter.

The Company has historically not incurred debt in the development of its various real estate projects or for other expenditures, funding instead from internally generated cash flows. However, as the Company moves forward, debt may be incurred in those situations where the use of financing leverage is deemed appropriate. See "Business and Properties -- Investments."

BUSINESS AND PROPERTIES

GENERAL

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

- Real Estate -- the development, ownership and management of commercial, industrial and residential properties as well as the prospective development of resort and entertainment properties;

- Forestry -- the management and harvesting of extensive timberland holdings;

- Transportation -- the operation of two railroads within Florida; and

- Sugar -- the cultivation, harvesting and processing of sugar cane.

St. Joe is currently undergoing a number of important changes in its mix of businesses and its overall business strategy. In early 1997, the Company hired a new chairman and chief executive officer, Peter Rummell, the former President of Disney Development Company and Chairman of Walt Disney Imagineering, as well as several other senior members of management with strong backgrounds in large-scale real estate development, the complex Florida entitlement process, and financial and asset management. Under the direction of this new management team, the Company intends to focus more closely on the development of its large land portfolio. In addition, the Company is implementing a new strategy in its forestry segment by extending the harvest rotation of certain sections of its timberlands in order to effect a shift toward higher margin products. In order to focus more closely on its core assets, the Company sold its linerboard mill as well as its container and communications businesses in 1996. In addition, on December 6, 1997, management announced that it had reached an agreement in principle to sell the Company's sugar lands to certain federal and state government agencies on or before June 6, 1998, although the Company will retain the right to farm the sugar lands through the 2002-2003 crop year.

Management believes that the Company has a number of key business strengths and competitive advantages, including, in its opinion, the largest inventory of private land suitable for development in the State of Florida, a very low cost basis in its land assets, a strong cash position and no material indebtedness, which management believes will allow St. Joe the financial flexibility to aggressively pursue development opportunities. Management is also focusing on optimizing the value of the Company's other operating assets and may employ financially-driven strategies to improve returns, such as acquisitions, joint ventures and dispositions.

COMPANY BACKGROUND AND HISTORY

The Company was organized as a Florida corporation in 1936 by the executors of the Estate of Alfred I. duPont to implement Mr. duPont's plans to establish a paper company in northwestern Florida. The Company's Port St. Joe paper mill began operations in 1938. The Company subsequently expanded into other lines of business primarily by acquiring companies in financial difficulty whose assets the Company perceived to be undervalued. For example, the Company acquired control of FEC when it emerged from reorganization in 1961 and subsequently made large capital investments in FEC to rehabilitate its operations.

Since 1940, the Company has continued to purchase additional parcels of real property located throughout Florida and over time has acquired a sizable portfolio of land. Included in these holdings are approximately 45,000 acres in northwestern Florida that the Company has identified as potentially suitable for development over the near to long term. For a more complete description of the Company's land holdings, see "-- Real Estate Operations."

The current ownership structure of the Company's principal lines of business is as follows:

[GRAPH]

OPERATIONS

Real Estate. The Company currently conducts its real estate operations in two principal segments: commercial/industrial development and management and community/residential development.

The Company owns and manages commercial and industrial properties through Gran Central Corporation ("GCC"), a wholly-owned subsidiary of Florida East Coast Industries, Inc. ("FECI"), in which the Company has a 54% equity interest. At October 31, 1997, GCC owned and operated 59 buildings with approximately 5.6 million square feet of rentable commercial/industrial space. On the same date, GCC's buildings in service for one year or more were 91% leased (82% for its portfolio as a whole, including newly constructed buildings). GCC's buildings are primarily Class "A" office space and high quality commercial/industrial facilities constructed after 1987 and are well-located in business parks near major transportation hubs, primarily in the Jacksonville and Miami, Florida areas. At December 1, 1997, GCC had an additional 479,000 square feet under construction and had entitlements to develop an additional approximately 14.3 million square feet of buildings, primarily in its Miami, Jacksonville and Orlando parks. GCC also owns over 15,300 acres of unentitled land that management believes are suitable for future commercial, industrial and residential development, primarily situated adjacent to the Florida East Coast Railway right-of-ways in attractive markets that the Company believes will provide significant growth opportunities.

In the community/residential real estate sector, the Company intends to develop large-scale mixed-use communities, primarily on Company-owned land. The Company's land holdings include large tracts near Tallahassee, the state capital, and in northwestern Florida that the Company believes to be well-suited for community/residential as well as resort and second-home development. These holdings include significant Gulf of Mexico frontage (with over five miles of white sand beaches), and bay and riverfront properties, as well as properties adjacent to existing communities. The Company intends to design and entitle well-conceived master plans, install major infrastructure improvements and either sell permitted lots to merchant builders for construction or build and sell finished residential units to end purchasers. The Company recently initiated master-planning of 800 acres with over 7,000 feet of white sand beach frontage in south Walton County near the Town of Seaside for development as second-home and resort communities and 3,000 acres of a Tallahassee parcel for development as a mixed-use residential community. The Company is currently evaluating other properties for development as resort and second-home communities and believes that its holdings in northwestern Florida offer unique opportunities to create high amenity projects, with gulf, lake and river access, at comparatively low costs due to the Company's low basis in its long-term land holdings.

In order to increase the pace of community/residential development and to gain a foothold in the home building industry, the Company recently acquired the personnel, trademark and selected assets of the Arvida Company ("Arvida") through a majority-owned joint venture (the "Arvida Venture"). Arvida is a prominent Florida-based community and residential real estate developer, which in 1996 and the first nine months of 1997 closed contracts on 2,077 houses and 566 lots.

Forestry. The Company is the largest private owner of timberlands in Florida, with over 700,000 acres of planted pine forests, primarily in northwestern Florida, and an additional 300,000 acres of mixed timberland, wetlands and lake and canal properties. The principal product of the Company's forestry operations is softwood pulpwood. In addition, the Company produces and sells sawtimber. The Company estimates that it can increase its long-term sustainable yearly harvest over the next decade to 1.6 million tons of softwood pulpwood and .9 million tons of softwood sawtimber. The major customer for the Company's timber has been and continues to be the Company's former linerboard mill, which it sold to Florida Coast Paper Company, L.L.C. ("Florida Coast") in May 1996. In 1996, the Company harvested 697,398 tons of timber, of which 610,418 tons were sold to Florida Coast, and the balance to a number of other market participants, including Georgia-Pacific Corporation, Champion International Corporation and Louisiana-Pacific Corporation.

After the closure of the mill for several months in 1997, the Company renegotiated its 15 year supply contract with Florida Coast to allow it to supply pulpwood to the mill at a level (700,000 tons per year beginning June 1, 1998) significantly lower than historical levels. The Company sought to reduce its obligation to supply pulpwood under the agreement and intends to extend growing periods for certain portions of its timber and to sell such timber in the form of higher margin products, which the Company anticipates will increase the long-term profitability of its forestry operations. The Company estimates that its standing pine inventory on January 1, 1998 will total 10.6 million tons and its hardwood inventory will total 5.9 million tons.

Transportation. FECI's subsidiary, Florida East Coast Railway ("FEC"), provides rail and freight service over 351 miles of main line track between Jacksonville and Miami, Florida and 71 miles of branch line track between Fort Pierce and Lake Harbor, Florida. FEC has the only coastal right-of-way between Jacksonville and West Palm Beach, Florida and is the exclusive rail-service provider to the Port of Palm Beach, Port Everglades and the Port of Miami. Principal commodities carried by FEC, by weight, include trailers-on-flatcars, containers-on-flatcars, crushed stone, foodstuffs, vehicles and cement. FEC is pursuing a number of opportunities to enhance returns, including through leasing its right-of-ways for the laying of fiber-optic conduit and the construction of communications towers. The Company also owns the Apalachicola Northern Railroad ("ANRR"), a short-line railroad that operates on 96 miles of track between Port St. Joe and Chattahoochee, Florida.

Sugar. Talisman Sugar Corporation ("Talisman"), a wholly-owned subsidiary of the Company, grows sugarcane on over 52,000 acres in the Belle Glade region of south central Florida. Talisman processes this sugarcane at its mill facility and sells all of the output of raw sugar to the Everglades Sugar Refinery, Inc., a wholly owned subsidiary of Savannah Foods & Industries, Inc. During the 1996-1997 crop year, Talisman produced 117,000 tons of raw sugar. As part of its efforts to focus more intently on the Company's core assets, the Company has agreed in principle to sell its sugar lands to certain federal and state government agencies on or before June 6, 1998 for $133.5 million in cash. In the event the proposed sale is consummated, Talisman would retain the right to farm the sugar lands through the 2002-2003 crop year. The proposed transaction is subject to both government and board approval.

KEY BUSINESS STRATEGIES

The Company's principal objective is to optimize the value of its substantial asset base. The Company's management team is focused on the following key strategies:

Increase the Pace of Development. Through its new management team, the Company intends to take a more aggressive approach to the development of its properties. In the commercial/industrial sector, GCC has secured entitlements to develop an additional 14.3 million square feet of buildings. In the community/residential development sector, the Company's inventory includes approximately 51,000 acres, including land adjacent to existing developments and prime gulf-front properties as well as numerous lake and riverfront parcels that management believes can be developed in a variety of formats. As part of its strategy to increase the pace of development, St. Joe intends to initiate home-building activity, primarily through the Arvida Venture. During the near term, the Arvida Venture will accelerate development through the acquisition of land from third parties. Over the longer term, management

believes the Company's large raw land portfolio will allow the Company to maintain low development costs relative to its competitors and that its existing large portfolio of income-producing properties, together with its other businesses, will generate cash to fund a significant portion of its long-term projects.

Pursue Strategic Acquisitions and Joint Ventures. The Company believes that its diverse capabilities and access to capital provide a competitive advantage in identifying and acquiring additional development opportunities. The Company intends to pursue such development opportunities through potential acquisitions, joint ventures and other strategic alliances, particularly with established Florida-based developers. Management believes that joint venture relationships will provide the Company with immediate access to the human resources, local market expertise and information systems necessary to enable the Company to compete effectively for development opportunities. As part of this strategy, the Company recently entered into the Arvida Venture. The Company also recently formed a joint venture with CNL Group, Inc. ("CNL"), a large privately held real estate investment, finance and development company, to develop commercial properties in the central Florida region along the U.S. Interstate Highway 4 corridor, including Tampa, Orlando and Daytona Beach. On December 10, 1997, the Company entered into a letter of intent with Codina Group, Inc. ("Codina") and Weeks Corporation ("Weeks") under which the Company and Weeks each agreed to purchase a one-third interest in Codina, a commercial/industrial developer active principally in southern Florida.

Pursue Resort and Location-Based Entertainment Development Opportunities. The Company plans to actively pursue the development of resorts (including hotels, golf courses and other recreational facilities) and location-based entertainment facilities as a new line of business. These development projects may be in the form of stand alone projects or, in the case of resort facilities, in conjunction with the Company's large-scale community development projects. The Company's management has extensive expertise in these development areas and the Company believes it has the land inventory (including attractive beach and other waterfront properties) necessary to enter these new markets effectively. As part of this strategy, in December 1997, the Company acquired the Riverside Golf Management Company, which manages three daily fee public golf courses in Jacksonville, Florida, Atlanta, Georgia and Clemson, South Carolina, and a 50% interest in the Champions Club Golf Course at Alaqua Lakes in Orlando, Florida.

Aggressively Pursue the Entitlement Process. The Company believes that the complex Florida land entitlement process can be a significant entry barrier to less capitalized developers. In developing new residential real estate projects, the Company intends to capitalize on its large existing land portfolio by, if appropriate, deeding or donating portions of its existing properties in exchange for long-term development rights. The Company believes its large, established land inventory provides an advantage relative to competitors that must purchase real estate before beginning development projects.

Enhance Operating Performance. The Company believes it can improve its operating performance through the following means:

Implement Aggressive Leasing Policy. Due to currently favorable market conditions, the Company believes that it can generate incremental earnings through enhanced management of its existing rental portfolio and through more aggressive leasing. Leases for approximately 73% of GCC's 5.6 million rentable square feet expire over the next five years. In exercising this strategy, the Company intends to balance rental revenue with occupancy levels in order to optimize project revenues.

Increase Long-Term Profitability of Forestry Operations. The Company intends to improve returns in its forestry operations by growing portions of its timber for longer periods in order to capitalize on higher margins for older-growth timber. In 1996, the Company shed the lower margin component of its forestry operations through the sale of its linerboard mill and container facilities, and in 1997, the Company reduced employment in its forestry operations by 72% through outsourcing. In addition, the Company is considering potential transactions to increase the nearer term value of the Company's timberlands, such as asset swaps, sales, joint ventures or lease arrangements.

Achieve Cost Reductions in Transportation Operations. The Company believes it can improve the profitability of its transportation segment through reductions in its cost structure, including more efficient use of its railyards and equipment.

Capital Structure and Financing Strategy. The Company has historically financed expansion with internally generated funds, held large cash balances and avoided the incurrence of debt. Although the Company expects to continue to employ conservative financing policies, management intends to use the Company's balance of cash and cash equivalents to invest more aggressively in development, acquisitions and joint ventures and to incur debt in appropriate circumstances in order to more effectively leverage the value of the Company's assets. The Company had cash and cash equivalents of $560 million at December 4, 1997.

THE FLORIDA ECONOMY

The Company's businesses are centered in Florida and the state's economic health and growth rate will be important factors in creating demand for the Company's products and services. According to the Bureau of Economic Analysis of the WEFA Group, from 1992 to 1996 Florida's gross domestic product grew at an average rate of approximately 6.1% per year compared to 5.3% per year for the United States as a whole, and from 1997 to 2001 is expected to grow at an average annual rate of approximately 5.8% compared to 5.3% for the nation as a whole. According to U.S. Census Bureau statistics, Florida's annual population growth over the last ten years has been 2.0%, while the average U.S. rate of population growth has been approximately 1.0%. According to the Bureau of Economic and Business Research at the University of Florida (the "Bureau"), Florida's population will increase 26% between 1995 and 2010 compared to a U.S. Census Bureau projection of 13.5% for the United States as a whole. Population growth rates on the eastern coast of Florida, where many of GCC's properties are located, are projected by the Bureau to be significantly higher than the statewide rate. With the exception of Walton County (where population growth rates have exceeded those of the State of Florida), population growth rates in northwestern Florida, where most of the Company's properties are located, have not been as high as those of the State as a whole, but have still exceeded the national average. The Bureau estimates that employment in Florida grew at an average annual rate of 3.5% from 1980 to 1995 and will continue to increase at an average annual rate of 2.2% from 1996 to 2010. According to the Bureau, personal incomes in Florida grew at 4.1% from 1980 to 1995 and are expected to continue to grow at approximately 3% per year from 1996 to 2010. Florida's population, job and income growth have created substantial demand for new residential and commercial construction. According to a study conducted by the Bureau, in 1995 Florida ranked first in the nation with respect to the number of housing units permitted for construction and second in the nation on a value per unit basis. Housing starts in the state of Florida are expected to reach an aggregate level of 113,200 for 1996 and 1997 combined and to increase to 116,000 for 1998 alone. Management expects Florida's economic and population growth to continue and believes that St. Joe is well positioned to benefit from increasing demand for housing as well as office and industrial space in the Florida real estate market.

REAL ESTATE

The Company conducts its real estate operations through two principal segments: commercial/industrial development and management, and community/residential development. In addition, the Company plans to pursue resort and entertainment-based development in the future. The general locations of the Company's real estate holdings are indicated on the map on the inside front cover of this Prospectus.

COMMERCIAL AND INDUSTRIAL DEVELOPMENT

The Company owns and manages commercial and industrial properties through FECI's wholly-owned subsidiary, Gran Central Corporation. The primary focus of GCC's development activities has been the Miami, Jacksonville and Orlando areas, all of which are highly active with local, regional and national development companies competing for land and tenants. The Company plans to continue operating in these markets, and to evaluate Florida and southeastern markets to increase the geographic diversity of its current portfolio. GCC is aggressively pursuing commercial/industrial development opportunities on its entitled land and actively seeks attractive land acquisition opportunities. A summary of GCC's properties is set forth below:

GCC PROPERTY SUMMARY

Rentable Square Feet(1)	5,591,994
Percent Leased(1)(2)	82.4%
Rental Revenue(3)	$24,116,385
Average Age of Buildings(1)	5.5 yrs.
Square Feet under Construction(4)	479,000
Entitled Square Feet(4)(5)	14,324,000
Entitled Land (acres)(4)	1,888
Unentitled Land (acres)(4)	15,338
Developed Land (acres)(4)	452
Total Land (acres)(4)	17,678

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(1) At October 31, 1997.
(2) Buildings in service for one year or more were approximately 91% leased.
(3) Through October 31, 1997.
(4) At December 1, 1997.
(5) Several of the Development of Regional Impact ("DRI") applications under which GCC has vested rights to develop property contain conversion formulas. These formulas vary the number of square feet GCC may construct in a given project depending on the type of buildings constructed. Accordingly, actual square footage constructed may vary significantly from currently entitled square footage.

Because GCC was formed to conduct the real estate activities of the Florida East Coast Railway, its undeveloped properties are generally located near transportation corridors along the eastern coast of Florida. GCC's developable holdings include sizable parcels adjacent to FEC tracks which are suitable for development into office and industrial parks, offering both rail and non-rail-served parcels. Certain of GCC's other holdings are in urban or suburban locations offering opportunities for development of office building structures or business parks containing both office building sites and sites for flexible space structures such as office/showroom/warehouse buildings.

On December 3, 1997, the Company formed a 50/50 joint venture ("St. Joe/CNL") with Orlando-based CNL Group, Inc. to develop and acquire commercial real estate in the Central Florida area. CNL is a large privately held real estate, finance, and development company with substantial market knowledge and relationships in the Orlando and central Florida commercial and industrial markets. At October 31, 1997, CNL and its affiliates owned assets totaling more than $2 billion, representing more than 1,500 properties in 47 states. St. Joe/CNL's strategy is to accumulate a portfolio of profitable, stabilized real estate assets through a combination of development and acquisition and hold those assets in anticipation of ultimate sale. St. Joe/CNL will initially focus on single and multi-tenant office buildings and industrial and flex space, primarily in 17 central Florida counties and along the U.S. Interstate Highway 4 corridor, including Tampa, Orlando and Daytona Beach. St. Joe/CNL has significant investments planned for the greater Orlando market, including a 14-story 345,000 square foot downtown Orlando office building, together with an 1,800 space parking garage, which will serve as CNL's new corporate headquarters.

Income Producing Projects

At October 31, 1997, GCC's commercial and industrial income-producing portfolio included ten projects with 59 buildings aggregating 5,591,994 square feet. At October 31, 1997, these buildings were 82.4% leased. GCC's income-producing projects are detailed below:

GCC INCOME-PRODUCING PROJECTS

(AT OCTOBER 31, 1997)

LOCATION	NUMBER OF BUILDINGS	TYPE	RENTABLE SQUARE FEET	LEASED SQUARE FEET	PERCENT LEASED	MONTHLY BASE RENT	AVERAGE BASE RENT/ SQUARE FOOT	YEAR BUILT
duPont Center............... Jacksonville, FL	2	Office	162,669	157,040	96.5%	$ 178,951	$13.67	1987-88
Gran Park at Deerwood(1).... Jacksonville, FL	3	Office	385,213	302,091	78.4	406,163	16.13	1995-97
Gran Park at Interstate South..................... Jacksonville, FL	6	Industrial	260,064	223,247	85.8	123,598	6.64	1987-89
Gran Park at Jacksonville(2)........... Jacksonville, FL	3	Industrial	354,153	108,060	30.5	71,819	7.98	1997
Gran Park at the Avenues(3)................ Jacksonville, FL	8	Mixed use	713,877	594,741	83.3	492,723	9.94	1992-97
Gran Park at Riviera Beach..................... Riviera Beach, FL	5	Industrial	311,392	279,935	89.9	98,810	4.24	1982-91
Gran Park at McCahill(4).... Miami, FL	5	Industrial	878,439	566,420	64.5	249,063	5.28	1992-97
Gran Park at Miami(5)....... Miami, FL	24	Industrial	2,422,101	2,297,185	94.8	1,060,331	5.54	1988-97
Hialeah, FL.................	2	Industrial	50,150	24,075	48.0	11,975	5.97	1975/87
Pompano Beach, FL...........	1	Industrial	53,936	53,936	100.0	23,040	5.13	1987
Total..............	59		5,591,994	4,606,730	82.4%(6)	$2,716,473	$ 7.09	

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(1) A third office building totaling 126,228 square feet was constructed and placed in service during 1997 and has not yet been fully leased.
(2) All buildings in Gran Park at Jacksonville were constructed and placed in service in 1997.
(3) A third office/showroom/warehouse building totaling 70,400 square feet was constructed and placed in service during 1997 and has not yet been fully leased.
(4) Two 159,520 square feet warehouse buildings were constructed and placed in service in 1997 at Gran Park at McCahill and have not yet been fully leased.
(5) A sixth office/warehouse building totaling 103,200 square feet was constructed and placed in service during 1997.
(6) GCC's buildings in service for one year or more were approximately 91% leased.

A description of the most significant existing projects in GCC's portfolio is set forth below:

duPont Center. The duPont Center is comprised of two office buildings totaling 162,669 rentable square feet located in downtown Jacksonville, Florida. Its current occupancy rate is 96.5%. GCC owns an additional 17 acres at this location of which approximately five acres, capable of supporting an additional 160,000 square feet, have been entitled. The remaining 12 acres which lie to the south of Interstate 95 have not been entitled; however, GCC believes that it can construct additional office or industrial space on this site once entitlements are secured.

Gran Park at Deerwood. Built between 1995 and 1997, Gran Park at Deerwood ("Deerwood Park") is a 385,213 square foot Class A suburban office complex situated on 41 acres in the Deerwood area of Jacksonville, Florida. Deerwood Park is located in one of the fastest growing markets in Jacksonville. When it purchased Deerwood Park in 1994, GCC obtained vested development rights to build 540,000 square feet of office space. The three buildings constructed at Deerwood Park to date have

an occupancy rate of approximately 78.4%. A fourth building is under construction and is expected to be completed by mid-1998. This building will provide an additional 134,200 square feet, approximately 85,000 of which has been pre-leased to Chase Manhattan Bank, N.A. Deerwood Park will be fully built upon completion of the fourth building.

Gran Park at Interstate South. Gran Park at Interstate South ("Interstate South") is located near the intersection of U.S. Highway 1 and Interstate 95 in Jacksonville, Florida. Interstate South consists of six office/showroom/warehouses totaling 260,064 rentable square feet, located on approximately 25 acres. Its current occupancy rate is 85.8%.

Gran Park at Jacksonville. Gran Park at Jacksonville ("Jacksonville Park") is situated upon approximately 935 acres between U.S. Highway 1 and Interstate 95 in Jacksonville, Florida. This park is served by a rail spur connecting to FEC's main track. During 1997, GCC constructed three buildings at Jacksonville Park totaling 354,153 rentable square feet. By early December 1997, the project was 32.7% leased. GCC believes that it will enter into leases for an additional 15% of the space at the project before year end, and that the majority of the balance of the currently vacant space will be leased by the middle of 1998. GCC has secured entitlements to construct an additional 5.6 million square feet of industrial space, 500,000 square feet of office space and 80,000 square feet of retail space at Jacksonville Park, and has the flexibility to convert industrial space to office or retail space based upon market conditions. During 1997, GCC also completed construction of a 350,000 square foot build-to-suit rail served warehouse at Jacksonville Park for General Motors.

Gran Park at the Avenues. Gran Park at the Avenues ("Avenues Park") is located at the intersection of U.S. Highway 1 and Southside Boulevard in Jacksonville, Florida. Avenues Park consists of eight buildings totaling 713,877 rentable square feet. Its current occupancy rate is 83.3%. Approximately 30% of Avenues Park's capacity is utilized as office space while the remaining 70% is industrial. GCC completed construction of a 70,400 square foot office/showroom/warehouse at Avenues Park in 1997. GCC has completed additional infrastructure development at the site and has entitlements to construct approximately 80,000 additional square feet.

Gran Park at Riviera Beach. Gran Park at Riviera Beach is a 311,392 square foot park consisting of five industrial buildings which are 89.9% leased. The remainder of this property's 82 acres are platted and zoned for industrial development and GCC intends to sell individual parcels to others.

Gran Park at McCahill. Gran Park at McCahill ("McCahill Park"), a 878,439 square foot office/industrial park, is located in Dade County, west of the Miami International Airport at the intersection of State Road 826, a multi-lane limited access road, and U.S. Highway 27. By early December 1997, the project was 75.3% leased and GCC believes it will enter into leases for the majority of the currently vacant space by the middle of 1998. Management believes McCahill Park is well-situated to capitalize on saturated market conditions immediately adjacent to the airport. Development of McCahill Park is complete.

Gran Park at Miami. The Gran Park at Miami development ("Miami Park") consists of 24 buildings on 928 acres between U.S. Highway 27 and the Florida Turnpike. Miami Park features over 2.4 million square feet of rentable office, showroom and warehouse space, with a current occupancy rate of 94.8%. This Park is served by a rail spur. GCC has secured entitlements to develop an additional 7.0 million square feet at Miami Park. Due to the scarcity of available land adjacent to the airport, GCC believes that Miami Park is well-positioned to benefit as prospective tenants begin seeking accessible bulk distribution space outside of the congested airport vicinity.

New Construction

Through December 1, 1997, GCC's holdings grew significantly through the construction and placing in rental status of eight buildings offering approximately 973,000 square feet of leasable space. New construction in 1997 included one office building at Gran Park at Deerwood; one office/showroom/warehouse, one front load warehouse and one rail building at Gran Park at Jacksonville; one office/showroom/warehouse at Gran

Park at the Avenues; two office/warehouses at Gran Park at McCahill; and one office/warehouse at Gran Park at Miami.

At October 31, 1997, buildings under construction included a 134,200 square foot office building at Gran Park at Deerwood, of which 85,000 square feet has been pre-leased, a 62,800 square foot office/showroom/warehouse at Gran Park at Jacksonville, a 150,000 square foot office building and a 132,000 square foot office/ showroom/warehouse at Gran Park at Southpark, a new park being established by the Company in Orlando, Florida. Following completion, expected in the first half of 1998, these buildings will add approximately 479,000 square feet to GCC's total leasable space. Set forth below are details of GCC's new construction:

GCC NEW CONSTRUCTION

LOCATION	NUMBER OF BUILDINGS	TYPE	COMPLETION OR ESTIMATED COMPLETION DATE	RENTABLE SQUARE FEET	LEASED SQUARE FEET (10/31/97)	ESTIMATED BASE RENT/ SQUARE FEET
COMPLETED IN 1997:						
Gran Park at Deerwood...... Jacksonville, FL	1	Office	July 1997	126,228	72,540	$17.50-$18.00
Gran Park at Jacksonville............	1	Office/Showroom/Warehouse	July 1997	147,553	85,852	$9.10
Jacksonville, FL.........	1	Front Load Warehouse	July 1997	98,800	--	$4.25
	1	Rail Building	May 1997	107,800	--	$4.50
Gran Park at the Avenues... Jacksonville, FL	1	Office/Showroom/Warehouse	June 1997	70,400	--	$6.75
Gran Park at McCahill......	1	Office/Warehouse	January 1997	159,520	159,520	$6.00-$6.50
Miami, FL................	1	Office/Warehouse	April 1997	159,520	--	$6.00-$6.50
Gran Park at Miami......... Miami, FL	1	Office/Warehouse	July 1997	103,200	76,240	$6.00
Total..............	8			973,021		
UNDER CONSTRUCTION AT OCTOBER 31, 1997:						
Gran Park at Deerwood...... Jacksonville, FL	1	Office	May 1998	134,200	85,000	$17.50-$18.00
Gran Park at Jacksonville............ Jacksonville, FL	1	Office/Showroom/Warehouse	January 1998	62,800	51,500	$9.50
Gran Park at Southpark.....	1	Office	June 1998	150,000	--	$18.50
Orlando, FL..............	1	Office/Showroom/Warehouse	June 1998	132,000	--	$10.00
Total..............	4			479,000		

GCC has received expressions of interest from prospective tenants relating to leasing portions of its recently completed buildings and current sites under construction, including: (i) 35,340 square feet in the completed Gran Park at Deerwood office building, (ii) 31,566 square feet in the completed office/showroom/ warehouse and 26,400 square feet in the front load warehouse at Gran Park at Jacksonville, (iii) 17,749 square feet in the completed office/showroom/warehouse at Gran Park at the Avenues, (iv) 135,000 square feet in an office/warehouse at Gran Park at McCahill, (v) 23,680 square feet in the completed office/warehouse at Gran Park at Miami and (vi) 46,000 square feet at the office/showroom/warehouse under construction at Gran Park at Southpark.

In addition to those buildings presently under construction, GCC expects to commence construction in 1998 on a 134,200 square foot office building at Deerwood North, a 62,800 square foot office/showroom/warehouse at Gran Park at Jacksonville and a 134,200 square foot office building at Gran Park at Southpark. A description of new commercial/industrial parks upon which the Company has commenced or expects to commence construction in 1998 is set forth below:

Gran Park at Deerwood North. Gran Park at Deerwood North ("Deerwood North") is located near Deerwood Park in Jacksonville, Florida on approximately 35 acres purchased in 1997. As part of the purchase, GCC obtained vested development rights to build 513,000 square feet of office space. In addition, GCC was granted a right of first refusal to purchase certain adjacent property. The infrastructure for this project is in the design stage and GCC anticipates that infrastructure construction and construction of a 134,200 square foot office building will commence during 1998.

Gran Park at Southpark. Gran Park at Southpark ("Southpark") is situated upon approximately 85 acres near the Florida turnpike in Orlando, Florida. GCC has commenced construction of infrastructure and a 150,000 square foot office building and a 132,000 square foot office/showroom/warehouse building. It expects to construct an additional 134,200 square foot office building in 1998. The site is zoned for approximately 450,000 square feet of office space and 465,000 square feet of industrial space.

Leasing

At October 31, 1997, approximately 4,606,730 square feet or 82.4% of GCC's rentable square feet was leased. On the same date, in GCC's buildings in service for one year or more, approximately 4,220,370 square feet, or 91% of rentable square feet, was leased.

GCC's portfolio has limited tenant concentration, with the largest tenants being Seaboard Marine, Ltd., occupying 166,400 square feet or 3.6% of leased space, and Perfumania, occupying 138,600 square feet or 3.0% of leased space, in each case at October 31, 1997. The following table summarizes the lease expirations in GCC's portfolio for 1998 and thereafter:

LEASE EXPIRATION SCHEDULE

	1998	1999	2000	2001	2002	2003
Square Feet.................	871,288	862,127	546,543	482,358	606,359	457,413
Percent (annual)............	19.0%	18.8%	11.9%	10.5%	13.2%	10.0%
Percent (cumulative)........	19.0	37.8	49.7	60.2	73.4	83.4

Entitlements

In addition to properties under construction or upon which construction is expected to commence in the near term, at October 31, 1997, GCC had secured entitlements to construct up to 14,324,000 square feet of additional buildings. The Company's entitled land is located as indicated in the table set forth below:

GCC ENTITLED LAND SUMMARY

(AT OCTOBER 31, 1997)

PROJECT	ENTITLEMENTS (SQUARE FEET)
duPont Center... Jacksonville, FL	160,000
Gran Park Deerwood North.................................. Jacksonville, FL	519,000
Gran Park at the Avenues.................................. Jacksonville, FL	80,000
Gran Park at Jacksonville................................. Jacksonville, FL	5,800,000
Gran Park at Southpark.................................... Orlando, FL	765,000
Gran Park at Miami.. Miami, FL	7,000,000
Total...	14,324,000(1)

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(1) Several of the DRIs under which GCC has vested rights to develop property contain conversion formulas. These formulas vary the number of square feet GCC may construct in a given project depending on the type of buildings constructed. Accordingly, actual square footage constructed may vary significantly from currently entitled square footage.

In addition to the foregoing, GCC owns an 8.88 acre tract adjacent to the Dade County government center in Miami. This property is subject to the "Downtown Miami DRI", which allows construction of high rise office buildings in the Central Business District of Miami by GCC and other property owners. GCC previously explored the possibility of constructing one or more high rise office buildings on this site. At that time, it was determined that the DRI would allow the construction of two buildings totaling over one million square feet. GCC believes that there is currently capacity under the DRI to construct at least that amount of space. There can be no assurance, however, that this capacity will be available at the time building permits are issued. Because this DRI covers the entire Central Business District, other developers owning property subject to the DRI could exhaust all the capacity prior to GCC securing permits.

Land Holdings

GCC owns approximately 17,680 acres of land within fourteen counties, including several high-growth areas along Florida's east coast, such as West Palm Beach, Melbourne-Titusville, Daytona Beach, Jacksonville, Miami-Hialeah and the Fort Pierce area. GCC's land holdings were as follows at December 1, 1997:

GCC LAND HOLDINGS (ACRES)

(AT DECEMBER 1, 1997)

COUNTY	VACANT	DEVELOPED	ENTITLED	TOTAL
Brevard	2,396	--	--	2,396
Broward	46	6	--	52
Dade	605	260	757	1,622
Duval	324	155	1,046	1,525
Flagler	3,462	--	--	3,462
Indian River	5	--	--	5
Martin	661	--	--	661
Manatee	897	--	--	897
Palm Beach	147	31	--	178
Orange	--	--	85	85
St. Johns	3,321	--	--	3,321
St. Lucie	567	--	--	567
Seminole	1	--	--	1
Volusia	2,908	--	--	2,908
Total:	15,340	452	1,888	17,680

COMMUNITY AND RESIDENTIAL DEVELOPMENT

In the community/residential development sector, the Company's strategy is to develop large-scale mixed-use communities on Company-owned land. Development of master-planned communities is a long-term endeavor, with build-out typically occurring over a five- to fifteen-year period. The Company also intends to develop smaller scale residential projects that offer good uses of existing Company and acquired land.

On November 12, 1997 the Company purchased a 74% general partnership interest in a limited partnership, St. Joe/Arvida Company, L.P., through a joint venture with JMB Southeast Development, L.L.C. and JMB Southeast Development, L.P. The principal assets acquired through the Arvida Venture were the "Arvida" name, proprietary information systems and the Arvida management team. Through the Arvida Venture, the Company intends to develop certain of its existing lands as well as to acquire additional land for development. Although the Company has not in the past built homes, the Company intends to initiate home-building through the Arvida Venture. Between 1958 and 1996, Arvida completed more than 50 master-planned communities (including Weston, near Ft. Lauderdale, Florida; Sawgrass at Ponte Vedra Beach, Florida; Longboat Key Club in Sarasota, Florida; Boca West and Broken Sound in Boca Raton, Florida; and Eagle Watch in Atlanta, Georgia) which comprised more than 35,000 new homes. Although the Company's

residential development activities have historically been conducted primarily through its Southwood Properties division, the Company expects to direct most of its future community and residential development efforts through the Arvida Venture and to conduct the majority of its residential development activity under the Arvida trademark.

Company Land Holdings Identified for Residential Development

The Company owns approximately 45,000 acres in northwestern Florida and approximately 6,435 acres in St. John's County on the northeastern coast of Florida near Jacksonville, including substantial gulf, lake and riverfront acreage, that it believes to be potentially suited to community/residential and resort development. The Company continually evaluates its holdings and local market conditions to determine the market's readiness for additional development and, as a result, may identify additional significant developable tracts among its over 1.1 million acres in the future.

The Company's most significant land holdings potentially suitable for community and residential development are set forth below:

LAND HOLDINGS FOR COMMUNITY AND RESIDENTIAL DEVELOPMENT

(AT OCTOBER 31, 1997)

COUNTY	ACRES
Bay	25,933
Franklin	7,003
Leon	9,556
St. John's	6,435
Walton	1,583
Wakulla	1,143

Approximately 244 acres listed above are currently entitled for development.

In evaluating whether to develop a mixed-use residential community, the Company analyzes current demographic and economic data, such as (i) population growth, including net migration and natural increase trends, (ii) increases in household formation, (iii) job growth and job/household imbalance, (iv) income levels, (v) transportation, and (vi) new home occupancy levels. Once a site is identified, the Company designs the project to meet the needs of the target market, based on specific demographic information and the characteristics of the site itself. Items such as project design and unit mix, construction materials and finishes and common area amenities are reviewed in relation to the preferences of the target market. The Company believes that market segmentation during the planning process maximizes the overall returns of development.

Although the Company has completed a number of real estate developments and has begun to develop certain other parcels, in the aggregate these projects amount to a small fraction of the Company's land holdings that it believes to be suitable for development. The Company believes there is generally a two-year lag between the submission of a master plan to the appropriate regulatory body and the commencement of first phase construction. Accordingly, the Company expects that it will take many years for the Company to complete the development of significant portions of its developable land portfolio.

New Communities and Residential Development Projects

The Company is currently master-planning two tracts of land near the Town of Seaside and one large tract in suburban Tallahassee, as part of its development program. The master-planning of these tracts is expected to be completed in early 1998, and the Company anticipates submission of such plans to the relevant entitlement authorities soon thereafter. Described below are the Company's plans for development of these tracts:

Walton County, Seagrove and Camp Creek. The Company owns a 500 acre tract located between the Town of Seaside to the east and the Grayton Beach State Recreation Area to the west (the "Seagrove

Tract"). The Seagrove Tract has an approximately 1,400 foot frontage on the Gulf of Mexico as well as significant frontage on a large interior fresh water lake, Western Lake. The Company also owns a 300 acre tract four miles to the east of the Seagrove Tract with one mile of frontage on the Gulf of Mexico (the "Camp Creek Tract"). These tracts constitute the largest privately-owned undeveloped beach frontage remaining in South Walton County and feature high dunes and white sand beaches. In addition, these tracts are adjacent to or near the Town of Seaside, an eighty acre planned-resort community of 350 homes that has received wide acclaim as a model resort community and has an average home value of $460,000. Seaside is located midway between Panama City and Pensacola on the northwestern cost of Florida. The Company intends to develop the Seagrove and Camp Creek Tracts as second home/resort communities, each with an image and identity separate from the Town of Seaside, but capitalizing on the positive image Seaside has created over the past decade. The Company's preliminary plans for the Seagrove and Camp Creek Tracts include gulf front inns or hotels and beach clubs to provide beach access and facilities for neighborhood property owners and guests. Management believes the Seagrove and Camp Creek Tracts' gulf frontage presents an opportunity for the Company to enhance the value of several thousand acres it owns nearby that are off the beach and to the north, by providing "windows" of beach access for such properties. The Company anticipates that the first phase of construction of these tracts will begin approximately two years after submission of master-plans to the Walton County entitlement authority. The following map shows a detail of the Seagrove and Camp Creek Tracts' locations.

[MAP]

Leon County, Tallahassee. The Company is currently master-planning a 3,000 acre tract located in Tallahassee for development as a residential and mixed-use planned community (the "Tallahassee Tract"). The Tallahassee Tract is characterized by rolling terrain, large lakes and heavily treed areas of live oaks and other hard woods. It is located only six miles from downtown Tallahassee and the State Capital building. The Tallahassee Tract is immediately adjacent to the Capital Circle complex, a 750,000 square foot state office complex located on land previously donated to the State by the Company. The Capital Circle complex has been entitled to expand to 2 million square feet and, when fully constructed, will provide employment for up to 8,000 persons. The Company anticipates that the favorable location of

the Tallahassee Tract will create demand for new residential construction. The Company intends to commence the first phase of construction on the Tallahassee Tract approximately two years after submission of master-plans to the Leon County entitlement authority, expected early in 1998. The Company expects to engage in on-going master-planning of the Tallahassee Tract and, on a longer-term basis, of an additional 7,000 acres that it owns adjacent to the Tallahassee Tract in order to create a full-scale new town adjacent to the existing Tallahassee city limits. The following map shows a detail of the Tallahassee Tract's location.

[MAP]

The Company believes that its raw land inventory will provide a long-term supply of well-situated land and waterfront properties that may be suitable for similar developments in the future. In particular, the Company owns two developable parcels in St. John's County, on the northeastern coast of Florida. The Company's Riverton property, located near Jacksonville, is a 4,300 acre parcel with 4.5 miles of riverfront on the St. John's River, which at that location is approximately 3 miles wide. The Riverton property offers unobstructed western views across the waterfront as well as fishing and boating opportunities. Management believes that transportation improvements planned by the County and State should give the Riverton property strong transportation connections and access to employment centers in Jacksonville. The Company anticipates that master-planning of a residential community to be built on this tract will begin in the next year. In addition, GCC owns a 2,150 acre parcel in St. John's County located on the Intracoastal Waterway with a view across to the undeveloped beach front at the Guana River State Park. Management believes this property is suitable for development into a mixed-use community and the Company expects to begin master-planning in late 1998. As is typical of large scale development projects, development of these tracts could require significant infrastructure development costs and may raise environmental issues that require mitigation.

In addition, the Company has certain smaller developments underway or entitled in Bay and Walton counties. The Retreat, a 97-lot vacation home project in Walton County with 2,600 feet of gulf frontage, is fully entitled and construction is expected to begin shortly. The Company expects home values at the Retreat will range from $375,000 to over $1,000,000. In addition, first phase infrastructure is complete and sales are underway for Summerwood, a 200-lot subdivision in Panama City Beach intended for first and retirement home buyers. Home values at Summerwood are expected to range from $90,000 to $125,000. Woodrun, a

52-lot subdivision in Panama City, is currently under construction and sales are expected to begin in January 1998. Woodrun is intended to serve as primary housing for trade-up buyers, and the Company expects home prices will range from $150,000 to $250,000. In conjunction with the Arvida Venture, the Company intends to construct homes at these development sites and then sell them to end purchasers.

Several of the projects described above, including the Seagrove Tract, the Camp Creek Tract and the Tallahassee Tract, are still in the master-planning stage and have not yet been submitted to the state and local authorities for their review. No assurances can be given that the necessary entitlements for development will be secured, that any of the Company's projects can be successfully developed, if at all, or that they can be developed in a timely manner. It is not feasible to estimate project development costs until entitlements have been obtained.

Longer-Term Development Priorities

The Company owns several other developable properties in the northwestern portion of Florida. A large portion of this property is situated along major U.S. and state highways and has significant gulf, lake or river frontage. The most significant tracts include parcels situated near Panama City Beach, Mexico Beach, St. Joe Beach and the town of Apalachicola. The Company believes that these properties offer significant development opportunities that it expects to develop over the long-term.

Panama City Beach, Bay County. The Company's 5,000 acre holdings to the north and abutting the city limits of Panama City Beach are the only avenues for Panama City Beach to expand its limits. The City estimates that it captures four million overnight visitors annually and promotes itself as the home of the "World's Most Beautiful Beaches". The Company is currently conducting land use analyses and environmental studies to determine the suitability of this land for development. In addition, the Company has contracted to purchase a 1.4 acre beach-front "window" on Panama City Beach to provide beach access for its thousands of off-beach acres adjacent to the corporate limits of Panama City Beach. Management believes these tracts present an opportunity for mixed-use recreation and second home development with an entertainment/retail component.

Apalachicola, Franklin County. The Company owns 7,003 acres surrounding the town of Apalachicola, a coastal fishing town on Apalachicola Bay and the Gulf of Mexico that is emerging as a tourist destination. The Company's holdings include approximately twelve miles of frontage on the Apalachicola Bay and the Gulf of Mexico to the west of the town. Management believes this tract presents an opportunity for the development of vacation and second homes with a golf and water orientation.

St. Joe Beach/Mexico Beach, Gulf and Bay Counties. Company holdings at St. Joe and Mexico Beach contain slightly over four miles of gulf frontage. At St. Joe Beach, the white sand beaches of the Florida panhandle begin. The Company owns several thousand acres of off-beach property behind its beach exposure. These parcels are traversed by U.S. Highway 98, which runs along the coast providing access east and west. Management believes these tracts present an opportunity for the development of vacation and second homes with a golf and water orientation.

Other

Through the Arvida Venture, the Company has acquired a six-month option to purchase certain real estate management contracts and a limited ownership stake in certain existing Arvida developments. The Arvida Venture will also provide management services for a number of non-Company large scale residential housing projects on a cost reimbursement basis, and accordingly it is expected that the Arvida Venture management team will dedicate significant time and resources to non-Company projects in the near to medium term.

RESORT AND LOCATION-BASED ENTERTAINMENT DEVELOPMENT

The Company plans actively to pursue development of resorts and recreational facilities as a new business line. The development of resorts, including hotels, recreation facilities and golf courses, may be in the form of stand-alone projects or in conjunction with the Company's large scale community developments. Resort

developments may be the best use for some of the Company's prime waterfront lands. The Company's inventory of raw land, management's knowledge of the permitting process and extensive experience in resort development should allow the Company to begin to develop these lands in the near future. Resort projects typically require large tracts of undeveloped land, and regulatory agencies may require that a developer of such a property dedicate land for public use in order to secure the requisite permits. The Company may be able to utilize its large land holdings to facilitate the permitting process with local communities in appropriate circumstances.

As part of its strategy to pursue resort and recreational facility development, on December 3, 1997, the Company purchased 100% of the capital stock of Riverside Golf Management Company ("Riverside") and a 50% interest in the Champions Club Golf Course at Alaqua Lakes in North Orlando, Florida from Steven Melnyk. Riverside is currently the manager of three daily fee public courses in Jacksonville, Florida, Atlanta, Georgia and Clemson, South Carolina. The Company acquired Riverside, its information systems, current management contracts and the right to use the name "Champions Club" on any course it develops or manages. Management intends to utilize Riverside in conjunction with the Arvida Venture to create attractive residential communities with a golf course component. Riverside will also develop golf courses unrelated to Company residential developments.

The Company is also evaluating potential development opportunities in the location-based entertainment business. This industry has experienced substantial growth in the past five years. Location-based entertainment takes the form of standalone facilities, often part of regional or national chains, that provide multiple forms of entertainment experiences in a single setting. Such facilities may offer only entertainment or may offer a combination of entertainment, food and beverage and retail experiences. The Company's management has extensive experience in the entertainment segment of the real estate development industry and is seeking avenues to take advantage of that experience.

REGULATION

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 DRI application. Compliance with the Growth Management Act and the DRI process is usually lengthy and costly and can be expected to materially affect the Company's real estate development activities.

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

The Growth Management Act is in some instances significantly affecting 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 are delaying or preventing the issuance of permits. The Growth Management Act could adversely affect the ability of Florida developers, including the Company and GCC, to develop real estate projects.

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

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

The Company's ownership and development of real estate are subject to extensive and changing federal, state and local environmental laws, the provisions and enforcement of which are expected to become more stringent in the future. Pursuant to those laws, the owner or operator of real estate may be required to perform remediation regardless of whether it caused the contamination. The sale or development of properties may also be restricted due to environmental concerns, the protection of endangered species, or the protection of wetlands. In addition, violations of various statutory and regulatory programs can result in civil penalties, remediation expenses, natural resource damages, potential injunctions, cease and desist orders and criminal penalties.

The Company is not presently aware of any material contaminations at or any material adverse environmental development issues relating to its real estate operations. However, there can be no assurance that environmental issues will not arise in the future relating to the real estate operations. See "Risk Factors -- Environmental Matters."

FORESTRY

The Company's forestry operations, conducted through its wholly-owned subsidiary, St. Joe Timberland Company, are in the business of growing, harvesting and selling timber and wood fiber. The Company is the largest private holder of timberlands in Florida, with over 700,000 acres of planted pine forests, primarily in northwestern Florida, and an additional 300,000 acres of mixed timberland, wetlands, lake and canal properties. Over 639,000 acres of the Company's timberlands have been planted as managed pine plantations to facilitate harvesting and reforestation and to maximize timber yields. Although no detailed inventory has been conducted, the Company estimates that approximately 150,000 acres of hardwood are located on its remaining timberlands. Six forestry units and a wood procurement unit manage the timberlands. The timberlands are harvested by local independent contractors pursuant to agreements which are generally renewed annually. The Company also owns a wood chipping facility located at Lowry, Florida. The principal product of the Company's forestry operations is softwood pulpwood, but the Company also produces and sells softwood and hardwood sawtimber.

On May 30, 1996, the Company sold its former linerboard mill and container plants as part of its strategy of focusing its forestry operations on the business of growing and harvesting timber. By divesting itself of these assets, the Company can now focus on achieving the highest margin usage for its products, consistent with sustainable harvest practices, without the competing imperative of supplying fiber to manufacturing operations that typically only operate efficiently at full capacity. As a result, the Company can now seek to operate its forestry operations as a stable and sustainable business, shielded from the highly cyclical nature of the conversion business.

THE TIMBERLANDS

The Company's timberlands are located in northwestern Florida and southern Georgia, near key transportation links including roads, waterways and railroads, allowing the Company to deliver fiber to its customers on a cost efficient basis. The Company's principal productive timberlands are near the facilities of Florida Coast in Port St. Joe, the Company's major customer. Numerous other major conversion facilities located near the Company's timber assets could serve to further expand the markets for the Company's timber products. The map inside the front cover of this Prospectus sets forth the locations of the Company's timberlands.

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

At October 31, 1997, the distribution of the Company's pine timberland, by age class, was as follows:

SOFTWOOD FORESTS -- FIVE YEAR AGE CLASSES

AGE	ACRES
0- 5	161,334
6-10	179,936
11-15	153,426
16-20	107,164
21-25	62,652
26-30	20,436
31-35	1,937
36 +	2,115
Total	689,000

The Company views its timberlands as a renewable resource and manages its timberlands to achieve sustainable harvests. During the 1996-1997 planting season, the Company planted approximately 13 million seedlings on 17,900 acres. St. Joe maintains a research facility in Capps, Florida, which conducts research to produce faster-growing, more disease-resistant species of pine trees.

Harvest Levels

In 1996, the Company harvested 697,398 tons of softwood pulpwood and sawtimber. The Company estimates that it can increase its long-term sustainable yearly harvest over the next decade to 1.6 million tons of softwood pulpwood and .9 million tons of softwood sawtimber. The Company estimates that its timberlands will yield a sustainable harvest of approximately 2.5 million tons a year of softwood and .3 million tons of hardwood, commencing in 2008. The following tables set forth the Company's historical and projected annual softwood and hardwood harvest volumes for the years 1992 to 2008:

SOFTWOOD AND HARDWOOD HARVEST PLAN
(TONS)

YEAR	SOFTWOOD PULPWOOD	SOFTWOOD SAWTIMBER AND OTHER PRODUCTS	TOTAL ANNUAL SOFTWOOD HARVEST	HARDWOOD PULPWOOD	HARDWOOD SAWTIMBER AND OTHER PRODUCTS	TOTAL ANNUAL HARDWOOD HARVEST	TOTAL ANNUAL HARVEST
ACTUAL:							
1992	773,051	195,691	968,742	*	*	*	968,742
1993	823,625	177,109	1,000,734	*	*	*	1,000,734
1994	1,096,682	151,420	1,248,102	*	*	*	1,248,102
1995	943,413	84,492	1,027,905	*	*	*	1,027,905
1996	620,110	77,288	697,398	*	*	*	697,398
PROJECTED:							
1997	665,000	135,000	800,000	*	*	*	800,000
1998	829,000	123,300	952,300	100,000	150,000	250,000	1,202,300
1999	910,000	190,000	1,100,000	100,000	150,000	250,000	1,350,000
2000	925,000	275,000	1,200,000	125,000	175,000	300,000	1,500,000
2001	925,000	275,000	1,200,000	125,000	175,000	300,000	1,500,000
2002	950,000	350,000	1,300,000	125,000	175,000	300,000	1,600,000
2003	950,000	350,000	1,300,000	125,000	175,000	300,000	1,600,000
2004	1,000,000	500,000	1,500,000	125,000	175,000	300,000	1,800,000
2005	1,150,000	600,000	1,750,000	125,000	175,000	300,000	2,050,000
2006	1,300,000	700,000	2,000,000	125,000	175,000	300,000	2,300,000
2007	1,450,000	800,000	2,250,000	125,000	175,000	300,000	2,550,000
2008	1,600,000	900,000	2,500,000	125,000	175,000	300,000	2,800,000

(*) Historically, the Company has harvested minimal amounts of hardwood.

Inventory Levels

The Company estimates that its standing inventory on January 1, 1998 will total 10.6 million tons of softwood timber and 5.9 million tons of hardwood timber. The following table sets forth the Company's projected standing inventory levels by product, at January 1, 2008:

PROJECTED STANDING INVENTORY AT JANUARY 1, 2008
(TONS)

SOFTWOOD PULPWOOD	HARDWOOD PULPWOOD	SOFTWOOD SAWTIMBER	HARDWOOD SAWTIMBER	TOTAL
15,938,372	2,456,869	6,904,607	6,274,983	31,574,832

PRICING

While the supply of timber in the United States has been subject to constraint, demand has remained relatively strong, driven by economic expansion and population increases, which in turn drive growth in housing starts, repair and remodeling activities and industrial wood use. The Company expects demand for timber to remain strong as economies in the United States and abroad continue to expand. This stable demand in the face of a constrained supply has resulted in real price appreciation for timber. As the following charts illustrate, between 1988 and 1996 stumpage prices for two of the Company's largest timber products, southern pine pulpwood and sawtimber, increased at real compound annual growth rates of 4% and 5%, respectively.

[CHART]

[CHART]

The Company anticipates that increasing demand and continuing constraints on timber supply will continue to support higher real timber prices.

SALES AND MARKETING

The major customer for the timber harvested from the Company's timberlands has been and continues to be the Company's former linerboard mill at Port St. Joe, Florida, which was sold on May 30, 1996 and which now operates as the Florida Coast Paper Company, L.L.C. Pursuant to a supply contract entered into with Florida Coast upon the sale of the mill, the Company was obligated to sell Florida Coast between 900,000 and 1.6 million tons of pulpwood a year on a long-term basis. However, from April to September 1997, Florida Coast shut down due to soft market conditions in the paper industry and breached its obligations to buy specified amounts of pulpwood from the Company. In August 1997, the Company negotiated an amendment to the supply agreement with Florida Coast, which will reduce the Company's supply obligations to 700,000 tons a year beginning in June 1998 and which also contains certain protections for the Company, including liquidated damages in the event of future shutdowns. The Company views the reduction of its supply obligations to Florida Coast as a key to its future business strategy because the reduction will allow the Company to sell a greater portion of its timber in the form of higher margin products over the long term. The Company's amended supply contract with Florida Coast expires in 2011, subject to two five year extensions at the option of Florida Coast. Under the supply contract, prices for the Company's pulpwood are set at a base level and readjusted quarterly based on a four-quarter rolling average of market prices. Although quarterly

price variation is capped at 5%, the base price level is reset every two years. The Company mitigated the short-term financial impact of Florida Coast's shutdown through sales to various mills and other producers in Florida, Georgia and Mississippi in the spot market, although the shutdown adversely affected the forestry segment's results of operations for 1997.

Although the Company has historically provided pulpwood softwood primarily to the Florida Coast mill, management believes that wood harvested from the Company's lands has the potential to provide products to several regional manufacturing facilities. Several companies have consulted with the Company regarding potential long term timber supply contracts and the possible location of substantial new conversion facilities near the Company's lands. In 1996, the Company sold 697,398 tons of timber, of which approximately 610,418 tons were sold to Florida Coast, and the balance to other customers.

OTHER BUSINESSES

As part of its strategy to maximize the cash flows from its timberlands, the Company engages in several business activities complementary to its land holdings. The Company leases approximately 881,000 acres of its timberlands to private clubs and state agencies for hunting, 280 acres in north Gadsden County for the mining of Fullers earth, and 600 acres to Martin Marietta for the mining of limerock. Revenues from these businesses totaled $369,309 in 1996 and are estimated to be $1,260,000 for 1997. The Company has not conducted an exhaustive survey of its timberlands for potential mineral reserves.

REGULATION

The Company's forestry operations are subject to extensive and changing federal, state and local environmental laws and regulations, the provisions and enforcement of which are expected to become more stringent in the future. Forestry operations generate air emissions through controlled burning and discharge industrial wastewater and stormwater. The forestry operations are subject to regulation under the ESA, the federal Clean Water Act, the federal Clean Air Act, the Federal Insecticide, Fungicide and Rodenticide Act and the Toxic Substances Control Act as well as similar state laws and regulations. Violations of various statutory and regulatory programs can result in civil penalties, remediation expenses, natural resource damages, potential injunctions, cease and desist orders and criminal penalties. Some environmental statues impose strict liability, rendering a person liable for environmental damage without regard to negligence or fault on the part of such person.

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

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

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

TRANSPORTATION

The Company owns 54% of Florida East Coast Industries, Inc., which in turn owns 100% of Florida East Coast Railway Company. The Company also owns and operates the Apalachicola Northern Railroad Company.

FLORIDA EAST COAST RAILWAY

FEC operates a railroad along 351 miles of main line track between Jacksonville and Miami, Florida and along 91 miles of branch track between Fort Pierce and Lake Harbor, Florida. FEC also maintains approximately 157 miles of switching track and 184 miles of other track. FEC has the only coastal right-of-way between Jacksonville and West Palm Beach, Florida and is the exclusive rail-service provider to the Port of Palm Beach, Port Everglades and the Port of Miami. To complement and facilitate its railroad operations, FEC also provides drayage and interstate trucking services. FEC owns 82 diesel electric locomotives, approximately 2,633 freight cars, approximately 7 tractors, 1,352 trailer units for highway service, numerous pieces of work equipment and automotive vehicles. FEC also owns three four-story buildings in downtown St. Augustine, which it uses for its corporate headquarters, and approximately 12,000 acres of land along the east coast of Florida devoted to its railroad operation. All property and equipment owned is in good physical condition.

OPERATING STATISTICS

	YEAR ENDED DECEMBER 31,		
	1994	1995	1996
	(IN THOUSANDS, EXCEPT PERCENTAGE DATA)		
Operating revenues	$ 148,067	$ 144,700	$ 143,802
Operating income	25,646	22,210	22,854
Operating margin	17.3%	15.3%	15.9%
Tonnage	10,369,888	9,123,972	8,691,980
Revenue ton miles	4,388	4,122	4,098

Railroad Traffic. FEC carries automotive vehicles, consumer goods and various intermodal traffic southbound and aggregates and intermodal traffic northbound. FEC's principal customers include the Ford Motor Company, Chrysler Corporation, Tarmac-Florida, Inc., Rinker Materials Corporation, and the United Parcel Service. In general, the volume of the railroad's traffic is heaviest from October to May. The mix of commodities shipped by FEC and each component's contribution to FEC's revenues have remained relatively constant over the past five years. Set forth below is the mix of goods transported by FEC in 1996 and the respective contribution each category made to revenues:

TRAFFIC

	YEAR ENDED DECEMBER 31, 1996			
COMMODITY	UNITS	%	REVENUE	%
	(IN THOUSANDS, EXCEPT PERCENTAGE DATE)			
TOFC/COFC	236.8	63%	$ 51,117.1	38%
Crushed stone	88.7	24	34,509.2	26
Vehicles	18.3	5	20,116.0	15
Foodstuffs	10.4	3	7,683.1	6
Cement	5.0	1	3,049.1	2
Other	17.2	4	16,692.6	13
Total	376.4	100%	$133,167.1	100%

At Jacksonville, FEC connects with Norfolk Southern Corporation and with CSX Transportation, Inc. ("CSXT"). FEC relies upon both of these carriers for Florida-bound rail freight traffic which originates elsewhere in the United States. In 1996, approximately 48% of FEC's revenues were attributable to traffic that originated on other railroads, approximately 6% were attributable to traffic that originated on FEC but was bound for other destinations and 46% were attributable to traffic that both originated and terminated on FEC's system. FEC is a terminating railroad and, consequently, does not receive traffic from one railroad to be passed over its track to another railroad. Because all of FEC's traffic either originates in or is bound for Florida, FEC's revenues fluctuate seasonally and with economic conditions in southern Florida, rising as the economy of southern Florida expands and declining as it contracts.

Capital Expenditures. FEC believes that its railway system is in excellent condition and intends to continue to reinvest a portion of the cash generated by its operations to maintain it and to make selected additional improvements. In 1995 and 1996, FEC invested approximately $26.6 million and $14.6 million, respectively, to upgrade and maintain its property, track, structures and equipment. FEC has installed concrete crossties over substantially all of its main line track and main line sidings. While installing concrete crossties is more expensive initially, their significantly longer useful life makes them less expensive over the long-term. FEC has also installed sophisticated detection equipment to monitor the condition of its rolling stock to detect flat wheels, hot wheels and axles, cracked wheels, shifted loads and similar problems. Set forth below is certain information relating to FEC's expenditures for road and equipment for the past three years:

CAPITAL EXPENDITURES

	YEARS ENDED DECEMBER 31,					
	1994		1995		1996	
	ROAD	EQUIPMENT	ROAD	EQUIPMENT	ROAD	EQUIPMENT
	(IN THOUSANDS)					
Capital expenditures..........	$ 3,940	$ 7,319	$10,585	$15,987	$ 9,678	$ 4,919
Maintenance expense...........	22,630	33,347	24,359	30,645	24,271	27,801
Total...............	$26,570	$40,666	$34,944	$46,632	$33,949	$32,720

Competition. FEC's railroad operations are subject to intense competition from common motor carriers and, with respect to the section of FEC's main line track from West Palm Beach south to Miami, from CSXT. FEC also competes to some extent with air carriers as well as barges and other vessels plying the coastwise trade between Jacksonville and Miami. FEC's competitiveness depends upon its ability to provide its customers with efficient, dependable service at an attractive price. Management at FEC stresses maintaining a high level of customer service and satisfaction.

Miscellaneous Operations. In addition to its rail and other related services, FEC leases the use of its right-of-ways to various tenants, including several telecommunications companies' fiber optics systems, pursuant to long-term leases. Under such leases, FEC currently receives approximately $2.5 million per year in revenue, nearly all of which represents profit.

APALACHICOLA NORTHERN RAILROAD

ANRR is a short-line railroad operating between Port St. Joe and Chattahoochee, Florida, where it connects with an unaffiliated carrier. Its transportation facilities include 96 miles of main track, 13 miles of yard switching track and 3 miles of other track. ANRR owns 14 diesel locomotives, 274 freight cars, numerous pieces of work equipment and automotive vehicles. ANRR also owns a three-story building in Port St. Joe which it uses partially for its corporate offices. All property and equipment owned is in good physical condition.

Although it is a common carrier, most of ANRR's business consists of carrying coal from Port St. Joe to Chattahoochee pursuant to a contract with Seminole Electric Cooperative, Incorporated ("Seminole") and carrying wood chips, pulpwood and linerboard used or produced at the paper mill in Port St. Joe, Florida. The other items carried by ANRR are tall oil, chemicals, stone and clay products and recyclable items. The mix of commodities carried by ANRR during 1996, which is representative of the traffic carried by ANRR over the last several years, was as follows:

TRAFFIC

	YEAR ENDED DECEMBER 31, 1996			
COMMODITY	CARLOADS	%	REVENUE	%
Coal..	30,601	70.1%	$ 5,963,558	53.2%
Wood products...................................	10,157	23.2	3,635,765	32.4
Other...	2,916	6.7	1,613,478	14.4
Total.................................	43,674	100.0%	$11,212,801	100.0%

Between April and September, 1997, the linerboard mill at Port St. Joe, Florida shut down. Shipment of wood and wood products produces a significant portion of ANRR's revenues. ANRR entered into a coal contract with Seminole in order to mitigate the financial impact of the shutdown and limit its dependence on a single customer. Nevertheless, if the linerboard mill shuts down in the future or if Seminole does not renew its contract which expires in 2004, ANRR's revenue, operating profit and net income would be significantly impacted.

Historically, the Company has upgraded, modernized and maintained ANRR's road and equipment through the reinvestment of internally-generated cash without incurring any long-term indebtedness. As with FEC's track, all of ANRR's main track is laid with concrete crossties. Certain operating statistics are shown below:

OPERATING STATISTICS

	YEAR ENDED DECEMBER 31,		
	1994	1995	1996
	(IN THOUSANDS EXCEPT PERCENTAGE DATA)		
Operating revenues	$12,886	$13,345	$12,589
Operating income	$ 1,398	$ 2,326	$ 1,646
Operating margin	10.8%	17.4%	13.1%
Tonnage	4,227	4,413	4,074
Revenue ton miles	397	411	383

ANRR faces competition from motor carriers and barge lines.

INTERNATIONAL TRANSIT, INC.

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

REGULATION

Both FEC and ANRR are subject to regulation by the Surface Transportation Board of the U.S. Department of Transportation and, in some areas, the State of Florida. These governmental agencies must approve, prior to implementation, changes in areas served and certain other changes in operations of FEC and ANRR.

The Company's transportation operations are subject to extensive local, state and federal environmental laws and regulations, including the federal Clean Air Act, CERCLA and various other state and local environmental laws and regulations. Violations of various statutory and regulatory programs can result in civil penalties, remediation expenses, natural resource damages, potential injunctions, cease and desist orders and criminal penalties. Some environmental statutes impose strict liability, rendering a person liable for environmental damage without regard to negligence or fault on the part of such person. In addition, the Company's present and historic ownership and operation of real property, including yards, in connection with its transportation operations involve the storage, use or disposal of hazardous substances that have contaminated and may in the future contaminate the environment. The Company may also be liable for the costs of cleaning up a site at which it has disposed (intentionally or unintentionally by virtue of, for example, an accident, derailment or leak) or to which it has transported hazardous substances. The Company is currently involved in various remediations of properties relating to its transportation operations. In addition, FEC, along with many other companies, has been named a potentially responsible party in proceedings under Federal statutes for the clean up of designated Superfund sites at Hialeah, Florida; Jacksonville, Florida; and Portsmouth, Virginia. See "-- Environmental Proceedings." Based on presently available information, the Company does not believe that the costs of addressing any known environmental issues relating to its transportation operations will be material. However, the future cost of complying with environmental laws and

containing or remediating contamination cannot be predicted with any certainty, and there can be no assurances that such liabilities or costs would not have a material adverse effect on the Company in the future. See "Risk Factors -- Environmental Matters."

SUGAR

The Company owns Talisman Sugar Corporation, a grower of sugarcane located in the Belle Glade area in south central Florida. Talisman owns approximately 48,600 acres of agricultural land and leases approximately 6,400 acres. The Company also operates a sugar mill at which sugar cane is converted into raw sugar.

On December 6, 1997, the Company signed an agreement in principle with the United States of America and the State of Florida (the "Governments"), under which the Governments agreed to purchase the Company's sugar lands, including 45,731 acres of Company-owned land and 5,121 acres of leased land, for $133.5 million in cash. Under the agreement, the Company will retain the right to farm the transferred lands through the 2002-2003 crop year. Thereafter, the Company will be required to deliver the lands in compliance with all federal and state environmental laws and will be responsible for and bear the expenses of environmental cleanup of such lands and the sugar mill. At that time, the Company has agreed to close its sugar mill and remove it and all associated structures designated by the Governments. The Company will retain any salvage value from the disposition of its mill. The Company and the Governments have agreed to enter into an appropriate purchase agreement reflecting these terms by June 6, 1998. The proposed transaction is subject to board and government approval, and there can be no assurances that an agreement will be concluded or that the sale of the Company's sugar lands will be consummated.

Talisman sells its entire production to Everglades Sugar Refinery, Inc., a wholly-owned subsidiary of Savannah Foods & Industries, Inc., pursuant to an annually renewed contract. The amount Talisman is paid for its sugar under the current contract is a function of market prices.

MILL OPERATIONS

The Company's sugar mill has a grinding capacity of approximately 11,500 tons of sugarcane per day. The Company ground approximately 1,202,000 tons of sugarcane in 1996, approximately 1,386,000 tons in 1995 and approximately 1,184,000 tons of sugarcane in 1994 from Company operated lands. Total raw sugar production for the Company was approximately 117,000 tons in 1996, 138,000 tons in 1995, and 114,000 tons in 1994. The sugar mill is virtually energy self-sufficient, with almost all of its energy requirements supplied through the use of bagasse, a by-product of the mill's cane grinding operations.

HARVESTING OPERATIONS

Sugarcane plantings generally yield two harvests before replanting is necessary. The Company harvests its sugarcane crop in one-year cycles, as do other Florida producers. The Company generally plants sugarcane in the fall of each year. Harvesting of a crop generally commences in October of each year and continues into the following March. During the 1996-1997 crop year, Talisman grew sugarcane on approximately 43,000 acres of land.

The majority of the Florida sugarcane producers, including Talisman, harvest sugarcane using mechanical cane harvesters which reduce significantly the labor requirements, resulting in substantial cost savings and more efficient and timely grinding of the sugarcane. Mechanized harvesting, however, is less precise than manual harvesting, results in greater amounts of chaff and trash being mixed in with the harvested sugarcane, causes small amounts of sucrose to be lost through leaching into the trash and chaff, damages cane fields more than manual harvesting, and results in slightly lower cane yields in subsequent crops. Yields of sucrose from such harvested sugarcane and its crop yields per acre are generally slightly lower than those cut by hand. These negative effects, however, are far outweighed by cost savings and other efficiencies which result from mechanized harvesting.

REGULATION

The Company's sugar operations are subject to and may be severely restricted by various federal, state and local environmental laws, including, but not limited to, the federal Clean Water Act, the federal Clean Air Act and CERCLA. Violations of these laws can result in civil penalties, remediation expenses, natural resource damages, potential injunctions, cease and desist orders and criminal penalties. The Company's sugar operations are located in the Florida Everglades, which are the subject of extensive environmental review by a variety of government entities. In 1994, the State of Florida enacted the Everglades Forever Act which significantly affects agriculture in the Everglades Agricultural Area ("EAA"). The Act calls for the creation of six Stormwater Treatment Areas ("STA") as buffers between the Everglades Protection Area and the EAA. The Act imposes substantial taxes on Talisman (approximately $1.3 million was paid in each of 1995 and 1996) and other agricultural interests to pay for construction of the STAs. As part of its environmental compliance efforts, Talisman has installed equipment to monitor the quality and quantity of water being pumped out of its pumping stations as required by the local Water Management District.

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

INVESTMENTS

The Company, in addition to its operations, has cash, cash equivalents, and investments in U.S. and municipal government securities, common and preferred stocks and corporate debt securities. At December 4, 1997, the market value of the Company's cash, cash equivalents, and marketable securities was approximately $560,000,000, valued as follows: cash and money market deposits, $89,000,000; government securities with less than a one year term, $99,000,000; government securities with a greater than one year term, $152,000,000; corporate debt securities with less than a one year term, $70,000,000; and corporate debt securities with a greater than one year term and corporate equity securities, $151,000,000.

EMPLOYEES

The Company (excluding its subsidiaries) had approximately 44 employees at October 31, 1997. The Company effected a substantial reduction in its workforce during 1996 primarily due to the sale of its former linerboard mill and container operations. None of the Company's employees are covered by collective bargaining agreements. The Company considers its relations with its employees to be good.

The Company's forestry operations, through St. Joe Timberland Company, had 28 employees at October 31, 1997. The Company effected a 72% reduction in its forestry workforce during 1997 in order to improve the cost structure of forestry operations. The reduction in employment was primarily due to the outsourcing of replanting land preparation operations to independent contractors. The Company estimates that this outsourcing will achieve cost savings of approximately $1 million per year on an ongoing basis.

At September 30, 1997, FECI had 9 employees, FEC had 854 employees, ANRR had 83 employees and Talisman had 714 employees. Most FEC and ANRR employees are covered by collective bargaining agreements which set wage levels and establish work rules and working conditions. Most of FEC's non-salaried employees are represented by the United Transportation Union or the International Brotherhood of Electrical Workers. The Company and FEC consider their working relationship with the various unions that represent railroad employees to be satisfactory. Approximately 160 Talisman employees are covered by collective bargaining agreements. They are represented by the International Association of Machinists and Aerospace Workers. Talisman believes its relations with its employees to be satisfactory.

ENVIRONMENTAL PROCEEDINGS

The Company is named as a Potentially Responsible Party ("PRP") for the remediation of a designated Superfund site near Tampa, Florida. The United States Environmental Protection Agency ("USEPA") has

alleged that the Company caused certain materials to be disposed at the site over a period of years in the late 1970s or 1980s. The Company has provided USEPA with certain evidence indicating the Company did not dispose of any materials at the site. The Company has declined an invitation to join a PRP group as a de minimis party. While the Company believes that its liability would be de minimis, it nonetheless continues to deny liability and vigorously opposes any attempt to impose any liability upon the Company for the remediation of the site.

FEC has been named as a PRP for the remediation of two designated Superfund sites near Jacksonville, Florida. On the first site, the USEPA has alleged that FEC caused certain materials to be disposed at the site over a period of years. The USEPA has offered all named PRPs an opportunity to participate in the pilot allocation program. This program is similar to binding arbitration. If FEC participates in this program, its share of the liability for the remediation will be fixed. The USEPA has also offered to negotiate a separate settlement with certain parties, including FEC. FEC believes that, whichever alternative is chosen, its liability for the remediation of the site will not be material. On the second site, FEC was contacted by the USEPA during 1996, at which time FEC was asked to provide certain information about the manner in which FEC disposes of steel drums. The USEPA is attempting to determine whether or not FEC should be a PRP at the steel drum site in Jacksonville, Florida. There is some evidence that FEC may have sent a small number of steel drums to the site for disposal. FEC believes its responsibility, if any, for the remediation of the site will not be material.

FEC has been named as a PRP for the remediation of a designated Superfund site in Portsmouth, Virginia. The USEPA has alleged that FEC caused certain materials to be sent to the site over a period of years. These materials were utilized by the owner of the site in the course of its business which, FEC believes, caused the site to become contaminated. The owner of the site has filed suit in the United States District Court for the Eastern District of Virginia, Norfolk Division seeking to impose liability upon the defendants, including FEC, for remediation of the site. A settlement between the owner of the site and FEC was achieved late in 1996. The settlement as to FEC, of approximately $.2 million, was approved by the Court and the USEPA. Unless additional contamination is discovered at the site or it becomes necessary to remediate areas beyond the original clean-up, FEC will have no further liability at the site.

FEC was contacted by the USEPA during 1996, seeking reimbursement of costs associated with the remediation of a Superfund site in Hialeah, Florida, part of which includes a FEC right-of-way. An individual operated a business on this site for a number of years. The owner of the business slightly encroached upon FEC's right-of-way. Upon discovering this, FEC entered into a lease agreement with the business owner rather than require the building be removed. The individual has ceased doing business. The USEPA is seeking reimbursement of the approximate $2 million spent in remediation from FEC on the grounds that FEC was an "owner" of the site. Settlement negotiations are ongoing at this time and the ultimate cost is not expected to be material.

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

The Company, through its subsidiaries, is a party to various proceedings before state regulatory agencies relating to environmental issues. The Company is not aware of any monetary sanctions to be proposed, which, in the aggregate, are likely to exceed $100,000, nor does it believe that corrections, if any, will necessitate significant capital outlays or cause material changes in the business.

LEGAL PROCEEDINGS

Kahn

During April 1996, a shareholder of FECI instituted a class action in Florida state court against FECI, St. Joe Industries Inc., the Company and members of the FECI Board of Directors (Messrs. Thornton, Belin,

Nedley, Zellers, Fairbanks, Foster, Harper, Mercer and Parrish). Certain of the individuals named in the action also are officers or directors of the Company. The action, which has been brought on behalf of all shareholders of FECI, other than the defendants and their affiliates, is styled Kahn v. St. Joe Industries, Inc., St. Joe Paper Co., Thornton, Belin, Nedley, Zellers, Fairbanks, Foster, Harper, Mercer, Parrish and Florida East Coast Industries, Inc., Case No. 96-01874 CA (Circuit Court, Fourth Judicial Circuit, Duval County, Florida, Division CV-G).

The complaint alleges that the defendants breached their fiduciary duties to the minority shareholders of FECI in connection with the February 26, 1996 announcement by FECI that it was considering the sale of its real estate subsidiary, GCC, to the Company and the sale of its railroad subsidiary, FEC to a third party. According to the complaint, such transactions allegedly would constitute unfair dealing and benefit the Company, as FECI's majority and controlling shareholder, at the expense of FECI's minority shareholders. The action seeks, among other things, to certify the litigation as a class action, enjoin the sale of GCC to the Company and to require the defendant directors of FECI to sell GCC by conducting an auction or accepting competitive bids from third parties.

On May 29, 1996, the parties to the action entered into a stipulation whereby (i) defendants agreed to appear in the litigation and waive any challenge to sufficiency and service of process and (ii) plaintiff agreed that defendants' time to respond to the complaint would be extended such that defendants are not required to answer or respond to the complaint until plaintiff's counsel provides written notice to defendants' counsel that a response is required (a response is then required to be filed within 20 days). On February 6, 1997, the Court entered an order approving the stipulation.

Kokol

During May 1997, another FECI shareholder instituted a class action in Florida state court against FECI, the Company and members of the FECI Board of Directors (Messrs. Thornton, Zellers, Belin, Foster, Harper, Mercer and Parrish). Again, certain of the individuals named in the action are also officers or directors of the Company. The action, which has been brought on behalf of all shareholders of FECI, other than the defendants and their affiliates, is styled Kokol v. Thornton, Zellers, Belin, Foster, Harper, Mercer, Fairbanks, Parrish, St. Joe Corp. and Florida East Coast Industries, Inc., Case No 97-650-CIV-J-21(B) (District Court, Middle District of Florida, Jacksonville Division).

The complaint alleges that the defendants breached their fiduciary duties to the minority shareholders of FECI in connection with the May 5, 1997 offer by the Company to buy out the minority shareholders for $102 per share. According to the complaint, the proposed buyout would constitute unfair dealing and benefit the Company, as FECI's majority and controlling shareholder, at the expense and to the detriment of FECI's shareholders. The action seeks, among other things, to certify the litigation as a class action, to enjoin the proposed buyout transaction or, in the event the transaction is consummated, to rescind the transaction and/or award rescissory damages to the plaintiffs.

On November 21, 1997, the Company announced the withdrawal of its outstanding offer to purchase all outstanding FECI common stock not owned by the Company at $102 per share. On December 10, 1997, the parties entered into a joint stipulation dismissing the case, subject to court approval.

The Company, through its subsidiaries, is a party in various other pending proceedings which are ordinary, routine litigation incidental to its business.

EXECUTIVE OFFICES

The Company's principal executive offices are located at 1650 Prudential Drive, Jacksonville, Florida 32207 and its telephone number is (904)396-6600.

MANAGEMENT

DIRECTORS AND EXECUTIVE OFFICERS

The Company's directors and executive officers, their ages and their respective positions with the Company are as follows:

NAME	AGE	POSITIONS
Peter S. Rummell	52	Chairman of the Board and Chief Executive Officer
Charles A. Ledsinger, Jr	47	Senior Vice President and Chief Financial Officer
Robert M. Rhodes	55	Senior Vice President and General Counsel
David D. Fitch	43	Senior Vice President and General Manager -- Commercial and Industrial Development
J. Malcolm Jones, Jr	44	Senior Vice President -- Forestry Operations
Michael F. Bayer	39	Vice President -- Human Resources and Administration
Jacob C. Belin	83	Director
Russell B. Newton, Jr	73	Director
John J. Quindlen	65	Director
Walter L. Revell	62	Director
Frank S. Shaw, Jr	66	Director
Winfred L. Thornton	69	Director
John D. Uible	61	Director
Carl F. Zellers, Jr	65	Director

Executive officers serve at the discretion of the Board of Directors. Each director holds office until his successor is duly elected and qualified or until his resignation or removal. There are no family relationships among any of the directors or executive officers of the Company.

PETER S. RUMMELL was appointed Chairman and CEO of the Company in January 1997. From 1985 until 1996, Mr. Rummell was employed by The Walt Disney Company, most recently as Chairman of Walt Disney Imagineering, the division responsible for Disney's worldwide creative design, real estate and research and development activities. Mr. Rummell also served as President of Disney Development Company, the community development arm of Walt Disney, from 1992 to 1994 and as President of the Arvida Resort Communities Division during 1985. From 1983 until 1985, Mr. Rummell was Vice Chairman of the Rockefeller Center Management Corporation in New York City. Mr. Rummell was general manager and then President of Sawgrass, near Jacksonville, Florida, from 1977 until 1983. Mr. Rummel also held management positions for the Sea Pines Company in Hilton Head, South Carolina, and the Amelia Island Plantation and spent two years as an employee of the Ocean Reef Club in Key Largo, Florida.

CHARLES A. LEDSINGER, JR. was named Senior Vice President and Chief Financial Officer in May 1997. From 1990 to 1997, Mr. Ledsinger served as Senior Vice President and Chief Financial Officer of Harrah's Entertainment/The Promus Companies, where from 1988 to 1990 he served as Treasurer, from 1986 to 1988 as Vice President, Project Finance, and from 1983 to 1986 in the Embassy Suites Division. Mr. Ledsinger was employed by Holiday Inns from 1978 to 1983, where he held a variety of financial management positions. Prior to his employment at Holiday Inns, Mr. Ledsinger held various management positions in the restaurant business and was a commercial property manager for a regional property developer in Atlanta. Mr. Ledsinger is a Director of TBL Corporation, Perkins Management Company, Inc., Friendly Ice Cream Corporation and Felcor Suite Hotels, Inc.

ROBERT M. RHODES was named Senior Vice President and General Counsel in February 1997. Prior to joining the Company, Mr. Rhodes was a partner in the law firm of Steel, Hector and Davis L.L.P., specializing

in land development. From 1985 to 1988 Mr. Rhodes served as Senior Vice President and General Counsel of Arvida/Disney Corporation and Disney Development Company. Mr. Rhodes also served in Florida state government as counsel to the Speaker of the Florida House of Representatives and chaired the State's Environmental Land Management Study Committee.

DAVID D. FITCH was named Senior Vice President and General Manager -- Commercial and Industrial Development in September 1997. Prior to joining the Company, Mr. Fitch served as Senior Vice President at Insignia Financial Corporation responsible for commercial acquisitions. Mr. Fitch served as Senior Vice President at the Paragon Group, Inc. from 1991 until Insignia's purchase of Paragon in 1996. From 1987-91, Mr. Fitch served as Executive Vice President at Mason Hirst Companies, a Virginia commercial developer. From 1978-1987, Mr. Fitch was a Vice President with the Cadillac Fairview Corporation, responsible for a number of large scale commercial development projects.

J. MALCOLM JONES, JR. was named the Company's Senior Vice President -- Forestry Operations in April 1997. From 1995 to 1997 Mr. Jones served as the Company's Vice President and Chief Financial Officer. Mr. Jones served as President of AmSouth Bank of Jacksonville in 1994 and 1995 and as President and CEO of FloridaBank from 1990 to 1994.

MICHAEL F. BAYER was named Vice President -- Human Resources and Administration in February, 1997. From 1987 until 1995, Mr. Bayer was employed by The Walt Disney Company in a variety of executive positions in Human Resources. Most recently he was Vice President of Human Resources of Walt Disney Imagineering. Previously, Mr. Bayer served as Director -- Human Resources for the Sarasota division of the Arvida Corporation.

JACOB C. BELIN was President of the Company from 1968 to 1984, and Chairman of the Board and Chief Executive Officer from 1982 to June 1991. He is a director of the Company and has served as such since 1953. Mr. Belin also serves as a member of the Board of Directors of the Nemours Foundation, and as a Trustee of the Trust and as a director of FECI.

RUSSELL B. NEWTON, JR. has been a director of the Company since 1994. Mr. Newton is Chairman of Timucuan Asset Management Company, which is involved in investment portfolio management. Mr. Newton is also a director of East Coast Oil Company and Alliance Mortgage Company, as well as other smaller, closely held companies. Since 1981, Mr. Newton has been an investor in oil, marketing, shipping, public utilities, construction, direct mail solicitation and cable television. From 1975 to 1981, Mr. Newton was principal owner and Chairman of Kern County Refineries, Inc. From 1968 to 1975, Mr. Newton was President of Charter Oil Company. Mr. Newton spent his early employment years with Booz, Allen & Hamilton, Management Consultants and as President of Southern Stores, Inc.

JOHN J. QUINDLEN has been a director of the Company since 1995. Mr. Quindlen retired as Senior Vice President and Chief Financial Officer of E. I. duPont de Nemours & Company in 1993 ("duPont"). Mr. Quindlen worked for duPont from 1954 until his retirement, except for three years as a naval Supply Officer. Mr. Quindlen is a trustee of the Rodney Square Funds and the Kalmar Pool Investment Trust. Mr. Quindlen is a member of the Finance Council of the Archdiocese of Philadelphia and the President of its Board of Education.

WALTER L. REVELL has been a director of the Company since 1994. Mr. Revell is presently Chairman of the Board and CEO of H. J. Ross Associates, Inc., a consulting engineering, architectural and planning firm in Coral Gables, Florida, and Chairman of the Board and CEO of Revell Investments International, Inc. and Infinity Technologies, Inc. Mr. Revell was President, CEO and Director of Post, Buckley, Schuh and Jernigan, Inc. until 1983 after serving as Secretary of Transportation for the State of Florida from 1972 to 1975. Mr. Revell is also a director of Dycom Industries, Inc., RISCORP, Inc., Hotelcopy, Inc. and other closely-held companies, and is chairman of the Greater Miami Foreign Trade Zone, Inc.

FRANK S. SHAW, JR. has been a director of the Company since 1995. Mr. Shaw is President of Shaw Securities, Inc., a financial services company, and of Cherry Bluff, Inc., a North Florida development firm based in Tallahassee, Florida. Mr. Shaw also serves on the Board of Directors of First South Bank, Regional

Financial Company, The Southern Scholarship Foundation, Maclay School Foundation, Leon County Library Foundation and the James Madison Institute.

WINFRED L. THORNTON has been a director of the Company since 1968. Mr. Thornton was Chairman of the Board and CEO from June 1991 to January 1997, and was President and Chief Operating Officer of the Company from 1984 to June 1991. Mr. Thornton also serves as a member of the Board of Directors of the Nemours Foundation, a Trustee of the Trust and a director of FECI.

JOHN D. UIBLE has been a director of the Company since 1994. Since 1990, Mr. Uible has been an investor and Director of First Union Corporation. Mr. Uible was Chairman of the Board and CEO of Florida National Bank from 1982 to 1990, when it was acquired by First Union Corporation. From 1976 to 1982, Mr. Uible was Chairman of the Board and CEO of Jacksonville National Bank. Mr. Uible was employed by the Charter Company from 1958 to 1976.

CARL F. ZELLERS, JR. has been a director of the Company since 1995. Mr. Zellers is Chairman, President and Chief Executive Officer of FECI, and President and a director of FEC and GCC. Mr. Zellers served as President and Chief Operating Officer of FECI during 1996 and 1997 and as a Vice President of FECI from 1984 to 1996.

EMPLOYMENT ARRANGEMENTS OF NEW MANAGEMENT

Peter S. Rummell. On January 7, 1997, the Company entered into an Employment Agreement (the "Rummell Agreement") with Peter S. Rummell, its Chairman of the Board and Chief Executive Officer. The Rummell Agreement has a five-year term but may be terminated earlier under certain circumstances. The Rummell Agreement provides for a salary of not less than $600,000 per year and a performance-based incentive bonus ranging from 0% to 100% of salary, except that the potential bonus for the year 1997 is $250,000 and is contingent upon the timely submission to, and acceptance by, the Board of Directors, of a business plan for the Company. The Rummell Agreement also provides for the reimbursement of relocation costs and related income taxes.

Pursuant to the Rummell Agreement, the Company has granted Mr. Rummell an option to purchase 1,347,840 shares of the Company's Common Stock under the St. Joe Corporation 1997 Stock Incentive Plan (the "Incentive Plan"). The exercise price of the options is $57.43 per share, which was equal to the closing price of the Company's Common Stock on the day preceding the execution of the Rummell Agreement. The exercise price shall be adjusted equitably in the event that the Company makes a partial liquidation distribution to its shareholders. The option becomes exercisable in equal installments on the first five anniversaries of the date of grant, but the entire option becomes exercisable in the event that the Company terminates Mr. Rummell's employment without cause, in the event of Mr. Rummell's death or in the event that the Company is subject to a "change in control" (as defined below). In the event that the Company terminates Mr. Rummell's employment because of his disability, the option shall become exercisable to the extent that it would have become exercisable during the 12 months immediately following such termination had Mr. Rummell's employment continued. The option expires 10 years after the date of grant (or two years after Mr. Rummell's death, if earlier).

Under the Rummell Agreement, the Company has also granted Mr. Rummell 67,287 restricted shares of its Common Stock under the Incentive Plan. The restricted shares are intended to compensate Mr. Rummell for the value of the stock options he forfeited upon resigning his position with his former employer, based on the closing prices of the two companies' Common Stock on the day preceding the execution of the Rummell Agreement. The restricted shares vest in equal installments on the first five anniversaries of the date of grant but the entire award vests in the event that the Company terminates Mr. Rummell's employment without cause, in the event of Mr. Rummell's death or disability (as defined in the Rummell Agreement), or in the event that the Company is subject to a "change in control." If Mr. Rummell's employment terminates for any other reason, he forfeits any restricted shares that have not vested.

The Company may terminate Mr. Rummell's employment at any time for "cause" (as described in the Rummell Agreement), in which event no further compensation will be due. The Company may also terminate

Mr. Rummell's employment if he has been "disabled" for more than six months, in which event no further cash compensation is due but benefit coverage continues for the remaining term of the Rummell Agreement and the option and restricted shares vest to the extent described above. Following a change in control, Mr. Rummell may resign for "good reason" (as defined in the Rummell Agreement) and receive his salary for the balance of the term of the Rummell Agreement, subject to certain restrictions. For one year following a resignation for good reason, the Rummell Agreement precludes Mr. Rummell from competing with the Company in certain respects.

"Change in control" is defined in the Rummell Agreement to mean (i) 30% or more of the outstanding voting stock of the Company is acquired by any person or group other than the Trust and the Nemours Foundation if such person or group owns more voting stock of the Company than the Trust and the Nemours Foundation, (ii) stockholders of the Company other than the Trust and the Nemours Foundation vote in a contested election for directors resulting in the replacement of 50% or more of the Company's directors and (iii) as a result of a merger or similar transaction the Company's stockholders own 50% or less of the surviving entity's voting securities. The Rummell Agreement provides that notwithstanding items (i), (ii) and (iii) above, no "change in control" shall occur as long as the Trust and the Nemours Foundation own more than 50% of the voting stock of the Company.

Charles A. Ledsinger, Jr.; Robert M. Rhodes; David D. Fitch; Michael F. Bayer; and J. Malcom Jones, Jr. The Company has entered into employment agreements (the "Executive Agreements") with Messrs. Ledsinger (Senior Vice President and Chief Financial Officer), Rhodes (Senior Vice President and General Counsel), Fitch (Senior Vice President and General Manager -- Commercial and Industrial Development), Bayer (Vice President -- Human Resources and Administration) and Jones (Senior Vice President -- Forestry Operations) (each, individually, an "Executive," and collectively, the "Executives"), that are based on substantially the same form of agreement. The specific terms of each of the Executive Agreements are tailored to each of Messrs. Ledsinger, Rhodes, Fitch, Bayer and Jones, while the general terms of each of the Executive Agreements are substantially similar. The Executive Agreements of Messrs. Ledsinger, Rhodes, Fitch, Bayer and Jones, are dated April, 1997, November 3, 1997, September 15, 1997, February 1, 1997 and February 21, 1997, respectively.

The Executive Agreements provide that each of the Executives is an "at will" employee. The Executive Agreements further provide that each Executive shall receive (i) a base salary and (ii) a performance based incentive bonus in an amount equal to between 0% and 60% of the Executive's base salary. The Executive Agreements provide that the amount of each Executive's base salary and the range of his bonus may be increased but not decreased during his period of employment with the Company. The base salaries provided in the Executive Agreements for Messrs. Ledsinger, Rhodes, Fitch, Bayer and Jones are $350,000, $275,000, $225,000, $167,500, and $170,000, respectively. In addition, the Executive Agreements of Messrs. Ledsinger, Rhodes, Fitch and Bayer provide for the reimbursement of relocation costs and related income taxes.

The Executive Agreements also provide that each of the Executives shall receive an option to purchase shares of the Company's Common Stock under the Incentive Plan. In most cases, the exercise price of each option is equal to the closing price of the Company's Common Stock on the day preceding the date the Executive was granted such option. The exercise price of any unexercised option shall be adjusted equitably in the event that the Company makes a partial liquidation distribution to its shareholders. Each of the options becomes exercisable in equal installments on the first five anniversaries following the date of grant; provided, however, that the an Executive's option shall become exercisable in its entirety in the event that the Company terminates the Executive's employment without "cause" (as defined in the respective Executive Agreements) or the Company is subject to a "change in control" ("change in control" is defined in the respective Executive Agreements as in the Rummell Agreement). Each of the options expires on the tenth anniversary following the date of grant. The per share exercise prices for the options of Messrs. Ledsinger. Rhodes, Fitch, Bayer and Jones are $71.125, $69.00, $94.125, $66.33 and $66.33, respectively.

The Executive Agreements further provide that, in the event the Company terminates the employment of any of the respective Executives for any reason other than for cause or disability, such Executive will receive a severance payment ("Severance Payment") in a lump sum amount equal to a specified percentage of the

Executive's base salary, plus a specified percentage of the amount of any bonus awarded to the Executive in the year prior to the termination. Each of Mr. Ledsinger's, Mr. Rhodes' and Mr. Fitch's Agreements provides that any Severance Payment shall be in the amount of 150% of base salary, plus 50% of the prior year's bonus, while each of Mr. Bayer's and Mr. Jones' Agreements provides that any Severance Payment shall be in the amount of 100% of base salary, plus 50% of the prior year's bonus. Mr. Ledsinger's, Mr. Bayer's and Mr. Jones' Agreements also provide for an augmented Severance Payment in the event that the Executive's employment is terminated within 12 months following a change in control of the Company, although such provisions are superseded by their Severance Agreements to the extent that any such Severance Agreement provides for greater payments than the applicable Executive Agreement. See "Management -- Severance Agreements."

STOCK INCENTIVE PLAN

Effective January 7, 1997, the Company adopted the Incentive Plan which was approved by the Company's stockholders on May 13, 1997. The principal purposes of the Incentive Plan is to promote the long-term success of the Company and the creation of stockholder value by (a) encouraging employees and non-employee directors to focus on critical long-range objectives, (b) encouraging the attraction and retention of employees and non-employee directors with exceptional qualifications and (c) linking employees and non-employees directly to stockholder interests through increased stock ownership. The Incentive Plan seeks to achieve this purpose through the granting of options exercisable with respect to, or restricted shares of, the Company's Common Stock. Under the Incentive Plan, the maximum number of options or restricted shares that may be awarded may not exceed 2,010,160. Furthermore, under the Incentive Plan, the maximum number of shares of Common Stock which may be subject to options or which may be granted as restricted shares to any individual in any fiscal year cannot exceed 1,000,000, except that an option granted to an employee during such employee's first year of service may be exercisable with respect to up to 1,500,000 shares of Common Stock.

The Incentive Plan is administered by the Compensation Committee of the Board of Directors (the "Committee"). Subject to certain limitations contained in the Incentive Plan, the Committee selects the individuals who receive awards, determines the size of any such award and establishes the vesting and other conditions with respect thereto. The Committee consists of at least two members of the Board of Directors, each of whom satisfies the applicable requirements of Rule 16b-3 under the Exchange Act and Section 162(m) of the Internal Revenue Code of 1986, as amended. The Committee is authorized, in accordance with the provisions of the Incentive Plan, to amend the terms of outstanding restricted shares, to modify or extend outstanding options or to exchange new options for outstanding options, including outstanding options with a higher exercise price than the new options.

The Incentive Plan provides for awards in the form of restricted shares or options.

Restricted Shares. Restricted shares are shares of Common Stock that are subject to forfeiture in the event that the applicable vesting conditions are not satisfied. Restricted shares, unlike options, have the same voting and dividend rights as other shares of Common Stock.

Options. An option may be either (i) an incentive stock option ("ISO") intended to qualify for special tax treatment under the Code, or (ii) a nonqualified stock option ("NSO"). The Incentive Plan provides that the term of an option cannot exceed 10 years following the date of grant, and the exercise price must be equal to or greater than the fair market value of the Common Stock on the most recent trading day before the date of grant. In addition, the Incentive Plan provides that, in the case of an ISO granted to an individual who owns more that 10% of the total combined voting power of all classes of outstanding stock of the Company, certain additional requirements set forth in the Code must be satisfied.

Restricted shares and NSOs may be granted to any individual who is an employee or a non-employee director of the Company (or a parent, subsidiary or affiliated company) and who is selected by the Committee for participation in the Incentive Plan. In contrast, ISOs may be granted to an individual only if such individual is an employee of the Company (or a parent or subsidiary corporation) and who is selected by the Committee for participation in the Incentive Plan.

The exercise price of an option may be paid in any lawful form permitted by the Committee, including (without limitation) a full-recourse promissory note or the surrender of shares of Common Stock or restricted shares already owned by the optionee. In addition, the Committee may permit an optionee to satisfy his or her withholding tax obligation upon exercise of an NSO by surrendering a portion of his or her option shares to the Company. The Committee may at any time offer to buy out an outstanding option for cash or give an optionee the right to surrender his or her option for cash.

The Incentive Plan provides that the terms of options granted, or restricted shares awarded, under the Incentive Plan are to be set forth in a written agreement. Such written agreements describe when an option becomes exercisable, or when any restrictions with respect to restricted shares lapse, based upon the length of the recipient's service, his or her individual performance, the Company's performance or other appropriate criteria. Such written agreements may provide that vesting shall be accelerated in the event of the recipient's death, disability or retirement or in the event of a "change in control" of the Company.

"Change in control" is defined in the Incentive Plan to mean (i) as a result of a merger or consolidation, 50% of the surviving entity's voting stock is owned by stockholders who were not stockholders of the Company prior to the merger or consolidation, (ii) the sale, transfer, exchange or other disposition of all or substantially all of the Company's assets, (iii) a change in two thirds of the composition of the board of the Company under certain circumstances, (iv) the liquidation or dissolution of the Company or (v) any transaction resulting in a person (other than the Company, an affiliate, an employee, the Trust or the Nemours Foundation) being the beneficial owner of 25% of the Company's voting stock.

The Incentive Plan will remain in effect until it is terminated, except that no ISO may be granted after January 6, 2007. The Board of Directors may amend or terminate the Incentive Plan at any time and for any reason. Amendments require the approval of the Company's shareholders only to the extent required by applicable laws, regulations or rules.

The following table discloses options granted during 1997 to the Company's executive officers:

OPTION GRANTS IN 1997(1)

NAME	INDIVIDUAL GRANTS				POTENTIAL REALIZABLE VALUE AT ASSUMED ANNUAL RATES OF STOCK PRICE APPRECIATION FOR OPTION TERM	
	PERCENT OF TOTAL OPTIONS GRANTED TO EMPLOYEES IN FISCAL YEAR	NUMBER OF SECURITIES UNDERLYING OPTIONS GRANTED	EXERCISE OR BASE PRICE ($/SH)	EXPIRATION DATE	5% ($)	10% ($)
Peter S. Rummell....... Chairman of the Board and Chief Executive Officer	73.4%	1,347,840	$57.430	1/8/07	$48,683,981	$123,367,795
Charles A. Ledsinger, Jr................... Senior V.P. and Chief Financial Officer	4.4	80,000	71.125	5/5/07	3,578,800	9,068,400
Robert M. Rhodes....... Senior V.P. and General Counsel	3.1	56,160	69.000	3/3/07	2,436,782	6,175,915
David D. Fitch......... Senior V.P. and General Manager -- Commercial and Industrial Development	2.2	40,000	94.125	9/22/07	2,367,800	6,000,600
J. Malcolm Jones, Jr................... Senior V.P. Forestry Operations	1.5	28,080	66.330	2/25/07	1,171,217	2,968,337
Michael F. Bayer....... V.P. -- Human Resources and Administration	1.5	28,080	66.330	2/25/07	1,171,217	2,968,337

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(1) The Company has announced its intention to distribute the remaining net proceeds of the sale of its paper mill and linerboard facilities in a special distribution of $1.02 per share to stockholders of record on December 19, 1997, payable on December 30, 1997. The exercise price of management options will be recalculated after payment of the special distribution pursuant to the terms of the Rummell Agreement and the Executive Agreements.

SEVERANCE AGREEMENTS

The Company has entered into severance agreements containing substantially identical terms and conditions (collectively, the "Severance Agreements") with Messrs. Rummell, Ledsinger, Rhodes, Fitch, Jones and Bayer (the "Named Executive Officers"), pursuant to which each such executive shall be entitled to severance benefits in the event of a "change in control" of the Company ("change of control" is defined in the Severance Agreements as in the Incentive Plan) during the term of his employment.

Under the terms of the Severance Agreements, if an executive who has entered into a Severance Agreement (i) resigns for any reason during the last six months of the first year following the date of a change in control, (ii) resigns for "good reason" (as defined in the Severance Agreements) within the first 36 months following a change in control, or (iii) is terminated by the Company within 36 months following the date of a change in control, then the Company is obligated to provide the executive with certain payments and benefits. Such payments and benefits that the Company is obligated to provide to the executive include (A) payment of a lump sum amount equal to the sum of three times the executive's annual base salary plus three times the

executive's bonus (as described in the Severance Agreement), (B) payment of a lump sum supplemental pension benefit amount, (C) payment of a pro-rated bonus for the year during which such executive's employment is terminated, (D) continued participation in the Company's group insurance plans, at the Company's expense, until the expiration of three years following the change in control (or the date of the executive's death, if earlier), (E) senior executive level outplacement services, and (F) "gross-up" payments, if applicable, in the amount necessary to satisfy any excise tax incurred by the executive, if any, under Section 4999 of the Code; provided, however, that if payment of such excise tax could be avoided by reducing total payments under the Change in Control Agreement by $50,000 or less, the total amount of such payments shall be reduced to the level necessary to ensure that no excise tax shall be paid. In addition, under the terms of the Severance Agreements, all stock options previously granted to the executive shall become fully exercisable upon a change in control, and shall remain exercisable until the earlier of the first anniversary following such change in control or the date such options would have otherwise expired by their terms, and any right of the Company to repurchase shares subject to the executive's options shall lapse in full.

The Severance Agreements entered into by the executives do not supersede the respective employment agreements entered into by such executives, except to the extent that severance pay and benefits provided under the Severance Agreements are greater than under the applicable employment agreement. Likewise, the Severance Agreements do not supersede any respective stock option agreements entered into by such executives, except to the extent that the applicable Severance Agreement provides for earlier exercisability or a longer post-termination exercise period than under such stock option agreement.

PRINCIPAL AND SELLING STOCKHOLDERS

The following table sets forth information with respect to persons known by the Company to be the beneficial owners of more than five percent (5%) of its outstanding Common Stock as well as information concerning the beneficial ownership of Common Stock by each director, Named Executive Officer and directors and officers as a group. The information is presented as of December 15, 1997, and as adjusted to reflect the sale of 4,600,000 shares of Common Stock by the Trust (assuming exercise of the U.S. Underwriters' over-allotment option). Under the rules of the Securities and Exchange Commission, beneficial ownership is deemed to include shares for which the individual, directly or indirectly, has or shares voting and/or dispositive power.

		PERCENT OF OUTSTANDING SHARES OWNED(1)	
NAME AND ADDRESS	BENEFICIAL OWNERSHIP	BEFORE OFFERING	AFTER OFFERING
Alfred I. duPont Testamentary Trust(2)(3) P.O. Box 1380 Jacksonville, FL 32201	21,291,900	68.9%	54.0%
State Farm Mutual Automobile Insurance Company(4) One State Farm Plaza Bloomington, Illinois 61710	1,720,600	5.6	5.6
Franklin Resources Inc.(5) Charles B. Johnson Rupert H. Johnson 777 Mariners Island Blvd. San Mateo, CA 94404	1,573,675	5.1	5.1
Peter S. Rummell	336,855(6)	1.1	1.1
Charles A. Ledsinger	--	--	--
Robert M. Rhodes	--	--	--
David D. Fitch	--	--	--
J. Malcolm Jones, Jr.	240(7)	*	*
Michael F. Bayer	--	--	--
Jacob C. Belin	21,301,155(8)	68.9	54.0
Russel B. Newton, Jr.	2,000	*	*
John J. Quindlen	200	*	*
Walter L. Revell	100	*	*
Frank S. Shaw, Jr.	--	--	--
Winfred L. Thornton	21,293,911(8)	68.9	54.0
John D. Uible	1,000	*	*
Carl F. Zellers, Jr.	--	--	--
Directors and officers as a group (14 persons)	21,654,689(9)	70.1	55.2

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(1) All percentages are rounded to the nearest tenth of one percent. An asterisk(*) indicates that the percentage is less than one percent.

(2) The Trust owns 20,547,764 shares or 67.4% in its name and the Nemours Foundation owns 744,136 shares or 1.5% in its name. The Trustees constitute the entire Board of Directors of the Nemours Foundation and, therefore, have sole voting and sole dispositive power over these shares.

(3) Under the provisions of the Will creating the Trust, the Trustees of the Trust having the power to vote the shares of stock specified above are J. C. Belin, H. H. Peyton, J. F. Porter, W. T. Thompson, III, W. L. Thornton and Wachovia Bank, N.A., a subsidiary of Wachovia Corporation. A majority of the Trustees have the right to vote all the stock of the Company owned by the Trust.

(4) According to a Schedule 13G filed with the Securities and Exchange Commission, as of December 31, 1996, State Farm Mutual Automobile Insurance Company owns 761,300 shares and State Farm

Employee Retirement Trust owns 959,300 shares of the Company's Common Stock. The Board of Directors of State Farm Automobile Insurance Company and the Trustees of State Farm Employees Retirement Trust have sole voting and sole dispositive power over the shares of Common Stock each owns.

(5) According to a Schedule 13G filed with the Securities and Exchange Commission, as of December 31, 1996, the above shares are beneficially owned by one or more open or closed end investment companies or other managed accounts which are advised by direct and indirect advisory subsidiaries (the "Advisory Subsidiaries") of Franklin Resources, Inc. ("FRI"). Charles B. Johnson and Rupert H. Johnson, Jr. (the "Principal Shareholders") each own in excess of 10% of the outstanding common stock of FRI and are the principal shareholders of FRI. FRI and the Principal Shareholders may be deemed to be, for purposes of Rule 13d-3 under the 1934 Act, the beneficial owner of securities held by persons and entities advised by FRI and it subsidiaries. FRI, the Principal Shareholders and each of the Advisory Subsidiaries has disclaimed any economic interest or beneficial ownership in any of the above shares. According to the Schedule 13G, Templeton Global Advisors Limited has the sole power to vote or to direct the vote and the sole power to dispose or direct the disposition of 1,145,500 shares and Franklin Mutual Advisors, Inc. has the sole power to vote or to direct the vote and the sole power to dispose or direct the disposition of 428,175 shares of the Company's Common Stock.

(6) Mr. Rummel was granted 67,287 restricted shares of Common Stock under the Company's Incentive Plan. In addition, 269,568 of his 1,347,840 options under the Incentive Plan will vest on January 8, 1998 making him the beneficial owner of the Common Stock subject to such options for purposes of Rule 13d-3(d)(1) of the Exchange Act.

(7) Includes 240 shares held in the Company's 401(k) plan.

(8) Includes 20,547,764 shares of the Company's Common Stock owned by the Trust, on which the named individuals serve as trustees, and 744,136 shares owned by The Nemours Foundation, of which the named individuals are directors. Mr. Belin owned 9,255 shares as to which he had sole dispositive voting power, and Mr. Thornton owned 2,011 (including those held in the Company's 401(k) plan).

(9) Includes 11,128 shares held in the Company's 401(k) plan for which the Trustee of the plan has sole voting power and the participants have sole dispositive power. The trustee of this plan is Merrill Lynch.

CERTAIN TRANSACTIONS

Jacob C. Belin and Winfred L. Thornton are trustees of the Trust and also serve as directors of the Company and FECI. In addition, Carl F. Zellers, Jr. serves as a director of the Company and of FECI.

On May 1, 1997, the Company entered into consulting agreements with Mr. Belin and Mr. Thornton (the "Consulting Agreements"). Pursuant to the Consulting Agreements, Messrs. Belin and Thornton will advise and counsel the Company on various corporate matters at the request of the Chairman and Chief Executive Officer. The Consulting Agreements provide that Messrs. Belin and Thornton will receive annual compensation of $100,000 and $112,000, respectively, and will be reimbursed for expenses actually incurred up to $10,000 per year.

In addition, the Nemours Foundation and the Company rent office space from GCC at rates approximating market rentals.

DESCRIPTION OF COMMON STOCK

As of December 9, 1997 the authorized capital stock of the Company consisted of 60,000,000 shares of common stock, no par value, of which 32,402,384 shares were issued and outstanding (including 1,836,447 shares subject to outstanding options). However, the Company will effect a 3-for-1 stock split prior to the commencement of the Offerings so that 180,000,000 shares of Common Stock, no par value will, be authorized and 97,207,152 shares of such Common Stock will be issued and outstanding. In order to effect the stock split, the Company's Certificate of Incorporation will be amended to increase the authorized number of shares of capital stock.

The Company's Common Stock consists of one class of common voting stock with each share being entitled to one vote. A majority of the holders of the Common Stock represented at any meeting of stockholders constitutes a quorum and a majority of such quorum is entitled to vote on any matter coming before the meeting. Directors are elected at the annual meeting of stockholders by a plurality of the votes cast at such election. The Company's Board of Directors is not staggered.

Stockholders are entitled to receive such dividends as may be declared by the Board of Directors out of funds legally available therefor and share proportionately in any such liquidating distribution.

There are no redemption, conversion or sinking fund provisions with respect to the Common Stock. The Common Stock is not entitled to preemptive rights or cumulative voting rights.

Transfer Agent and Registrar. The transfer agent and registrar for the Common Stock is First Union National Bank Corporate Trust, 1525 West W.T. Harris Blvd., 3C3, NC1153, Charlotte, North Carolina 28288-1153.

TAX CONSEQUENCES TO NON-U.S. HOLDERS

In the opinion of Latham & Watkins, counsel to the Company, the material federal income tax consequences to Non-U.S. Holders expected to result from the purchase, ownership and sale or other taxable disposition of the Common Stock, under currently applicable law, are summarized below. A "Non-U.S. Holder" is a person or entity that, for U.S. federal income tax purposes, is a non-resident alien individual, a foreign corporation, a foreign estate or trust or a foreign partnership as such terms are defined in the Internal Revenue Code of 1986, as amended (the "Code").

This summary is based upon the current provisions of the Code, applicable Treasury Regulations and judicial and administrative decisions and rulings. There can be no assurance that the Internal Revenue Service (the "IRS") will not take a contrary view, and no ruling from the IRS has been or will be sought. Future legislative, judicial or administrative changes or interpretations could alter or modify the statements set forth herein, and any such changes or interpretations could be retroactive and could affect the tax consequences to Non-U.S. Holders of Common Stock.

The following summary is for general information only and does not purport to deal with all aspects of federal income taxation that may affect particular Non-U.S. Holders in light of their individual circumstances and is not intended for (a) stockholders other than Non-U.S. Holders, (b) Non-U.S. Holders who would not hold the Common Stock as capital assets or (c) Non-U.S. Holders who are otherwise subject to special treatment under the Code (including insurance companies, tax-exempt entities, financial institutions, broker-dealers and persons who would hold the Common Stock as part of a straddle, hedge or conversion transaction). In addition, the summary does not consider the effect of any applicable state, local or foreign tax laws on Non-U.S. Holders. EACH PROSPECTIVE NON-U.S. HOLDER OF COMMON STOCK SHOULD CONSULT HIS OWN TAX ADVISOR WITH RESPECT TO THE TAX CONSEQUENCES OF THE ACQUISITION, OWNERSHIP AND DISPOSITION OF COMMON STOCK, INCLUDING THE APPLICABILITY AND EFFECT OF STATE, LOCAL AND FOREIGN TAX LAWS, AND OF CHANGES IN APPLICABLE TAX LAWS.

DIVIDENDS ON COMMON STOCK

Dividends paid to a Non-U.S. Holder of Common Stock that are not effectively connected with the conduct by the Non-U.S. Holder of a trade or business within the United States will generally be subject to withholding of United States federal income tax at a rate of 30% of the gross amount of the dividends unless the rate is reduced by an applicable income tax treaty. Except to the extent that an applicable tax treaty otherwise provides, a Non-U.S. Holder will be taxed in the same manner as United States citizens, resident aliens and domestic corporations on dividends paid (or deemed paid) that are effectively connected with the conduct of a trade or business in the United States by the Non-U.S. Holder. If such Non-U.S. Holder is a foreign corporation, it may also be subject to a United States branch profits tax on such effectively connected income at a 30% rate or such lower rate as may be specified by an applicable income tax treaty. However, a

Non-U.S. Holder may claim exemption from withholding under the effectively connected income exception by filing Form 4224 (Exemption from Withholding of Tax on Income Effectively Connected with the Conduct of Business in the United States) or a successor form with the Company or its paying agent.

Under the currently applicable Treasury regulations, dividends paid to an address in a country other than the United States are presumed to be paid to a resident of such country for purposes of the withholding discussed above (unless the payor has knowledge to the contrary) and, under the current interpretation of Treasury regulations, for purposes of determining the applicability of a reduced rate of withholding under an income tax treaty. However, under certain recently finalized Treasury Regulations (the "New Withholding Regulations") a Non-U.S. Holder of Common Stock who wishes to claim the benefit of an applicable treaty rate would be required to satisfy certain certification and other requirements. In addition, under the New Withholding Regulations, in the case of Common Stock held by a foreign partnership, the certification requirement would generally be applied to the partners of the partnership and the partnership may be required to provide certain information, including a United States taxpayer identification number. The New Withholding Regulations also provide look-through rules for tiered partnerships. The New Withholding Regulations are generally effective for payments made after December 31, 1998, subject to certain transition rules. Non-U.S. Holders are encouraged to consult with their own tax advisors with respect to the application of the New Withholding Regulations.

Generally, the Company must report to the IRS the amount of dividends paid, the name and address of the recipient and the amount, if any, of the tax withheld. A similar report is sent to the holder. Pursuant to income tax treaties or certain other agreements, the IRS may make its reports available to tax authorities in the recipient's country of residence.

If paid to an address outside the United States, dividends on Common Stock held by a Non-U.S. Holder will generally not be subject to backup withholding, provided that the payor does not have actual knowledge that the holder is a United States person. However, under the New Withholding Regulations (which are effective for dividends paid after December 31, 1998), dividend payments may be subject to backup withholding imposed at a rate of 31% unless applicable certification requirements are satisfied. See the discussion above with respect to rules applicable to foreign partnerships under the New Withholding Regulations.

GAIN ON DISPOSITION OF COMMON STOCK

Subject to the discussion below under "FIRPTA Treatment of Non-U.S. Holders," a Non-U.S. Holder generally will not be subject to United States federal income tax or withholding on gain recognized upon the sale or other disposition of Common Stock unless (i) the gain is effectively connected with the conduct of a trade or business within the United States by the Non-U.S. Holder, or (ii) in the case of a Non-U.S. Holder who is a non-resident alien individual and holds the Common Stock as a capital asset, such holder is present in the United States for 183 or more days in the taxable year and certain other conditions are met, or (iii) the Non-U.S. Holder is subject to tax pursuant to the provisions of United States federal income tax law applicable to certain United States expatriates. If a Non-U.S. Holder falls under clause (i) above, the holder will be taxed on the net gain derived from the sale at regular graduated United States federal income tax rates (the branch profits tax also may apply if the Non-U.S. Holder is a corporation). If an individual Non-U.S. Holder falls under clause (ii) above, the holder generally will be subject to a 30% tax on the gain derived from the sale, which gain may be offset by U.S. capital losses recognized within the same taxable year of such sale.

FIRPTA TREATMENT OF NON-U.S. HOLDERS

Under the Foreign Investment in Real Property Tax Act of 1980, as amended ("FIRPTA"), and subject to the exception discussed below for 5% or less shareholders, Non-U.S. Holders generally are subject to United States federal income tax on capital gain realized on the disposition of Common Stock which constitutes a United States real property interest by reason of that Company's status as a United States real property holding corporation ("USRPHC"), as well as United States withholding in respect to such tax equal to 10% of the amount realized on such disposition. Under FIRPTA, a corporation is a USRPHC if the fair

market value of the United States real property interests held by the corporation equals 50% or more of the aggregate fair market value of the Company's real property interests and any other assets of the Company used or held for use in a trade or business. In the event that a sale or disposition of Common Stock constitutes a sale or disposition of a United States real property interest, a greater than 5% Non-U.S. Holder will generally be subject to United States tax on such sale or disposition.

The Company currently believes that, in light of the nature and extent of its real estate interests in the United States, it is a USRPHC. Even if a corporation meets the test for a USRPHC, a Non-U.S. Holder would generally not be subject to U.S. federal income tax on gain from a sale or other disposition of Common Stock solely by reason of such USRPHC status if the Common Stock is regularly traded on an established securities market during the calendar year in which such sale or disposition occurs and such holder does not own, actually or constructively, Common Stock with a fair market value in excess of 5% of the fair market value of all Common Stock outstanding at any time during the shorter of the five-year period preceding such disposition or the holder's holding period. In addition, a Non-U.S. Holder will not be subject to withholding in respect to such tax if the Company's Common Stock is so regularly traded during the calendar year of such disposition. The Company believes that the Common Stock will be treated as regularly traded on an established securities market. Accordingly, a Non-U.S. Holder that owns more than 5% of the fair market value of the Common Stock during the period described above may be subject to U.S. federal income tax on a sale or disposition.

FEDERAL ESTATE TAXES

An individual Non-U.S. Holder who owns, or is treated as owning, Common Stock at the time of his or her death or has made certain lifetime transfers of an interest in Common Stock will be required to include the value of such Common Stock in his gross estate for United States federal estate tax purposes, unless an applicable estate tax treaty provides otherwise.

INFORMATION REPORTING AND BACKUP WITHHOLDING

Information reporting requirements and backup withholding tax will not apply to any payment of the proceeds of the sale of Common Stock effected outside the United States by a foreign office of a "broker" (as defined in applicable Treasury Regulations), unless such broker is (i) a United States person, (ii) a foreign person that derives 50% or more of its gross foreign income for certain periods from activities that are effectively connected with the conduct of a trade or business in the United States, (iii) a controlled foreign corporation for United States federal income tax purposes or (iv) effective December 31, 1998, certain brokers that are foreign partnerships with partners who are Non-U.S. Holders or that are engaged in a United States trade or business. Payment of the proceeds of any such sale effected outside the United States by a foreign office of any broker that is described in (i), (ii), (iii) or (iv) of the preceding sentence will not be subject to backup withholding tax, but will be subject to information reporting requirements unless such broker has documentary evidence in its records that the beneficial owner is a Non-U.S. Holder and certain other conditions are met, or the beneficial owner otherwise establishes an exemption. Payment of the proceeds of any such sale to or through the United States office of a broker is subject to information reporting and backup withholding requirements, unless the beneficial owner of the Common Stock either (a) provides a Form W-8 (or a suitable substitute form) signed under penalties of perjury that includes its name and address and certifies as to its Non-U.S. Holder status in compliance with applicable law and regulations, or (b) otherwise establishes an exemption. Effective for payments after December 31, 1998 (and subject to certain transition rules), the New Withholding Regulations unify certain certification procedures and forms and the reliance standards relating to information reporting and backup withholding.

THE FOREGOING DISCUSSION OF CERTAIN FEDERAL INCOME TAX CONSEQUENCES IS FOR GENERAL INFORMATION ONLY AND IS NOT TAX ADVICE. ACCORDINGLY, EACH PROSPECTIVE NON-U.S. HOLDER OF COMMON STOCK SHOULD CONSULT HIS OWN TAX ADVISOR WITH RESPECT TO THE TAX CONSEQUENCES OF THE ACQUISITION, OWNERSHIP AND DISPOSITION OF COMMON STOCK.

UNDERWRITERS

Under the terms and subject to the conditions in the Underwriting agreement dated the date hereof (the "Underwriting Agreement"), the U.S. Underwriters named below for whom Morgan Stanley & Co. Incorporated, Donaldson, Lufkin & Jenrette Securities Corporation, Merrill Lynch, Pierce, Fenner & Smith Incorporated and Raymond James & Associates, Inc. are acting as U.S. Representatives, and the International Underwriters named below for whom Morgan Stanley & Co. International Limited, Donaldson, Lufkin & Jenrette International, Merrill Lynch International and Raymond James & Associates, Inc. are acting as International Representatives, have severally agreed to purchase, and the Trust has agreed to sell to them, severally, the respective number of shares of Common Stock set forth opposite the names of such Underwriters below:

NAME	NUMBER OF SHARES
U.S. Underwriters:	
Morgan Stanley & Co. Incorporated........................	
Donaldson, Lufkin & Jenrette Securities Corporation.......	
Merrill Lynch, Pierce, Fenner & Smith Incorporated....................................	
Raymond James & Associates, Inc..........................	
Subtotal..	
International Underwriters:	
Morgan Stanley & Co. International Limited................	
Donaldson, Lufkin & Jenrette International................	
Merrill Lynch International..............................	
Raymond James & Associates, Inc..........................	
Subtotal..	
Total..	

The U.S. Underwriters and the International Underwriters, and the U.S. Representatives and the International Representatives, are collectively referred to as the "Underwriters" and the "Representatives," respectively. The Underwriting Agreement provides that the obligations of the several Underwriters to pay for and accept delivery of the shares of Common Stock offered hereby are subject to the approval of certain legal matters by their counsel and to certain other conditions. The Underwriters are obligated to take and pay for all of the shares of Common Shares offered hereby (other than those covered by the U.S. Underwriters' over-allotment option described below) if any such shares are taken.

Pursuant to the Agreement between U.S. and International Underwriters, each U.S. Underwriter has represented and agreed that, with certain exceptions: (i) it is not purchasing any Shares (as defined herein) for the account of anyone other than a United States or Canadian Person (as defined herein) and (ii) it has not offered or sold, and will not offer or sell, directly or indirectly, any Shares or distribute any prospectus relating to the Shares outside the United States or Canada or to anyone other than a United States or Canadian Person. Pursuant to the Agreement between U.S. and International Underwriters, each International Underwriter has represented and agreed that, with certain exceptions: (i) it is not purchasing any Shares for the account of any United States or Canadian Person and (ii) it has not offered or sold and will not offer or sell, directly or indirectly, any Shares or distribute any prospectus relating to the Shares in the United States or Canada or to any United States or Canadian Person. With respect to any Underwriter that is a U.S. Underwriter and an International Underwriter, the foregoing representations and agreements (i) made by it in its capacity as a U.S. Underwriter apply only to in its capacity as a U.S. Underwriter and (ii) made by it in its capacity as an International Underwriter apply only to it in its capacity as an International Underwriter. The foregoing limitations do no apply to stabilization transactions or to certain other transaction specified in the Agreement between U.S. and International Underwriters. As used herein, "United States or Canadian Person" means any national or resident of the United States or Canada or of any corporation, pension, profit-

sharing or other trust or other entity organized under the laws of the United States and Canada or of any political subdivision thereof (other than branch located outside the United States of any United States or Canadian person), and includes any United States or Canadian branch of a person who is otherwise not a United States or Canadian Person. All shares of Common Stock to be purchased by the Underwriters under the Underwriting Agreement are referred to herein as the "Shares."

Pursuant to the Agreement between U.S. and International Underwriters, sales may be made between the U.S. Underwriters and International Underwriters of any number of Shares as may be mutually agreed. The per share price of any Shares sold shall be the public offering price set forth on the cover page hereof, in United States dollars, less an amount not greater than the per share amount of the concession to dealers set forth below.

Pursuant to the Agreement between U.S. and International Underwriters, each U.S. Underwriter has represented that it has not offered or sold, and has agreed not to offer to sell, any Shares, directly or indirectly, in any province or territory of Canada or to, or for the benefit of any resident of any province or territory of Canada in contravention of the Securities laws thereof and has represented that any offer or sale of Shares in Canada will be made only pursuant to an exemption from the requirement to file a prospectus in the province or territory of Canada will be made only pursuant to an exemption from the requirement to file a prospectus in the province or territory of Canada in which such offer or sale is made. Each International Underwriter has further agreed to send to any dealer who purchases from it any of the Shares a notice stating in substance that, by purchasing such Shares, such dealer represents and agrees that it has not offered or sold, and will not offer or sell, directly or indirectly, any of such Shares in any province or territory of Canada or to, or for the benefit of, any resident or any province or territory of Canada in contravention of the securities laws thereof and that any offer or sale of Shares in Canada will be made only pursuant to an exemption from the requirement to file a prospectus in the province to territory of Canada in which such offer is made, and that such dealer will deliver to any other dealer to whom it sells any of such Shares a notice contained substantially the same statement as is contained in this sentence.

Pursuant to the Agreement between U.S. and International Underwriters, each International Underwriter has represented and agreed that (i) it has not offered or sold and, prior to the date six months after the closing date for the sale of Shares to the International Underwriters, will not offer or sell, any Shares to persons in the United Kingdom except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their business or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offerings of Securities Regulations 1995; (ii) it has complied and will comply with all applicable provisions of the Financial Services Act 1986 with respect to anything done by it in relation to the Shares in, from or otherwise involving the United Kingdom; and (iii) it has only issued or passed on and will only issue or pass on in the United Kingdom any document received by it in connection with the offering of the Shares to a person who is of a kind described in Article 11(3) of the Financial Services Act 1986 (Investment Advertisements) (Exemptions) Order 1996 or is a person to whom such document may otherwise lawfully be issued or passed on.

Pursuant to the Agreement between the U.S. and International Underwriters, each International Underwriter has further represented that it has not offered or sold and has agreed not to offer or sell, directly or indirectly, in Japan or to or for the account of any resident thereof, any of the Shares acquired in connection with the distribution contemplated hereby, except for offers or sales to Japanese International Underwriters or dealers and except pursuant to any exemption from the registration requirements of the Securities and Exchange Law and otherwise in compliance with applicable provisions of Japanese law. Each International Underwriter has further agreed to send to any dealer who purchases from it any of the Shares a notice stating in substance that, by purchasing such Shares, such dealer represents and agrees that it has not offered or sold, and will not offer or sell, any of such Shares, directly or indirectly, in Japan or to or for the account of any resident thereof except for offers or sales to Japanese International Underwriters or dealers and except pursuant to any exemption from the registration requirements of the Securities and Exchange Law and otherwise in compliance with applicable provisions of Japanese law, and that such dealer will send to any other

dealer to whom it sells any of such Shares a notice containing substantially the same statement as is contained in this sentence.

The Underwriters initially propose to offer part of the Shares directly to the public at the public offering price set forth on the cover page hereof and part to certain dealers at a price that represents a concession not in excess of $ a share under the public offering price. The Underwriters may allow, and such dealers may reallow, a concession not in excess of $ a share to other Underwriters or to certain dealers. After the initial offering of the Shares, the offering price and other selling terms may from time to time be varied by the Representatives.

Pursuant to the Underwriting Agreement, the Trust has granted to the U.S. Underwriters an option, exercisable for 30 days from the date of this Prospectus, to purchase up to an aggregate of 600,000 additional shares of Common Stock at the public offering price set forth on the cover page hereof, less underwriting discounts and commissions. The U.S. Underwriters may exercise such option to purchase solely for the purpose of covering overallotments, if any, made in connection with the offering of the shares of Common Stock offered hereby. To the extent such option is exercised, each U.S. Underwriter will become obligated, subject to certain conditions, to purchase approximately the same percentage of such additional shares of Common Stock as the number set forth next to such U.S. Underwriter's name in the preceding table bears to the total number of share of Common Stock set forth next to the names of all U.S. Underwriters in the preceding table.

The Common Stock is listed on the New York Stock Exchange under the symbol "SJP".

Each of the Company, the Selling Stockholder and certain other stockholders and officers and directors of the Company has agreed that, without the prior written consent of Morgan Stanley & Co. Incorporated on behalf of the Underwriters, it will not, during the period ending 180 days from the date of this Prospectus, directly or indirectly, (i) offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase or lend, file a registration statement or exercise a registration right in respect of or otherwise transfer or dispose of any shares of Common Stock or any securities convertible into or exercisable or exchangeable for Common Stock or (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Common Stock, whether any such transaction described in clause (i) or (ii) above is to be settled by delivery of shares of Common Stock or such other securities, in cash or otherwise, other than (w) the Shares, (x) the issuance by the Company of shares of Common Stock upon the exercise of an option or a warrant or the conversion of a security outstanding on the date of this Prospectus of which the Underwriters have been advised in writing, (y) the issuance of shares of Common Stock as consideration for acquisitions or (z) the grant of options under the Company's stock option plans; provided such options do not vest prior to the termination of the 180-day period referenced herein, and provided further that, in the case of subclauses (x) and (y), the recipient of any such issued shares agrees to be bound by the transfer restrictions set forth herein.

In order to facilitate the offering of the Common Stock, the Underwriters may engage in transactions that stabilize, maintain or otherwise affect the price of the Common Stock. Specifically, the Underwriters may over-allot in connection with the Offerings, creating a short position in the Common Stock for their own account. In addition, to cover over-allotments or to stabilize the price of the Common Stock, the Underwriters may bid for, and purchase, shares of Common Stock in the open market. Finally, the underwriting syndicate may reclaim selling concessions allowed to an Underwriter or a dealer for distributing the Common Stock in the Offerings, if the syndicate repurchases previously distributed Common Stock in transactions to cover syndicate short positions, in stabilization transactions or otherwise. Any of these activities may stabilize or maintain the market price of the Common Stock above independent market levels. The Underwriters are not required to engage in these activities, and may end any of these activities at any time.

The Company, the Trust and the Underwriters have agreed to indemnify each other against certain liabilities, including liabilities under the Securities Act.

LEGAL MATTERS

The validity of the Common Stock offered hereby and certain other legal matters will be passed upon for the Company by Robert M. Rhodes, Senior Vice President and General Counsel of the Company, and by Latham & Watkins, Chicago, Illinois. Certain legal matters will be passed upon for the Trust by McGuire, Woods, Battle & Boothe L.L.P., Richmond, Virginia. Certain legal matters will be passed upon for the Underwriters by Davis Polk & Wardwell, New York, New York.

EXPERTS

The consolidated financial statements of St. Joe Corporation as of December 31, 1996 and 1995, and for each of the years in the three-year period ended December 31, 1996, have been included herein and in the registration statement in reliance upon the report of KPMG Peat Marwick LLP, independent certified public accountants, appearing elsewhere herein, and upon the authority of said firm as experts in accounting and auditing.

ST. JOE CORPORATION

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INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
St. Joe Corporation:

We have audited the accompanying consolidated balance sheets of St. Joe Corporation and subsidiaries as of December 31, 1996 and 1995, and the related consolidated statements of income, changes in stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 1996. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of St. Joe Corporation and subsidiaries as of December 31, 1996 and 1995, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 1996, in conformity with generally accepted accounting principles.

KPMG PEAT MARWICK LLP

Jacksonville, Florida
March 7, 1997

ST. JOE CORPORATION

CONSOLIDATED BALANCE SHEETS

	DECEMBER 31, 1995	DECEMBER 31, 1996	SEPTEMBER 30, 1997 (UNAUDITED)
	(DOLLARS IN THOUSANDS)		
ASSETS			
Current Assets:			
Cash and cash equivalents	$ 16,802	$ 449,013	$ 200,986
Short-term investments	96,923	88,011	38,200
Accounts receivable	44,390	57,517	39,343
Income taxes refundable	4,314	--	--
Inventories	20,592	18,677	12,692
Other assets	18,162	17,455	35,665
Net assets of discontinued operations	296,001	--	--
Total current assets	497,184	630,673	326,886
Investments and Other Assets:			
Marketable securities	189,865	282,827	337,526
Note receivable	--	10,000	--
Other assets	38,971	48,571	67,231
Total investments and other assets	228,836	341,398	404,757
Property, plant and equipment, net	804,974	834,167	853,217
Total assets	$1,530,994	$1,806,238	$1,584,860
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current Liabilities:			
Accounts payable	$ 26,024	$ 28,480	$ 26,903
Accrued liabilities	18,445	21,615	25,920
Income taxes payable	--	6,864	3,876
Total current liabilities	44,469	56,959	56,699
Accrued casualty reserves and other liabilities	11,681	18,361	19,950
Deferred income taxes	192,036	254,873	279,690
Minority interest in consolidated subsidiaries	266,741	279,104	293,915
Stockholders' Equity:			
Common stock, no par value; 60,000,000 shares authorized; 30,498,650 shares issued and outstanding at December 31, 1995 and 1996 and 30,565,937 at September 30, 1997	8,714	8,714	13,054
Retained earnings	955,239	1,125,161	843,198
Net unrealized gains on marketable securities available for sale	52,114	63,066	82,043
Restricted stock deferred compensation	--	--	(3,689)
Total stockholders' equity	1,016,067	1,196,941	934,606
Total liabilities and stockholders' equity	$1,530,994	$1,806,238	$1,584,860

See notes to consolidated financial statements.

ST. JOE CORPORATION

CONSOLIDATED STATEMENTS OF INCOME

	YEAR ENDED DECEMBER 31,			NINE MONTHS ENDED SEPTEMBER 30,	
	1994	1995	1996	1996	1997
				(UNAUDITED)	
	(DOLLARS IN THOUSANDS EXCEPT PER SHARE AMOUNTS)				
Net sales	$155,122	$150,564	$245,704	$173,401	$ 79,566
Operating revenues	175,784	184,360	185,485	162,307	172,328
Total revenues	330,906	334,924	431,189	335,708	251,894
Cost of sales	111,014	116,014	112,163	64,765	63,282
Operating expenses	133,091	139,875	139,640	120,524	118,493
Selling, general and administrative expenses	26,836	31,718	31,215	24,373	28,103
Operating profit	59,965	47,317	148,171	126,046	42,016
Other income (expense):					
Dividends	2,187	2,595	2,968	2,196	2,583
Interest income	9,678	12,666	29,914	20,887	21,955
Interest expense	(1,982)	(2,235)	(600)	(426)	(331)
Gain on sales and other dispositions of property, plant and equipment, net	13,895	2,674	3,423	5,745	3,305
Other, net	1,386	3,070	5,152	3,603	5,138
Total other income (expense)	25,164	18,770	40,857	32,005	32,650
Income from continuing operations before income taxes and minority interest	85,129	66,087	189,028	158,051	74,666
Provision for income taxes					
Current	24,692	5,778	30,288	12,399	22,372
Deferred	6,754	18,757	52,829	58,812	10,609
Total provision for income taxes	31,446	24,535	83,117	71,211	32,981
Income from continuing operations before minority interest	53,683	41,552	105,911	86,840	41,685
Minority interest	15,827	12,194	14,002	9,922	13,404
Income from continuing operations	37,856	29,358	91,909	76,918	28,281
Income from discontinued operations:					
Earnings (loss) from discontinued operations, net of income taxes of $2,491, $26,116, $(2,785) and $(2,785), respectively	4,253	44,461	(4,528)	(4,528)	--
Gain on the sale of discontinued operations, net of income taxes of $48,705 and $64,950, respectively	--	--	88,641	95,644	--
Income from discontinued operations	4,253	44,461	84,113	91,116	--
Net income	$ 42,109	$ 73,819	$176,022	$168,034	$ 28,281
PER SHARE DATA:					
Income from continuing operations	$ 1.24	$ 0.96	$ 3.01	$ 2.52	$ 0.93
Earnings (loss) from discontinued operations	0.14	1.46	(.15)	(.15)	--
Gain on the sale of discontinued operations	--	--	2.91	3.14	--
Net income	$ 1.38	$ 2.42	$ 5.77	$ 5.51	$ 0.93

See notes to consolidated financial statements.

ST. JOE CORPORATION

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

	YEARS ENDED DECEMBER 31,			NINE MONTHS ENDED SEPTEMBER 30,
	1994	1995	1996	1997
				(UNAUDITED)
	(DOLLARS IN THOUSANDS EXCEPT PER SHARE AMOUNTS)			
Common Stock:				
Balance, at end of year (1994, 1995 and 1996 -- 30,498,650 shares, September 30, 1997 -- 30,565,937)	$ 8,714	$ 8,714	$ 8,714	$ 13,054
Retained Earnings:				
Balance, at beginning of year	$851,511	$887,520	$ 955,239	$1,125,161
Net income	42,109	73,819	176,022	28,281
Dividends:				
Cash ($0.20 per share -- 1994, 1995 and 1996, $.15 per share in 1997)	(6,100)	(6,100)	(6,100)	(4,585)
Special distribution ($10.00 per share in 1997)	--	--	--	(305,659)
Balance, at end of year	$887,520	$955,239	$1,125,161	$ 843,198
Net Unrealized Gain on Marketable Securities Available for Sale:				
Balance, at beginning of year	$ 41,485	$ 40,747	$ 52,114	$ 63,066
Increase (decrease) in net unrealized gain, net of tax effect	(738)	11,367	10,952	18,977
Balance, at end of year	$ 40,747	$ 52,114	$ 63,066	$ 82,043
Restricted stock deferred compensation:				
Balance, at beginning of year	--	--	--	--
(Increase) decrease in restricted stock deferred compensation	--	--	--	$ (3,689)
Balance, at end of year	--	--	--	$ (3,689)

See notes to consolidated financial statements.

ST. JOE CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

	YEARS ENDED DECEMBER 31,			NINE MONTHS ENDED SEPTEMBER 30,	
	1994	1995	1996	1996	1997
				(UNAUDITED)	
	(DOLLARS IN THOUSANDS)				
Cash flows from operating activities:					
Net Income	$ 42,109	$ 73,819	$176,022	$168,034	$ 28,281
Adjustments to reconcile net income to cash provided by operating activities:					
Depreciation and depletion	27,612	28,551	28,758	21,232	23,635
Minority interest in income	15,827	12,194	14,002	9,922	13,404
Gain on sale of property	(13,895)	(2,674)	(3,423)	(5,745)	(3,682)
Gain on sale of discontinued operations	--	--	(88,641)	(95,644)	--
Deferred income tax provision	6,754	18,757	52,829	60,687	12,327
Changes in operating assets and liabilities:					
Accounts receivable	(1,375)	(3,139)	(13,127)	(377)	18,174
Inventories	6,545	(828)	1,915	3,459	5,985
Other assets	(406)	(4,790)	(8,893)	(14,151)	(26,870)
Accounts payable, accrued liabilities and casualty reserves	3,176	(4,279)	5,435	27,121	6,971
Income taxes payable	4,275	(7,012)	11,178	25,537	(2,988)
Discontinued operations -- noncash charges and working capital changes	12,096	43,483	(58,710)	(63,257)	--
Cash provided by operating activities	102,718	154,082	117,345	136,818	75,237
Cash flows from investing activities:					
Purchases of property, plant and equipment	(65,450)	(78,816)	(64,271)	(41,135)	(53,256)
Investing activities of discontinued operations	(19,513)	(28,102)	(4,327)	(4,327)	--
Proceeds from sales of property	18,135	5,119	9,743	4,806	14,904
Proceeds from sale of discontinued operations	--	--	445,055	454,949	--
Purchases of investments:					
Available for sale	(18,851)	(31,247)	(21,928)	(18,698)	(49,615)
Held-to-maturity	(105,091)	(168,607)	(180,797)	(216,570)	(100,336)
Maturity and redemption of investments:					
Available for sale	12,779	29,058	18,291	12,218	62,434
Held-to-maturity	95,241	135,480	121,111	153,194	114,096
Cash provided by (used in) investing activities	(82,750)	(137,115)	322,877	344,437	(11,773)
Cash flows from financing activities:					
Net change in short-term borrowings	(5,437)	(11,989)	--	--	--
Financing activities of discontinued operations	2,092	(9,917)	(245)	(245)	
Dividends paid to stockholders	(6,100)	(6,100)	(6,100)	(4,575)	(310,244)
Repayment of long-term debt	(19)	(16,893)	--	--	--
Dividends paid to minority interest	(1,679)	(1,655)	(1,666)	(1,245)	(1,247)
Cash used in financing activities	(11,143)	(46,554)	(8,011)	(6,065)	(311,491)
Net increase (decrease) in cash and cash equivalents	8,825	(29,587)	432,211	475,190	(248,027)
Cash and cash equivalents at beginning of period	37,564	46,389	16,802	16,802	449,013
Cash and cash equivalents at end of period	$ 46,389	$ 16,802	$449,013	$491,992	$ 200,986
Supplemental disclosure of cash flow information:					
Cash paid during the year for certain expense items:					
Interest	$ 3,973	$ 4,541	$ 1,009	$ 835	$ 331
Income taxes	$ 20,494	$ 45,283	$120,789	$ 93,172	$ 25,776

See notes to consolidated financial statements.

ST. JOE CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(DOLLARS IN THOUSANDS EXCEPT PER SHARE AMOUNTS)

1. NATURE OF OPERATIONS

St. Joe Corporation (the Company) is a diversified corporation engaged in transportation, real estate, forestry and sugar operations. Forestry has operations in both Florida and Georgia while the remaining businesses operate principally within the state of Florida.

Transportation

Transportation operations accounted for 43% of the Company's net sales and operating revenues in 1996, and consist of both railway and trucking operations. The two railroads, one serving the northwest Florida area from Port St. Joe to Chattahoochee and the other serving the eastern seaboard of Florida from Jacksonville to Miami, provide transportation services for the common carriage of goods by rail between their terminating points. Since the rail operations are within the state of Florida, more than one-half of its transportation revenue is generated by shipments which originate and terminate within Florida. Additionally, a significant portion of the traffic handled is received from or transferred to other rail carriers. The principal commodities carried by rail include crushed stone, cement, automobile vehicles and parts, trailer-on-flatcar, container-on-flatcar, basic consumer goods such as foodstuffs and building material, coal, pulpboard, pulpwood, woodchips, tall oil chemicals, stone and clay products and recyclables. The trucking portion of the Company's operation is an interstate, irregular route, common carrier with terminals located throughout the eastern half of the United States.

Real Estate

Real estate accounted for 31% of the Company's net sales and operating revenues in 1996, and consists of the development, construction and management of real estate projects within the state of Florida, both for long-term appreciation and for sale to third parties and the sale of both developed and undeveloped land. Along Florida's east coast, the Company concentrates in commercial property which it can manage, maintain and develop. In west Florida, the Company has concentrated on developing parcels for residential use. The Real Estate segment's competition is with other developers and brokers throughout its operating area.

Forestry

Forestry accounted for 13% of the Company's net sales and operating revenues in 1996, and consists of the growing and harvesting of timber on approximately one million acres of timberlands in Florida and Georgia. The majority of the wood harvested by the Company is sold under a long term wood fiber supply agreement to one linerboard mill located in Port St. Joe, Florida. The Company plans in the future to shift its remaining fiber production from the Company's lands to higher margin timber products.

Wood is supplied to the mill pursuant to a negotiated wood fiber supply agreement entered into at the time of the sale of the mill. See Note 3. Discontinued Operations. Under that agreement, wood fiber will be supplied to the linerboard mill for a period of fifteen years, with two five year renewal periods. Tonnage to be provided, reduces from 1.6 million tons in year one to 1.4, 1.2, .9 million tons in years two, three and four respectively. Years four and thereafter remain at .9 million tons. The amount of tonnage required from Company's land is .9 million tons per year starting in the third year. At anytime, the mill can elect to reduce in increments on a permanent basis the amount of tonnage to not less than 600,000 tons per year. Prices for the wood fiber were negotiated at the time of the negotiation of the agreement and were negotiated based on fixed prices from geographic zones for pulp wood and prices tied to designated chipping facilities for wood chips. Under the wood fiber supply agreement, prices are to be renegotiated every two years and are to be indexed on a quarterly basis to certain published prices resulting in quarterly adjustments that are not greater than five percent.

ST. JOE CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)
(DOLLARS IN THOUSANDS EXCEPT PER SHARE AMOUNTS)

On March 6, 1997 officials of the linerboard mill at Port St. Joe announced that the mill would be shutdown beginning in April, 1997 for an indefinite period of time due to soft market conditions in the paper industry.

In September 1997, the linerboard mill reopened. On August 25, 1997, the Company renegotiated certain terms of its wood fiber supply agreement with Florida Coast Paper Company. Under the revised agreement, the Company will supply 615,400 tons of pulpwood and wood chips between August 25, 1997 and May 30, 1998; thereafter the Company will supply 700,000 tons per year through December, 2011 with two five year renewal periods at the option of Florida Coast. The financial impact to transportation (ANRR) and forestry segments operations had a significant adverse impact on the segments' revenues, operating profit, net income and cash flow during the shutdown period.

Sugar

Sugar accounted for 13% of the Company's net sales and operating revenues in 1996, and consists of a sugarcane plantation and a sugar mill which processes the sugarcane into raw sugar. The raw sugar from the mill is sold to one customer. The sugarcane crop is subject to varying weather conditions which can significantly reduce the harvest and crop yields.

2. MAJORITY STOCKHOLDERS

The Alfred I. duPont Testamentary Trust (the "Trust") and Nemours Foundation (the "Foundation"), beneficiary of the Trust, collectively own approximately 69.8% of the common stock of the Company. The Company and its subsidiaries had no significant transactions with the Trust or the Foundation during the period.

3. DISCONTINUED OPERATIONS

Communications

On April 11, 1996, St. Joe Industries, Inc., a wholly owned subsidiary of the Company, sold the stock of St. Joe Communications, Inc. (SJCI) to TPG Communications, Inc. for $96,098. TPG Communications, Inc. assumed $17,963 of SJCI interest bearing debt. SJCI sold its interest in three remaining cellular partnerships for an aggregate of $25,113. The Company recorded a $39,154 gain on the sale net of tax. SJCI's revenues through the April 11, 1996 sale date were $9,335. Revenues in 1995 and 1994 were $32,826 and $30,638, respectively. During 1995, the Company had previously sold a cellular partnership interest for $2,104. Earnings for SJCI were $1,120, $6,767 and $4,993 for 1996, 1995 and 1994, respectively

Forest Products

On May 30, 1996, the Company sold its linerboard mill and container plants. Proceeds from the sale include $323,844 cash and a $10,000 senior subordinated note, (the Promissory Note). The Promissory Note bears interest at a rate of 13.25% and interest is payable quarterly in arrears commencing September 1, 1996, provided that any interest payable on its due date may, at the borrowers' option, be added to the principal amount outstanding. To date, interest payments have been added to the principal amount. All unpaid principal and interest is due June 1, 2007. The Promissory Note may be prepaid without penalty at any time. The gain on the sale was $49,487, net of tax. Revenues for the linerboard mill and container plants through May 30, 1996 were $156,305. Revenues in 1995 and 1994 were $438,399 and $378,088, respectively. Earnings (loss) for the linerboard mill and container plants were $(5,648), $37,694 and $(740) for 1996, 1995 and 1994, respectively.

ST. JOE CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)
(DOLLARS IN THOUSANDS EXCEPT PER SHARE AMOUNTS)

Included in cash and cash equivalents at December 31, 1996 is approximately $359,267 of proceeds from these sales which have been held in special accounts during 1996. A formal plan of liquidation was adopted on February 25, 1997, and a distribution of net proceeds of the sales in partial liquidation of $10 per share was paid on March 31, 1997, for stockholders of record on March 21, 1997. It is currently anticipated that remaining net proceeds of $1.02 per share will also be distributed later this year after further costs and expenses of the sales have been accounted for. Also included in cash and cash equivalents at December 31, 1996 is approximately $9,783 in earnings on the proceeds of sales.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Estimates

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

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and all of its majority owned subsidiaries. All significant intercompany transactions and balances have been eliminated except for sales of continuing operations of $18,988, $59,535 and $58,925 derived from discontinued operations in the years ended December 31, 1996, 1995 and 1994, respectively. The unrealized profit in ending inventories relating to these sales has been eliminated.

Unaudited Interim Financial Information

The accompanying unaudited consolidated interim balance sheet as of September 30, 1997 and the results of operations and cash flows for the nine months ended September 30, 1996 and 1997 have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission and reflect only normal and recurring adjustments, which are, in the opinion of the Company considered necessary for a fair presentation, as permitted by these regulations. Certain information and footnotes required by generally accepted accounting principles for complete financial statements have been condensed or omitted pursuant to such regulations, although the Company believes that the disclosures made are adequate to make the information presented not misleading.

Revenue Recognition

Transportation revenues are substantially recognized upon completion of transportation services at destination. Revenues from sales of forestry products and sugar are recognized generally on delivery of the product to the customer. Revenue from realty land sales is recognized upon closing of sales contracts for sale of land or upon settlement of condemnation proceedings. Rental revenues are recognized upon completion of rental and lease contracts, using the straight-line basis for recording the revenues over the life of the contract.

Cash and Cash Equivalents

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

ST. JOE CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)
(DOLLARS IN THOUSANDS EXCEPT PER SHARE AMOUNTS)

Inventories

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

Property, Plant and Equipment

Depreciation is computed using both straight-line and accelerated methods over the useful lives of various assets.

Depletion of timber is determined by the units of production method. An adjustment to depletion is recorded, if necessary, based on the continuous forest inventory (CFI) analysis prepared every five years.

Railroad properties are depreciated and amortized using the straight-line method at rates established by regulatory agencies. Gains and losses on normal retirements of these items are credited or charged to accumulated depreciation.

Deferred Cane Crop Costs

Sugar cane plantings generally yield two annual harvests, depending on weather conditions and soil quality, before replanting is necessary. New planting costs are amortized on a straight-line basis over two years.

Earnings Per Common Share

Earnings per common share are based on the weighted average number of common shares outstanding during the year.

Income Taxes

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

Investments

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

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

ST. JOE CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)
(DOLLARS IN THOUSANDS EXCEPT PER SHARE AMOUNTS)

Trading and available-for-sale securities are recorded at fair value. Held-to-maturity securities are recorded at amortized cost, adjusted for the amortization or accretion of premiums or discounts. Unrealized holding gains and losses on trading securities are included in earnings. Unrealized holding gains and losses, net of the related income tax effect and minority interest in consolidated subsidiaries, on available-for-sale securities are excluded from earnings and are reported as a separate component of stockholders' equity until realized.

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

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

Long-Lived Assets

In March 1995, the Financial Accounting Standards Board issued SFAS 121, "Accounting for the Impairment of Long-Lived Assets to be Disposed Of," which requires impairment losses to be recorded on long-lived assets used in operations when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the asset's carrying amount. SFAS 121 also addresses the accounting for long-lived assets that are expected to be disposed of. The Company has historically reserved for losses related to the impairment of long-term assets. The adoption of SFAS No. 121 in 1996 had no material effect on the Company's financial statements.

Stock-Based Compensation

Statement of Financial Accounting Standards ("SFAS") No. 123, Accounting for Stock-Based Compensation, permits entities to recognize as expense over the vesting period the fair value of all stock based awards on the date of grant. Alternatively, SFAS No. 123 also allows entities to apply the provisions of Accounting Principles Board ("APB") Opinion No. 25, Accounting for Stock Issued to Employees, and provide pro forma net income and pro forma earnings per share disclosures for employee stock option grants as if the fair-value-based method defined in SFAS No. 123 has been applied. Under APB No. 25, compensation expense would be recorded on the date of grant only if the current market price of the underlying stock exceeded the exercise price. The Company has elected to apply the provisions of APB Opinion No. 25 and provide the pro forma disclosure provisions of SFAS No. 123. The disclosures are not required for interim reporting.

Reclassifications

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

5. INVENTORIES

Inventories consist of:

	DECEMBER 31,		SEPTEMBER 30,
	1995	1996	1997
			(UNAUDITED)
Materials and supplies	$12,875	$13,530	$12,399
Sugar	7,717	5,147	293
	$20,592	$18,677	$12,692

ST. JOE CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)
(DOLLARS IN THOUSANDS EXCEPT PER SHARE AMOUNTS)

6. INVESTMENTS

Investments as of December 31, 1995, consist of:

	AMORTIZED COST	CARRYING VALUE	FAIR VALUE	UNREALIZED HOLDING GAIN	UNREALIZED HOLDING LOSS
			(IN THOUSANDS)		
Short term investments (maturing within one year)					
Held to maturity					
U.S. Government securities.....	$ 50,077	$ 50,818	$ 51,203	$ 385	$ --
Tax exempt municipals..........	39,135	39,179	39,150	--	29
Mortgage backed securities.....	5,641	5,911	5,909	--	2
Certificates of deposit........	1,000	1,015	1,015	--	--
	$ 95,853	$ 96,923	$ 97,277	$ 385	$ 31
Marketable securities					
Available for sale					
U.S. Government securities					
Maturing in one to five years.....................	$ 872	$ 887	$ 887	$ 15	$ --
Tax exempt municipals					
Maturing in one to five years.....................	6,968	7,181	7,181	213	--
Maturing in five to ten years.....................	20,093	20,953	20,953	860	--
Maturing in more than ten years.....................	5,610	5,820	5,820	210	--
Equity securities.............	11,633	94,027	94,027	82,394	--
Mortgage backed securities					
Maturing in five to ten years.....................	3,801	3,877	3,877	76	--
Other corporate debt securities					
Maturing in five to ten years.....................	1,842	1,897	1,897	55	--
	50,819	134,642	134,642	83,823	--
Held to maturity					
U.S. Government securities					
Maturing in one to five years.....................	45,569	45,902	46,432	530	--
Tax exempt municipals					
Maturing in one to five years.....................	1,283	113	113	--	--
Maturing in more than ten years.....................	1,000	1,003	1,003	--	--
Mortgage backed securities					
Maturing in five to ten years.....................	6,132	6,143	6,699	556	--
Other corporate debt securities					
Maturing in five to ten years.....................	794	2,062	2,454	451	59
	54,778	55,223	56,701	1,537	59
	$105,597	$189,865	$191,343	$85,360	$ 59

ST. JOE CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)
(DOLLARS IN THOUSANDS EXCEPT PER SHARE AMOUNTS)

Investments as of December 31, 1996, consist of:

	AMORTIZED COST	CARRYING VALUE	FAIR VALUE	UNREALIZED HOLDING GAIN	UNREALIZED HOLDING LOSS
			(IN THOUSANDS)		
Short term investments (maturing within one year)					
Held to maturity					
U.S. Government securities	$ 87,007	$ 87,007	$ 87,226	$ 296	$ 77
Tax exempt municipals	1,004	1,004	1,005	1	--
	$ 88,011	$ 88,011	$ 88,231	$ 297	$ 77
Marketable securities					
Available for sale					
U.S. Government securities					
Maturing in one to five years	$ 1,226	$ 1,226	$ 1,226	$ 3	$ 3
Maturing in five to ten years	152	151	151	--	1
Tax exempt municipals					
Maturing in one to five years	10,624	10,945	10,945	321	--
Maturing in five to ten years	19,726	20,336	20,336	610	--
Maturing in more than ten years	4,281	4,265	4,265	--	16
Equity securities	13,534	117,128	117,128	103,594	--
Mortgage backed securities					
Maturing in one to five years	71	71	71	--	--
Maturing in five to ten years	342	343	343	1	--
Maturing in more than ten years	3,210	3,255	3,255	45	--
Other corporate debt securities					
Maturing in one to five years	920	931	931	11	--
Maturing in five to ten years	463	468	468	5	--
Maturing in more than ten years	95	105	105	10	--
	56,644	159,224	159,224	104,600	20
Held to maturity					
U.S. Government securities					
Maturing within one year	$114,371	$114,371	$113,454	$ 333	$1,250
Tax exempt municipals					
Maturing in one to five years	$ 7,079	$ 7,079	$ 7,121	$ 42	$ --
Maturing in more than ten years	56	56	725	669	--
Mortgage backed securities					
Maturing in one to five years	--	--	400	400	--
Maturing in more than ten years	41	41	44	3	--
Other corporate debt securities					
Maturing in one to five years	2,056	2,056	2,475	502	83
	123,603	123,603	124,219	1,949	1,333
	$178,247	$282,827	$283,443	$106,549	$1,353

Marketable securities, including certain investments which mature within one year, are held as a developmental fund created to accumulate capital expected to be required for future improvement of the Company's real estate properties.

ST. JOE CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)
(DOLLARS IN THOUSANDS EXCEPT PER SHARE AMOUNTS)

Investments as of September 30, 1997 (unaudited), consist of:

	AMORTIZED COST	CARRYING VALUE	FAIR VALUE	UNREALIZED HOLDING GAIN	UNREALIZED HOLDING LOSS
			(IN THOUSANDS)		
Short term investments (maturing within one year)					
Available for Sale					
U.S. Government securities	$ 8,496	$ 8,495	$ 8,495	$ --	$ (1)
Other corporate debt securities	29,751	29,705	29,705	--	(46)
	$ 38,247	$ 38,200	$ 38,200	$ --	$ (47)
Marketable Securities					
Available for Sale					
U.S. Government securities					
Maturing in one to five years	$135,420	$135,796	$135,796	$ 376	$ --
Maturing in five to ten years	547	558	558	11	--
Tax exempt municipals					
Maturing in one to five years	19,875	19,248	19,248	--	(627)
Maturing in five to ten years	18,223	19,011	19,011	788	--
Maturing in more than ten years	3,465	3,984	3,984	519	--
Equity securities	15,753	149,969	149,969	134,216	--
Mortgage backed securities					
Maturing in one to five years	99	99	99	--	--
Maturing in five to ten years	396	400	400	4	--
Maturing in more than ten years	4,049	4,363	4,363	314	--
Corporate debt securities					
Maturing in one to five years	3,323	3,795	3,795	472	--
Maturing in five to ten years	189	196	196	7	--
Maturing more than ten years	95	107	107	12	--
	$201,434	$337,526	$337,526	$136,719	$(627)

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

7. ACCRUED LIABILITIES

Accrued liabilities consist of:

	DECEMBER 31, 1995	DECEMBER 31, 1996	SEPTEMBER 30, 1997
			(UNAUDITED)
Payroll and benefits	$ 1,433	$ 5,716	$ 5,139
Payroll taxes	246	403	--
Property and other taxes	3,418	4,248	13,806
Accrued casualty reserves	16,635	18,984	13,938
Other accrued liabilities	8,394	10,625	12,988
	30,126	39,976	45,871
Less: noncurrent accrued casualty reserves and other liabilities	11,681	18,361	19,951
	$18,445	$21,615	$25,920

ST. JOE CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)
(DOLLARS IN THOUSANDS EXCEPT PER SHARE AMOUNTS)

8. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, at cost, consist of:

	DECEMBER 31, 1995	DECEMBER 31, 1996	SEPTEMBER 30, 1997 (UNAUDITED)	ESTIMATED USEFUL LIFE
Land and timber	$ 132,393	$ 134,811	$ 134,808	--
Land improvements	19,149	19,770	21,107	20
Buildings	3,686	3,702	3,702	45
Machinery and equipment	623,183	630,847	616,447	12-30
Office equipment	799	1,150	1,557	10
Autos and trucks	2,375	2,829	3,044	3-6
Construction in progress	5,689	3,844	33,326	--
Investment property	318,181	359,689	366,272	various
	1,105,455	1,156,642	1,180,263	
Accumulated depreciation	300,481	322,475	327,046	
	$ 804,974	$ 834,167	$ 853,217	

Real estate properties having net book value of $196,700 million at December 31, 1996 are leased under non-cancelable operating leases with expected aggregate rentals of $106,200 of which $32,100, $26,500, $20,900, $15,800 and $10,900 million is due in the years 1997 through 2001, respectively.

9. INCOME TAXES

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

	1994	1995	1996
Income from continuing operations	$31,446	$24,535	$ 83,117
Earnings (loss) from discontinued operations	2,491	26,116	(2,785)
Gain on the sale of discontinued operations	--	--	48,705
Shareholders' equity, for recognition of unrealized gain (loss) on debt and marketable equity securities	(2,377)	8,778	9,428
	$31,560	$59,429	$138,465

Income tax expense attributable to income from continuing operations differed from the amount computed by applying the statutory federal income tax rate to pre-tax income as a result of the following:

	1994	1995	1996
Tax at the statutory federal rate	$29,795	$23,131	$66,159
Dividends received deduction and tax free interest	(1,075)	(1,277)	(4,311)
Excise tax on reversion of prepaid pension asset	--	--	13,228
State income taxes (net of federal benefit)	2,497	1,916	5,839
Undistributed earnings of FECI	1,245	916	1,262
Other, net	(1,016)	(151)	940
	$31,446	$24,535	$83,117

ST. JOE CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)
(DOLLARS IN THOUSANDS EXCEPT PER SHARE AMOUNTS)

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

	DECEMBER 31, 1995	DECEMBER 31, 1996	SEPTEMBER 30, 1997 (UNAUDITED)
Deferred tax assets:			
Accrued casualty and other reserves	$ 7,451	$ 11,915	$ 10,944
Other	1,912	1,287	1,287
Total deferred tax assets	9,363	13,202	12,231
Deferred tax liabilities:			
Tax in excess of financial depreciation	114,047	112,023	113,263
Deferred gain on land sales	6,893	7,224	7,224
Deferred gain on subsidiary's defeased bonds	2,139	1,929	1,929
Unrealized gain on debt and marketable equity securities	30,902	40,330	51,675
Deferred gain on involuntary conversion of land	29,160	66,682	66,682
Prepaid pension asset recognized for financial reporting	8,085	26,712	34,186
Other	5,620	8,042	8,966
Total gross deferred tax liabilities	196,846	262,942	283,925
Net deferred tax liability	$187,483	$249,740	$271,694

Based on the timing of reversal of future taxable amounts and the Company's history of reporting taxable income, the Company believes that the deferred tax assets will be realized and a valuation allowance is not considered necessary. The current deferred tax asset of $5,133, $4,553 and $7,996 is recorded in other current assets as of December 31, 1996 and 1995, and September 30, 1997, respectively.

The Company has not recognized a deferred tax liability of approximately $17,842 for the undistributed earnings of FECI that arose in 1992 and prior years because the Company does not currently expect those unremitted earnings to reverse and become taxable to the Company in the foreseeable future. A deferred tax liability will be recognized when the Company expects that it will recover those undistributed earnings in a taxable manner, such as through receipt of dividends or sale of the investment. As of December 31, 1996, the undistributed earnings of the subsidiary for which no deferred tax liability was provided were approximately $48,454.

ST. JOE CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)
(DOLLARS IN THOUSANDS EXCEPT PER SHARE AMOUNTS)

10. PENSION AND RETIREMENT PLANS

The Company sponsors defined benefit pension plans which covered approximately 10% of its employees in 1996 and 70% of its employees in 1995. The reduction in employees covered resulted from the previously discussed sales of the communications segment and the linerboard mill and container plants. 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's funding policy is to contribute annually the maximum contribution required by ERISA.

A summary of the net periodic pension credit follows:

	1995	1996
Service cost	$ 3,450	$ 1,659
Interest cost	7,986	7,923
Actual return on assets	(40,436)	(26,606)
Net amortization and deferral	28,221	11,555
Total pension income	$ (779)	$ (5,469)

A summary of the plan's funded status as of December 31 was:

	1995	1996
Accumulated benefit obligation, including vested benefits of $105,627 and $92,354 in 1996 and 1995, respectively	$100,104	$106,368
Projected benefit obligation for service rendered to date	125,136	108,726
Plan assets at fair value, primarily listed stocks and U.S. bonds	177,276	193,937
Plan assets in excess of projected benefit obligation	52,140	85,211
Unrecognized net (gain) loss	(27,734)	(42,011)
Unrecognized prior service cost	12,956	768
Unrecognized transition asset	(15,395)	(12,829)
Additional cost for special termination benefits	--	(982)
Prepaid pension cost	$ 21,967	$ 30,157

The weighted-average discount rates for the plans were 7% in 1996 and 1995. The rate of increase in future compensation levels used in determining the actuarial present value of the projected benefit obligation for salaried employees was 6% in 1996 and 1995. The expected long-term rates of return on assets was 8% in 1996 and 1995.

As discussed in note 3, several of the Company's operations were sold during 1996, which significantly reduced the number of employees covered under the defined benefit plans. The defined benefit plans' assets were not a part of the sales. In accordance with SFAS No. 88, "Employers' Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits", the Company recognized a curtailment gain of approximately $3,700 ($500 net of tax). The Company's pension plans are in an overfunded position and with the reduction in employees resulting from the sales of several of the Company's operations, it is unlikely that the overfunding will be realized other than by a plan termination and reversion of excess assets. Accordingly, a 50% excise tax has been included in the tax effects of the prepaid asset as well as the curtailment gain. The Company has no immediate plans to terminate the pension plans and is in the process of evaluating other alternatives.

The Company had an Employee Stock Ownership Plan (the ESOP) for the purpose of purchasing stock of the Company for the benefit of qualified employees. On November 21, 1996 the Pension committee of the

ST. JOE CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)
(DOLLARS IN THOUSANDS EXCEPT PER SHARE AMOUNTS)

Board of Directors of the Company voted to terminate the ESOP effective December 31, 1996. Contributions to the ESOP were limited to .5% of compensation of employees covered under the ESOP. The Company also has other defined contribution plans which, in conjunction with the ESOP, 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 $1,081, $1,322, and $1,213 in 1996, 1995 and 1994, respectively.

On January 7, 1997, the Company adopted the 1997 Stock Incentive Plan ("the Incentive Plan"), whereby awards may be granted to certain employees and non-employee directors of the Company in the form of restricted shares of Company stock or options to purchase Company stock. Awards are discretionary and are determined by the Compensation Committee of the Board of Directors. The total amount of restricted shares and options available for grant under the Incentive Plan is 2.01 million shares. As of September 30, 1997 awards were granted to certain officers of the Company totaling 1.8 million shares. The options were granted at the Company's current market price on the date of grant and range from $57.43 to $94.13 after adjustment for the effects of the special distribution paid on March 31, 1997. The options are exercisable in equal installments on the first five anniversaries of the date of grant and expire generally 10 years after date of grant.

Effective January 6, 1997, the Company also granted Mr. Rummell, Chairman and CEO of the Company, 67,287 restricted shares of the Company's common stock. The restricted shares vest in equal installments on the first five anniversaries of the date of grant. The Company has recorded deferred compensation of $3,700 for the unamortized portion of this grant as of September 30, 1997. Compensation expense related to this grant totaled approximately $600 in 1997.

ST. JOE CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)
(DOLLARS IN THOUSANDS EXCEPT PER SHARE AMOUNTS)

11. QUARTERLY FINANCIAL DATA (UNAUDITED)

	QUARTERS ENDED			
	DECEMBER 31	SEPTEMBER 30	JUNE 30	MARCH 31
1995				
Net sales and operating revenues	$89,764	$82,877	$85,905	$ 76,378
Operating profit	11,888	11,745	12,857	10,827
Net income from continuing operations	8,006	6,360	8,340	6,652
Income from discontinued operations	6,804	4,799	17,996	14,862
Net income	14,810	11,159	26,336	21,514
Net income per share	0.49	0.37	0.86	0.71
1996				
Net sales and operating revenues	95,481	84,556	80,190	170,962
Operating profit	22,125	9,595	23,053	93,398
Net income from continuing operations	14,991	11,449	5,790	59,679
Income (loss) from discontinued operations	(7,003)*	--	82,227	8,889
Net income	7,988	11,449	88,017	68,568
Net income per share	0.25	0.38	2.89	2.25
1997				
Net sales and operating revenues	--	69,413	94,102	88,379
Operating profit	--	15,887	15,874	10,255
Net income from continuing operations	--	9,056	11,214	8,010
Income (loss) from discontinued operations	--	--	--	--
Net income	--	9,056	11,214	8,010
Net income per share	$ --	$ 0.30	$ 0.37	$ 0.26

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* The total gain on discontinued operations declined by approximately $7,000 during the fourth quarter as a result of finalizing the postclosing working capital adjustments, closing expenses and the pension curtailment gain, previously estimated.

12. SEGMENT INFORMATION

Total net sales and operating revenues represent sales to unaffiliated customers, as reported in the Company's consolidated income statements and intercompany sales which occurred principally between the Forestry and Transportation segments and discontinued operations. Operating profit is net sales and operating revenues less directly traceable costs and expenses. In computing operating profit, the following items have not been considered: other income (expense) and provision for income taxes.

Identifiable assets by lines of business are those assets that are used in the Company's operations in each segment. Other assets are composed of cash, marketable securities and miscellaneous nonsegment assets.

ST. JOE CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)
(DOLLARS IN THOUSANDS EXCEPT PER SHARE AMOUNTS)

Information by lines of business segment follows:

	1994	1995	1996	SEPTEMBER 30, 1996	SEPTEMBER 30, 1997
				(UNAUDITED)	
			(IN THOUSANDS)		
Net sales and operating revenues:					
Transportation	$ 173,707	$ 184,450	$ 185,484	$ 137,207	$ 143,970
Real Estate	42,141	32,870	134,530	124,155	59,234
Forestry	60,158	60,057	56,679	44,667	23,141
Sugar	54,900	57,547	54,496	29,679	25,549
Consolidated	$ 330,906	$ 334,924	$ 431,189	$ 335,708	$ 251,894
Operating profit:					
Transportation	$ 27,313	$ 25,763	$ 26,711	$ 17,847	$ 25,407
Real Estate	22,251	11,621	109,450	102,692	14,568
Forestry	6,293	(555)	2,337	921	1,049
Sugar	6,329	13,310	8,281	6,231	2,711
Other	(2,221)	(2,822)	1,392	(1,645)	(1,719)
Consolidated	$ 59,965	$ 47,317	$ 148,171	$ 126,046	$ 42,016
Assets:					
Transportation	$ 424,241	$ 407,969	$ 413,100	$ 435,990	$ 436,397
Real Estate	229,449	290,013	373,799	342,427	549,232
Forestry	91,319	111,848	114,710	117,624	122,239
Sugar	93,685	72,647	77,824	75,836	73,604
Discontinued operations	299,347	296,001	--	--	--
Other	311,349	352,516	826,805	845,729	403,388
Consolidated	$1,449,390	$1,530,994	$1,806,238	$1,817,606	$1,584,860
Capital expenditures:					
Transportation	$ 25,060	$ 28,204	$ 15,800	$ 7,077	$ 7,842
Real Estate	28,354	45,029	43,708	31,013	40,822
Forestry	8,655	5,413	4,672	3,042	2,136
Sugar	3,381	170	91	3	277
Other	--	--	--	--	2,179
Consolidated	$ 65,450	$ 78,816	$ 64,271	$ 41,135	$ 53,256
Depreciation and depletion:					
Transportation	$ 18,706	$ 18,840	$ 18,067	$ 13,454	$ 13,663
Real Estate	5,117	5,733	7,808	5,720	6,795
Forestry	2,184	2,307	1,148	760	1,177
Sugar	1,605	1,671	1,735	1,297	1,217
Other	--	--	--	--	783
Consolidated	$ 27,612	$ 28,551	$ 28,758	$ 21,232	$ 23,635

13. CONTINGENCIES

The Company and its subsidiaries are involved in litigation on a number of matters and are subject to certain claims which arise in the normal course of business, none of which, in the opinion of management, is

expected to have a material adverse effect on the Company's consolidated financial position or results of operations.

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

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

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

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

It is not possible to quantify future environmental costs because many issues relate to actions by third parties or changes in environmental regulation. However, based on information presently available, management believes that the ultimate disposition of currently known matters will not have a material effect on the financial position, results of operations or liquidity of the Company. Environmental liabilities are paid over an extended period and the timing of such payments cannot be predicted with any certainty. Aggregate environmental-related accruals were $5,500 and $6,200 as of December 31, 1996 and 1995, respectively. Aggregate environmental-related accruals totaled approximately $7,000 at September 30, 1997.

14. SUBSEQUENT EVENTS (UNAUDITED)

On January 10, 1997, the Company purchased for $5,500 a 38% limited partnership interest in Deerfield Park, LLC, a limited partnership established to acquire and develop 554 acres of land in Fulton County, Georgia. Costs incurred to date have been capitalized.

ST. JOE CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)
(DOLLARS IN THOUSANDS EXCEPT PER SHARE AMOUNTS)

On November 12, 1997, the Company, through two subsidiaries, purchased certain assets, including management and proprietary information systems, of Arvida Company through a newly formed limited partnership with JMB Southeast Development, L.L.C. and JMB Southeast Development, L.P. for the purpose of developing and/or managing residential communities on certain lands owned by the Company, as well as the purchase of other lands for development and management. The Company owns 74% of the new limited partnership, St. Joe/Arvida Company, L.P. The purchase price for the 74% partnership interest in the new entity is not considered material to the Company's financial position.

On November 21, 1997, the Company announced the withdrawal of its outstanding offer to purchase all outstanding FECI common stock owned by others than the Company at $102 per share.

On November 25, 1997, the Company sold the Promissory Note to an unrelated third party for approximately $10,400 which will result in a pre-tax gain of approximately $400 in the fourth quarter of 1997.

As part of its efforts to focus more intently on the Company's core assets, on December 6, 1997 the Company agreed in principle to sell its sugar lands to certain federal and state governmental agencies on or before June 6, 1998 for $133,500 in cash. In the event the proposed sale is consummated, Talisman would retain the right to farm the sugar lands through the 2002-2003 crop season. The Company intends to develop a formal plan of disposition and execute a definitive agreement. The proposed transaction is subject to both government and board approvals.

On December 3, 1997, the Company and Orlando-based CNL Group, Inc. formed a joint venture to invest in and develop office and industrial properties in the central Florida region. The Company, through two subsidiaries, received a 50% ownership interest in the joint venture by contributing $5,000 in cash to the partnership and committing to fund an additional $25,000 for new projects the venture determines to develop and/or manage.

On December 10, 1997, the Company entered into a letter of intent with Codina Group, Inc. ("Codina") and Weeks Corporation ("Weeks") under which the Company and Weeks each agreed to purchase a one-third interest in Codina. The purchase price is not material to the Company's financial position.

[LOGO]

St. Joe Corporation

INFORMATION CONTAINED HEREIN IS SUBJECT TO COMPLETION OR AMENDMENT. A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION. THESE SECURITIES MAY NOT BE SOLD NOR MAY OFFERS TO BUY BE ACCEPTED PRIOR TO THE TIME THE REGISTRATION STATEMENT BECOMES EFFECTIVE. THIS PROSPECTUS SHALL NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY NOR SHALL THERE BE ANY SALE OF THESE SECURITIES IN ANY STATE IN WHICH SUCH OFFER, SOLICITATION OR SALE WOULD BE UNLAWFUL PRIOR TO REGISTRATION OR QUALIFICATION UNDER THE SECURITIES LAWS OF ANY SUCH STATE.

PROSPECTUS (Subject To Completion)

Issued December   , 1997

4,000,000 Shares

St. Joe Corporation
COMMON STOCK

OF THE 4,000,000 SHARES OF COMMON STOCK OFFERED HEREBY, 600,000 ARE BEING OFFERED INITIALLY OUTSIDE THE UNITED STATES AND CANADA BY THE INTERNATIONAL UNDERWRITERS (THE "INTERNATIONAL OFFERING") AND 3,400,000 ARE BEING OFFERED INITIALLY IN THE UNITED STATES AND CANADA BY THE U.S. UNDERWRITERS (THE "U.S. OFFERING," AND TOGETHER WITH THE INTERNATIONAL OFFERING, THE "OFFERINGS"). SEE "UNDERWRITERS." ALL OF THE SHARES OF COMMON STOCK OFFERED HEREBY ARE BEING SOLD BY THE ALFRED I. DUPONT TESTAMENTARY TRUST (THE "SELLING STOCKHOLDER" OR THE "TRUST"). SEE "ALFRED I. DUPONT TESTAMENTARY TRUST." ST. JOE CORPORATION (THE "COMPANY" OR "ST. JOE") WILL NOT RECEIVE ANY PROCEEDS FROM THE SALE OF THE SHARES BEING OFFERED HEREBY. THE COMPANY'S COMMON STOCK IS LISTED ON THE NEW YORK STOCK EXCHANGE UNDER THE SYMBOL "SJP." ON DECEMBER 15, 1997, THE LAST REPORTED SALE PRICE OF THE COMMON STOCK ON THE NEW YORK STOCK EXCHANGE WAS $94.75 PER SHARE.

SEE "RISK FACTORS" BEGINNING ON PAGE 8 HEREIN FOR CERTAIN FACTORS THAT SHOULD BE CONSIDERED BY PROSPECTIVE PURCHASERS OF THE COMMON STOCK.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

PRICE $ A SHARE

	PRICE TO PUBLIC	UNDERWRITING DISCOUNTS AND COMMISSIONS(1)	PROCEEDS TO SELLING STOCKHOLDER
Per Share	$	$	$
Total(2)	$	$	$

- ------------

(1) The Company and the Selling Stockholder have agreed to indemnify the Underwriters against certain liabilities, including liabilities under the Securities Act of 1933, as amended.

(2) The Selling Stockholder has granted to the U.S. Underwriters an option, exercisable within 30 days of the date hereof, to purchase up to an aggregate of 600,000 additional Shares of Common Stock at the price to public less underwriting discounts and commissions for the purpose of covering over-allotments, if any. If the U.S. Underwriters exercise such option in full, the total price to public, underwriting discounts and commissions and proceeds to the Selling Stockholder will be $, $ and $, respectively. See "Underwriters."

The Shares of Common Stock are offered, subject to prior sale, when, as, and if accepted by the Underwriters named herein, and subject to approval of certain legal matters by Davis Polk & Wardwell, counsel for the Underwriters. It is expected that delivery of the shares of Common Stock will be made on or about   , 1998, at the offices of Morgan Stanley & Co. Incorporated, New York, N.Y., against payment therefor in immediately available funds.

MORGAN STANLEY DEAN WITTER

DONALDSON, LUFKIN & JENRETTE INTERNATIONAL

MERRILL LYNCH INTERNATIONAL

RAYMOND JAMES & ASSOCIATES, INC.

, 1998

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

Capitalized terms used but not defined in Part II have the meanings ascribed to them in the Prospectus contained in this Registration Statement.

ITEM 14. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION.

The following table sets forth an estimate of expenses to be incurred by the Company in connection with the issuance and distribution of the securities offered hereby.

Securities and Exchange Commission registration fee	$128,067
Blue Sky fees and expenses	3,000
Legal fees and disbursements (estimated)	500,000
Printing and engraving expenses (estimated)	100,000
Accounting fees and expenses (estimated)	200,000
Transfer agent's fees	2,000
Miscellaneous	16,933
Total	$950,000

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* To be supplied by amendment.

The Trust will bear the underwriting commissions and discounts associated with the Offerings, the fees and expenses of its legal counsel and financial advisors and certain other expenses.

ITEM 15. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

Reference is hereby made to Section 607.0850 of the Florida General Corporation Act as to indemnification by the Company of officers and directors.

Article III, Section 9 of the Company's Amended By-Laws provides as follows with respect to the indemnification of the Company's officers and directors:

> "The Corporation shall indemnify each officer and director, whether or not then in office, (and his or her executor, administrator and heirs), against all reasonable expenses actually and necessarily incurred, including but not limited to, judgments, costs and counsel fees in connection with the defense of any litigation, civil or administrative action, suit or proceeding, to which he or she may have been made a party because he or she is or was a director or officer of the Corporation. He or she shall have no right to reimbursement, however, in relation to matters as to which he or she had been adjudged liable to the Corporation for negligence or misconduct in the performance of his or her duties or was derelict in the performance of his or her duty as director or officer by reason of willful misconduct, bad faith, gross negligence or reckless disregard of the duties of his or her office or employment. The right to indemnify for expenses shall also apply to expenses in connection with suits that are compromised or settled if (1) the Court having jurisdiction of the action shall approve such settlement, or (2) a majority of the Board of Directors, excluding interested directors, votes to approve such settlement. As used in this paragraph an "interested director or officer" is one against whom the proceeding in question or another proceeding on the same or similar grounds is then pending.
>
> The foregoing right of indemnification shall be in addition to, and not exclusive of, all other rights to which the director or officer may be entitled."

Each Underwriter on whose behalf the agreement filed as Exhibit 1 to this registration statement is executed will agree therein to indemnify the Company's officers, directors and controlling persons against certain liabilities which might arise under the Securities Act of 1933, as amended (the "Act") from

information furnished to the Company by or on behalf of any such Underwriter for use in this registration statement.

ITEM 16. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

(a) Exhibits

EXHIBIT NUMBER		DESCRIPTION
1.01	--	Form of Underwriting Agreement**
2.01	--	Limited Partnership Agreement of St. Joe/Arvida Company, L.P.*
2.02	--	Agreement of Limited Partnership of St. Joe/CNL Development, Ltd.*
2.03	--	Stock Purchase Agreement dated as of September 1, 1995 between St. Joe Industries, Inc. and TPG Communications, Inc. (incorporated herein by reference and Exhibits filed with the Registrant's Quarterly Report on Form 10-Q for the third quarter ended September 30, 1995)
2.04	--	Asset Purchase Agreement dated as of November 1, 1995 by and among St. Joe Forest Products Company, St. Joe Container Company and St. Joe Paper Company, on the one hand and Four M Corporation and St. Joe Paper Company on the other hand (the "Asset Purchase Agreement") (incorporated herein by reference and Exhibits filed with the Registrant's Quarterly Report on Form 10-Q for the third quarter ended September 30, 1995)
2.05	--	Amendments dated December 14, 1995; December 20, 1995; January 10, 1996 and January 12, 1996 to the Asset Purchase Agreement (incorporated herein by reference to the Registrant's Proxy Statement for the Special Meeting of Stockholders on April 24, 1996)
3.01	--	Articles of Incorporation, as amended**
3.02	--	Articles of Amendment, dated , 1998**
3.03	--	Amended By-Laws dated March 18, 1997 (incorporated herein by reference to Exhibit 3(b) filed with the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1996)
4.01	--	Registration Rights Agreement between the Registrant and the Alfred I. duPont Testamentary Trust, dated December 16, 1997**
5.01	--	Opinion of Robert M. Rhodes*
8.01	--	Opinion of Latham & Watkins**
10.01	--	Employment Agreement of Peter Rummell, dated January 7, 1997*
10.02	--	Employment Agreement of Charles A. Ledsinger, Jr., dated April 24, 1997*
10.03	--	Employment Agreement of Robert M. Rhodes, dated November 5, 1997*
10.04	--	Employment Agreement of David D. Fitch, dated September 19, 1997*
10.05	--	Employment Agreement of J. Malcolm Jones, dated February 26, 1997*
10.06	--	Employment Agreement of Michael F. Bayer, dated February 1, 1997*
10.07	--	Form of Severance Agreement*
23.01	--	Consent of Independent Accountants*
24.01	--	Powers of Attorney (on page II-4 of the Registration Statement)

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* Filed herewith
** To be filed by amendment

ITEM 17. UNDERTAKINGS.

(a) The undersigned registrant hereby undertakes that, for purposes of determining any liability under the Securities Act, each filing of the registrant's annual report pursuant to section 13(a) or section 15(d) of the Securities Exchange Act of 1934 (and, where applicable, each filing of an employee benefit plan's annual report pursuant to Section 15(d) of the Securities Exchange Act of 1934) that is incorporated by reference in the registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(b) The undersigned registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(c) Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

SIGNATURES AND POWER OF ATTORNEY

Pursuant to the requirements of the Securities Act of 1933, the registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-3 and has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Jacksonville, Florida on the 16th day of December 1997.

St. Joe Corporation

By: /s/ CHARLES A. LEDSINGER, JR.

Charles A. Ledsinger, Jr.
Title

Pursuant to the requirements of the Securities Act of 1933, the registrant has duly caused this Registration Statement to be signed on its behalf by the following persons in the capacities and on the dates indicated. St. Joe Corporation, a Florida corporation, and each person whose signature appears below, constitutes and appoints Charles A. Ledsinger, Jr. with full power to act without the other, such person's true and lawful attorneys-in-fact, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign this Registration Statement, and any and all amendments thereto (including post-effective amendments), and to file the same, with exhibits and schedules thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact, and each of them, full power and authority to do and perform each and every act and thing necessary or desirable to be done in and about the premises, as fully to all intents and purposes as he or she might or could do in person, thereby ratifying and confirming all that said attorneys-in-fact, or any of them, or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

SIGNATURE	TITLE	DATE
/s/ PETER S. RUMMELL Peter S. Rummell	Chairman of the Board and Chief Executive Officer (Principal Executive Officer)	December 5, 1997
/s/ CHARLES A. LEDSINGER, JR. Charles A. Ledsinger, Jr.	Chief Financial Officer (Principal Financial and Accounting Officer)	December 10, 1997
/s/ JACOB C. BELIN Jacob C. Belin	Director	December 15, 1997
/s/ RUSSELL B. NEWTON, JR. Russell B. Newton, Jr.	Director	December 4, 1997
/s/ JOHN J. QUINDLEN John J. Quindlen	Director	December 5, 1997
/s/ WALTER L. REVELL Walter L. Revell	Director	December 5, 1997
/s/ FRANK S. SHAW Frank S. Shaw	Director	December 5, 1997

SIGNATURE	TITLE	DATE
/s/ WINFRED L. THORNTON Winfred L. Thornton	Director	December 15, 1997
/s/ JOHN D. UIBLE John D. Uible	Director	December 8, 1997
/s/ CARL F. ZELLERS Carl F. Zellers	Director	December 5, 1997

EXHIBIT INDEX

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10.07	--	Form of Severance Agreement*..................	
23.01	--	Consent of Independent Accountants............	
24.01	--	Powers of Attorney............................	Page II-4 of the Registration Statement

- ---------------

* Filed herewith
** To be filed by amendment

EXHIBIT 2.01

LIMITED PARTNERSHIP AGREEMENT

OF

ST. JOE/ARVIDA COMPANY, L.P.

AMONG

ST. JOE/ARVIDA COMPANY, INC.

(THE "MANAGING PARTNER")

AND

JMB SOUTHEAST DEVELOPMENT, L.L.C.

(THE "NON-MANAGING PARTNER")

AND

ST. JOE DEVELOPMENT, INC.

AND

JMB SOUTHEAST DEVELOPMENT, L.P.

Dated as of November 12, 1997

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Exhibit A Initial Capital Contributions of the Partners

LIMITED PARTNERSHIP AGREEMENT
OF
ST. JOE/ARVIDA COMPANY, L.P.

This Limited Partnership Agreement (this "Agreement"), is made as of the ____ day of November, 1997, by and among ST. JOE/ARVIDA COMPANY, INC., a Florida corporation, Suite 400, DuPont Center, 1650 Prudential Drive, Jacksonville, Florida 32207 (the "Managing Partner"), JMB SOUTHEAST DEVELOPMENT, LLC, a Delaware limited liability company, Suite 1900, 900 North Michigan Avenue, Chicago, Illinois 60611 (the "Non-Managing Partner") as General Partners, and ST. JOE DEVELOPMENT, INC., a Florida corporation, Suite 400, DuPont Center, 1650 Prudential Drive, Jacksonville, Florida 32207 ("St. Joe Development"), and JMB SOUTHEAST DEVELOPMENT, L.P., a Delaware limited partnership, Suite 1900, 900 North Michigan Avenue, Chicago, Illinois 60611 ("JMB LP"), as Limited Partners.

W I T N E S S E T H

WHEREAS, pursuant to the filing of a Certificate of Limited Partnership of St. Joe/Arvida Company, L.P. (the "Partnership") with the Secretary of State of Delaware on November 6, 1997, the Partnership was formed in accordance with the Delaware Revised Uniform Limited Partnership Act (the "Act"); and

WHEREAS, the Managing Partner desires to purchase 1 Unit in the Partnership from the Non-Managing Partner and St. Joe Development desires to purchase 73 Units in the Partnership from JMB LP; and

WHEREAS, the Non-Managing Partner and the JMB LP now desire to admit the Managing Partner as a new General Partner of the Partnership and to enter into this Agreement, with respect to the conduct of the affairs of the Partnership and the Partners' rights and obligations with regard to their Interests in the Partnership; and

WHEREAS, the parties hereto therefore desire to adopt and approve their agreement for the Partnership.

NOW, THEREFORE, the parties hereto by this Agreement set forth the Limited Partnership Agreement of the Partnership under the laws of the State of Delaware, upon the terms and subject to the conditions of this Agreement.

ARTICLE I

DEFINITIONS

When used in this Agreement, the following terms shall have the meanings set forth below (all capitalized terms used in this Agreement that are not defined in this Article I shall have the meanings set forth elsewhere in this Agreement):

"Act" shall mean the Delaware Revised Uniform Limited Partnership Act (6 Del. C. Section 17-101, et. seq.), as the same may be amended from time to time.

"Adjusted Capital Account Deficit" means, with respect to any Partner, the deficit balance, if any, in such Partner's Capital Account as of the end of the relevant fiscal year, after giving effect to the following adjustments:

A. Adding to such Capital Account the following items: (i) the amount, if any, that such Partner is obligated to contribute to the Company upon liquidation of such partner's Partnership Interest; and (ii) the amount that such Partner is obligated to restore or is deemed to be obligated to restore pursuant to Regulations Section 1.704-1(b)(2)(ii)(c) or the penultimate sentence of each of Regulations Sections 1.704-2(g)(1) and 1.704-2(i)(5); and

B. Subtracting from such Capital Account such Partner's share of the items described in Regulations Sections 1.704-1(b)(2)(ii)(d)(4), (5) and (6).

The foregoing definition of Adjusted Capital Account Deficit is intended to comply with the provisions of Regulations Section 1.704-1(b)(2)(ii)(d) and shall be interpreted consistently therewith.

"Affiliate" shall mean with respect to any Partner, any Person directly or indirectly, through one or more intermediaries, controlling, controlled by, or under common control with such Partner. The term "control", as used in the immediately preceding sentence, means, with respect to any Person, the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of the controlled entity. With respect to the Managing Partner, solely for the purposes of Section 5.12, "Affiliate" shall additionally mean any Person controlled by St. Joe that has the ability, as a member, general partner, shareholder, agent, contractor, or otherwise, to exercise significant control or influence over the purchase, development, management, ownership, sale or financing of a Future Development.

"Agreement" shall mean this Limited Partnership Agreement, as originally executed and as amended from time to time.

"Arbitration Notice of Call Price" shall have the meaning ascribed thereto in Section 7.11A.

"Arvida Company" shall mean Arvida Company, an Illinois corporation.

"Arvida I" shall mean Arvida/JMB Partners, L.P., a Delaware limited partnership.

"Arvida-named project" shall have the meaning ascribed to it in Section 5.12A.

"Asset Contribution Agreement" shall mean that certain Asset Contribution Agreement of even date herewith by and among the Partnership, JMB LP and the Non-Managing Partner.

"Assumed Obligations" shall have the meaning attributed thereto in the Asset Contribution Agreement.

"Bankrupt Partner" shall mean a Partner who:

(i) Has become the subject of an order for relief under the United States Bankruptcy Code; or,

(ii) Has initiated, either in an original proceeding or by way of answer in any state insolvency or receivership proceeding, an action for liquidation, arrangement, composition, readjustment, dissolution or similar relief.

"Business Day" shall mean any day that national banks doing business in the City of Jacksonville, Florida, are generally open for business in Jacksonville, Florida.

"Business Plan" shall have the meaning ascribed to it in Section 5.14.

"Call Assessment Period" shall have the meaning ascribed to in Section 7.8.

"Call Counteroffer" shall have the meaning ascribed to in Section 7.8.

"Call Negotiation Period" shall have the meaning ascribed to in Section 7.8.

"Call Notice" shall have the meaning ascribed to it in Section 7.8.

"Call Offer" shall have the meaning ascribed to in Section 7.8.

"Call Price" shall have the meaning ascribed to it in Section 7.8.

"Call Response" shall have the meaning ascribed to in Section 7.8.

"Call Transfer Date" shall have the meaning ascribed to in Section 7.8.

"Called Interest" shall have the meaning ascribed to it in Section 7.8.

"Capital Account" shall mean with respect to any Partner the capital account that the Partnership establishes and maintains for such Partner pursuant to Section 3.4.

"Capital Call" shall have the meaning ascribed in Section 3.3.A.

"Capital Contributions" shall mean the cash and property (including promissory notes or other obligations) contributed to the Partnership by Partners. The Capital Contributions of a Partner shall be valued at the amount of cash and the Fair Market Value (as of the date of contribution) of property other than cash constituting such Capital Contributions. Such Fair Market Value shall be determined by the Partnership and such Partner prior to the acceptance of such Capital Contribution by the Partnership.

"Cause" shall mean any of the following with respect to a Partnership Officer:

(i) the Partnership Officer's gross negligence or fraudulent, dishonest or willful misconduct relative to the Partnership Officer's employment with the Partnership;

(ii) the Partnership Officer's failure to perform his or her duties in all material respects, including any set forth in any employment contract with the Partnership (including any assumed by the Partnership pursuant to the Asset Contribution Agreement); or

(iii) the Partnership Officer's conviction following final disposition of any available appeal of a felony, or pleading guilty or no contest to a felony.

"Certificate" means the Certificate of Limited Partnership of the Partnership, filed with the Delaware Secretary of State on November 6, 1997, as amended from time to time.

"Code" shall mean the Internal Revenue Code of 1986, as amended from time to time, the provisions of succeeding law, and to the extent applicable, the Regulations.

"Contributed Assets" shall have the meaning attributed thereto in the Asset Contribution Agreement.

"Defaulting Partner" shall have the meaning ascribed to it in Section 3.3.B.

"Development Costs" shall have the meaning ascribed to it in Section 5.12.C.

"Development Notice" shall have the meaning ascribed to it in Section 5.12A.4.

"Development Notice Period" shall have the meaning ascribed to it in Section 5.12A.4.

"Development Participation Notice" shall have the meaning ascribed to it in Section 5.12A.4.

"Dissolution Event" shall have the meaning ascribed to it in Section 9.1.

"Distributable Cash" shall mean the amount of cash which the Managing Partner deems available for distribution to the Partners, after taking into account all debts, liabilities, and obligations of the Partnership then due (including indebtedness of the Partnership owed to any Partner) and amounts which the Managing Partner deems necessary to place into reserves for customary and usual, or actual claims with respect to the Partnership's business.

"Education Partners" shall mean Education Partners, L.P., a Delaware limited partnership.

"Fair Market Value" with respect to a parcel of real property or other specific asset (and the improvements thereon) shall mean the price at which such real property or asset would be sold for cash by a willing seller to a willing unaffiliated buyer, subject to such financing and liens which then encumber such real property or asset, in its then-current condition or state of development, assuming a purchase and sale agreement with customary terms and provisions. "Fair Market Value" with respect to the Partnership, shall mean the price at which the Partnership, taken as a whole, would be sold for cash by a willing seller to a willing unaffiliated buyer, assuming a purchase and sale agreement with customary terms and provisions.

"Fiscal Year" shall mean the Partnership's fiscal year that shall be the calendar year or any other fiscal year as determined by the Managing Partner.

"Future Development" shall have the meaning ascribed to it in Section 5.12.

"Future Development Entity" shall have the meaning ascribed to it in Section 5.12A.4.

"Future Management Contracts" shall have the meaning ascribed to it in Section 2.5.

"GAAP" means those generally accepted accounting principles and practices in the United States which are recognized as such by the Financial Accounting Standards Board (or any generally recognized successor).

"General Partners" shall mean the Managing Partner and the Non-Managing Partner, and their respective permitted successors appointed as set forth herein.

"Inventory Items" shall have the meaning ascribed to in Section 751(d) of the Code.

"JMB LP" shall have the meaning attributed thereto in the preamble to this Agreement.

"JMB Partner" shall have the meaning ascribed to it in Section 5.12A.

"Limited Partners" shall mean St. Joe Development and JMB LP, and their permitted successors appointed as set forth herein.

"Liquidators" shall have the meaning ascribed to it in Section 9.2.

"Major Decisions" shall mean those decisions that require the consent of the Non-Managing Partner as set forth in Section 5.4.

"Managing Partner" shall mean St. Joe/Arvida Company, Inc., a Florida corporation, and its permitted successors appointed as set forth herein.

"Non-Defaulting Partners" shall have the meaning ascribed to it in Section 3.3.B.

"Non-Managing Partner" shall mean JMB Southeast Development, LLC, a Delaware limited liability company, and its permitted successors appointed as set forth herein.

"Non-Transferring Partners" shall have the meaning ascribed to it in Section 7.1.

"Old Arvida Bonus Plans" shall have the meaning ascribed to it in Section 5.13.

"Partner" shall mean each Person who (a) is an initial signatory to this Agreement as either a General Partner or a Limited Partner, has been admitted to the Partnership as a Partner in accordance with this Agreement or is an assignee who has become a Partner in accordance with Article VII and (b) has not ceased to be a Partner pursuant to the terms of this Agreement.

"Partnership" shall mean St. Joe/Arvida Company, L.P., a Delaware limited partnership.

"Partnership Accountants" means, as of any specified time, the firm of certified public accountants then engaged as the Partnership's outside accountants. The initial Partnership Accountants shall be KPMG Peat Marwick, LLP, certified public accountants, but the Partnership Accountants may be changed at any time and from time to time by the Managing Partner with the consent of the Non-Managing Partner, provided that such consent shall not be required if the newly-selected Partnership Accountants are a nationally recognized accounting firm.

"Partnership Interest" shall mean a Partner's entire interest in the Partnership including, without limitation, the Partner's share of the Partnership's Profits, Losses, and distributions of the Partnership's assets pursuant to this Agreement and the Act, the right to vote on or participate in the management, and the right to receive information concerning the business and affairs, of the Partnership.

"Paying Agreement" shall have the meaning ascribed to it in Section 5.13.

"Percentage Interest" shall mean for any Partner the percentage obtained by dividing the number of Units held by such Partner by the total number of Units of the Partnership then issued and outstanding, subject to adjustment pursuant to Section 3.3.

"Person" shall mean an individual, general partnership, limited partnership, limited liability company, corporation, trust, estate, real estate investment trust, association or any other entity (except that with respect to St. Joe, "Person" shall not include the Alfred I. duPont Testamentary Trust).

"Profits" and "Losses" shall mean the income, gain, loss, deductions, and credits of the Partnership in the aggregate or separately stated, as appropriate, under the method of accounting at the close of each Fiscal Year on the Partnership's information tax return filed for federal income tax purposes.

"Regulations" shall, unless the context clearly indicates otherwise, mean the regulations currently in force as final or temporary that have been issued by the U.S. Department of Treasury pursuant to its authority under the Code.

"St. Joe" shall mean St. Joe Corporation, a Florida corporation.

"St. Joe Advances" shall have the meaning ascribed to it in Section 5.12C.

"St. Joe Partner" shall have the meaning ascribed to it in Section 5.12A.

"Subsidiary" shall have the meaning ascribed to it in Section 2.5.

"Tax Matters Partner" shall be the Managing Partner, or its successor as designated pursuant to Section 8.7.

"Term" shall have the meaning ascribed to it in Section 2.3.

"Transfer" shall have the meaning ascribed to it in Section 7.1.

"Transfer Notice" shall have the meaning ascribed to it in Section 7.6.

"Transfer Acceptance Notice" shall have the meaning ascribed to it in Section 7.6.

"Transfer Notice Period" shall have the meaning ascribed to it in Section 7.6.

"Transferred Employees" shall have the meaning ascribed to it in Section 5.13.

"Transferee" shall have the meaning ascribed to it in Section 7.1.

"Transferor" shall have the meaning ascribed to it in Section 7.1.

"Units" shall mean partnership interests in the Partnership evidencing the ownership interests of the Partners in the Partnership. Partners may own fractional Units, and such Units may be held as general partnership interests or limited partnership interests; provided, however, that at no time shall less than 1% of the Units be held, in the aggregate, by the General Partners as general partnership interests.

"Unrealized Receivables" shall have the meaning ascribed to in Section 751(c) of the Code.

"Value Negotiation Date" shall have the meaning ascribed to it in Section 5.12A.5.

ARTICLE II

FORMATION

2.1 Formation. Pursuant to the Act, the Non-Managing Partner and JMB LP have formed a limited partnership under the laws of the State of Delaware by filing the Certificate with the Delaware Secretary of State and otherwise complying with the requirements of the Act for the formation of limited partnerships. The rights and liabilities of the Partners shall be determined pursuant to the Act and this Agreement. To the extent that the rights or obligations of any Partner are different by reason of any provision of this Agreement than they would be in the absence of such provision, this Agreement shall, to the extent not prohibited by the Act, control.

2.2 Name. The name of the Partnership shall be St. Joe/Arvida Company, L.P. The business of the Partnership may be conducted under that name or any other name that the Managing Partner deems appropriate or advisable. The Managing Partner shall file any fictitious name certificates and similar filings that the Managing Partner considers appropriate or necessary.

2.3 Term. The term of the Partnership and this Agreement (the "Term") shall be from the date of filing of the Certificate with the Delaware Secretary of State as aforesaid until December 31, 2047, unless sooner terminated as hereinafter provided.

2.4 Office and Agent. The Partnership shall continuously maintain a registered office and registered agent in the State of Delaware as required by the Act. The registered office of the Partnership in Delaware is 1209 Orange Street in the City of Wilmington, County of New Castle. The name of the Partnership's registered agent is The Corporation Trust Company and its address is the same as that of the registered office of the Partnership as set forth above. In addition, the Partnership shall maintain its principal business office at 1650 Prudential Drive, Suite 400, Jacksonville, Florida, or at such other place as the Managing Partner may determine. The Partnership also may have such other offices anywhere in the United States as the Managing Partner from time to time may determine. The registered office and registered agent of the Partnership may be changed at any time and from time to time by the Managing Partner in accordance with the Act.

2.5 Purposes of the Partnership. The purposes of the Partnership are (i) either directly or through one or more wholly-owned (directly and/or through intermediaries) subsidiary entities (each a "Subsidiary") to provide services relative to the acquisition, predevelopment, development, construction, management, supervision, marketing and sale of Future Developments, (ii) to act, either directly or through one or more Subsidiaries, as the exclusive agent and with respect to Future Developments, to enter into exclusive pre-development, development, management, residential property brokerage, advisory, construction, project consulting and/or project supervisory agreements (the "Future Management Contracts"), and to engage in such activities in a manner that will capitalize on the value and goodwill associated with the "Arvida" name, (iii) to continue existing license agreements and enter into new license agreements for, and otherwise utilize and engage in business under, the name "Arvida" and its derivatives, (iv) to continue existing educational consulting contracts of JMB LP or its Affiliates and to enter into new educational consulting contracts; (v) if otherwise permitted by this Agreement, to own interests, directly or indirectly in Future Developments; (vi) to employ certain persons formerly employed by Arvida Company and its Affiliates, (vii) to enter into and perform certain sub-management agreements pursuant to the Asset Contribution Agreement, and (viii) to engage in any and all activities related or incidental thereto. In addition, the Partnership may, pursuant to the Asset Contribution Agreement, acquire certain rights and obligations with respect to certain management agreements and certain partnerships, limited liability companies and corporations engaged in the business of development and management of residential real properties consistent with the purposes of the Partnership. The Partnership may engage in any other lawful activity for which a limited partnership may be organized under the Act, only if the same is approved by all of the Partners in writing, and is otherwise conducted in accordance with the terms of this Agreement.

ARTICLE III

PURCHASE OF UNITS; CAPITAL CONTRIBUTIONS AND LOANS

3.1 Purchase of Units. As of the date hereof and immediately after the contribution of the Contributed Assets to the Partnership, the Managing Partner hereby purchases 1 Unit from the Non-Managing Partner and St. Joe Development hereby purchases 73 Units from JMB LP for the aggregate cash purchase price of .

3.2 Initial Capital Contribution. The capitalization of the Partnership is comprised of 100 Units in the aggregate with the amount of each Partner's initial Capital Contribution (after taking into account the purchase of Units set forth in Section 3.1) set forth opposite its name in Exhibit "A" hereto.

3.3 Capital Calls; Defaults; Dilution; Partner Loans.

A. Capital Calls. The Partners (including any Transferor admitted pursuant to Section 7.1 hereof) shall be obligated to make additional Capital Contributions to the Partnership for expenses incurred or to be incurred in the ordinary course of the Partnership's business at such times and in such amounts as the Managing Partner and the Non-Managing Partner shall determine upon not less than 10 Business Days prior written notice (which shall be sent by telecopy or by overnight courier service). Pursuant to a call (a "Capital Call") from the Managing Partner for an additional Capital Contribution, each Partner will be obligated to contribute to the Partnership an amount equal to the product of such Partner's then Percentage Interest multiplied by the total additional Capital Contribution to be made by all Partners pursuant to the Capital Call.

B. Defaults. In the event that any Partner (a "Defaulting Partner") shall fail to contribute all or any portion of its additional Capital Contribution within 5 Business Days of the due date specified in the notice for the Capital Call (or such later date as the Managing Partner, in its sole discretion, may determine), the Managing Partner may (but will not be required to) permit the Partners (including the Managing Partner) who contributed their respective additional Capital Contribution pursuant to a Capital Call (the "Non-Defaulting Partners") to contribute all or any portion of the additional Capital Contribution that such Defaulting Partner failed to contribute. In such event the Managing Partner shall request that each Non-Defaulting Partner contribute a pro rata share of the Defaulting Partner's additional Capital Contribution based upon the ratio that such Non-Defaulting Partner's Percentage Interest immediately prior to such Capital Call bears to the aggregate Percentage Interests of all Non-Defaulting Partners immediately prior to such Capital Call. If any Non-Defaulting Partner shall, within the time period designated by the Managing Partner, in its sole discretion, decline or fail to contribute its

entire pro rata share of the Defaulting Partner's additional Capital Contribution, the Managing Partner may (but will not be required to) permit such share, or any portion thereof, to be contributed in such amounts and/or such proportions as the Managing Partner, in its sole discretion, may determine by any Non-Defaulting Partner or Partners who contribute its or their entire pro rata share or shares of the Defaulting Partner's additional Capital Contribution.

C. Dilution. In the event of a default described in this Section 3.3, the Percentage Interests of the Partners shall be adjusted in accordance with the following from and after the effective date of such adjustment as determined by the Managing Partner, in its sole discretion: (i) the Percentage Interest of a Defaulting Partner shall be determined as the ratio, expressed as a percentage, that the total Capital Contribution then made to date by the Defaulting Partner bears to the total Capital Contributions then made to date by all Partners plus 100% of the amount of the Defaulting Partner's additional Capital Contribution that has been contributed by a Non-Defaulting Partner or Partners; and (ii) the Percentage Interest of a Non-Defaulting Partner shall be determined as the ratio, expressed as a percentage, that the total Capital Contribution then made to date by such Non-Defaulting Partner (including any amount of a Defaulting Partner's additional Capital Contribution contributed by such Non-Defaulting Partner), increased by 100% of the amount (if any) of a Defaulting Partner's additional Capital Contribution that such Non-Defaulting Partner has contributed, bears to the total Capital Contributions then made to date by all Partners plus 100% of the amount of the Defaulting Partner's additional Capital Contribution that has been contributed by a Non-Defaulting Partner or Partners. A Non-Defaulting Partner shall be deemed to have acquired that portion of the Defaulting Partner's Percentage Interest that corresponds to such adjustment in the Non-Defaulting Partner's Percentage Interest attributable to the default and to that extent the Non-Defaulting Partner, from and after the effective date of such adjustment, shall be entitled to the allocations of Profits, Losses and distributions of Distributable Cash and other rights and obligations (including the obligation to make any future additional Capital Contribution pursuant to a Capital Call) with respect to the portion of the Defaulting Partner's Percentage Interest so acquired; provided, however, that (x) a Non-Defaulting Partner shall not acquire any interest in the Capital Account of a Defaulting Partner as a result of such adjustments, and there shall be no adjustment to the Capital Accounts of the Partners as a result of such adjustments to the Percentage Interests of the Partners (other than adjustments caused by future allocations of Profits and Losses and distributions of Distributable Cash or other assets), and (y) in no event shall any Limited Partner acquire any management rights, management obligations or general liability as a general partner as a result of any adjustment in the Percentage Interest of a General Partner. Each of the Partners authorizes the Managing Partner to amend this Agreement (including Exhibit A hereto) and the Partnership's Certificate of Limited Partnership to reflect any adjustment provided in this Section 3.3, including without limitation any adjustment in the allocations of Profits and Losses and distributions. Notwithstanding anything herein to the contrary, the Managing Partner, in its sole discretion and without

the consent of any other Partner, may at any time (notwithstanding that a Capital Call for an additional Capital Contribution has been made and is outstanding or any Partner is in default with respect thereto) cancel (in whole or in part) any Capital Call for an additional Capital Contribution and/or may seek a loan or loans from the Partners in lieu of all or any portion of an additional Capital Contribution as provided in Section 3.3D hereof.

D. Partner Loans. No loan to the Partnership shall be made without the prior consent of the Managing Partner. Subject to the other terms of this Agreement, the Managing Partner may obtain on behalf of the Partnership a loan or loans from all of the Partners (other than any Defaulting Partner or Partners with respect to an outstanding Capital Call) in lieu of all or any portion of an additional Capital Contribution (whether or not a Capital Call for an additional Capital Contribution has been made and is outstanding and any Partner is in default with respect thereto or the maximum amount of additional Capital Contributions has been made pursuant to Section 3.3A hereof). In such event the Managing Partner shall request that each Non-Defaulting Partner lend a pro rata share of any such loan based upon the ratio that a Non-Defaulting Partner's then Percentage Interest bears to the then Percentage Interest of all Non-Defaulting Partners. If any Non-Defaulting Partner shall, within the time period designated by the Managing Partner, in its sole discretion, decline or fail to lend his entire pro rata share of such loan, the Managing Partner may (but will not be required to) permit such share, or any portion thereof, to be lent, in such amounts and/or such proportions as the Managing Partner in its sole discretion shall determine, by any other Non-Defaulting Partner or Partners. Any such loan(s) shall bear interest at two percent (2%) plus the prime rate as announced from time to time by First Union National Bank of Florida, and the same, together with interest as aforesaid shall be repaid before any distribution shall be made under Section 6.3 or Section 9.4 hereof; provided that any loan made as a result of a Defaulting Partner's failure to contribute its share of an additional Capital Contribution pursuant to a Capital Call shall bear interest at fifteen percent (15%) per annum and not at two percent (2%) plus prime. Unless otherwise agreed in writing by all the Partners, any such loan shall be without recourse to each of the Partners and their respective personal assets, and the amount of such loan, together with interest thereon, shall be repaid before any distribution shall be made to the Partners.

3.4 Capital Accounts. The Partnership shall establish an individual capital account for each Partner. The Partnership shall determine and maintain each capital account in accordance with Section 6.5 hereof.

3.5 No Interest. No Partner shall be entitled to receive any interest from the Partnership on such Partner's Capital Contributions or Units.

ARTICLE IV

PARTNERS

4.1 Limited Liability of Partners for Partnership Debts. Except as required under the Act or as expressly set forth in this Agreement or as expressly agreed by such Partner, under no circumstances will any Partner, or any director, officer, shareholder, member, manager, partner, employee, agent or Affiliate of any Partner, have any personal responsibility for any debt, liability or obligation of the Partnership (whether on a theory of alter ego, piercing the corporate veil, or otherwise), whether that liability or obligation arises in contract, tort, or otherwise, beyond its Capital Contribution actually made, and no third party shall have any right to enforce or rely upon any obligation of such Partner (or any other Person) hereunder or otherwise.

4.2 Withdrawal of Partners. Except as specifically set forth in this Agreement, no Partner may resign, retire or otherwise withdraw from the Partnership.

4.3 Transactions With The Partnership; Competing Activities. Subject to any limitations set forth in this Agreement, including, without limitation, Sections 5.4, 5.7 and 5.12, and with the prior approval of the Managing Partner, a Partner may enter into any agreement and transact any business with the Partnership, and such Partner shall have the same rights and obligations with respect thereto as it would have had if it were not a Partner. Any such agreement or business conducted after the date hereof shall be entered into and conducted on market terms. Except as set forth in this Agreement, and in particular Section 5.12 hereof, the Partners, and their respective officers, directors, shareholders, partners, members, managers, agents, employees and Affiliates may engage or invest in, independently or with others, any business activity of any type or description, including without limitation those that might be the same as or similar to the Partnership's business and that might be in direct or indirect competition with the Partnership. Neither the Partnership nor any Partner shall have any right in or to such other ventures or activities or to the income or proceeds derived therefrom. Except as set forth in this Agreement, and in particular Section 5.12, no Partner shall be obligated to present any investment opportunity or prospective economic advantage to the Partnership, even if the opportunity or advantage is of the character that, if presented to the Partnership, could be taken by the Partnership. Except as set forth in this Agreement, and in particular Section 5.12, the Partners shall have the right to hold any investment opportunity or prospective economic advantage for their own account or to recommend such opportunity or advantage to Persons other than the Partnership. Except as set forth in this Agreement, and in particular Section 5.12, each Partner acknowledges that the other Partners and their respective Affiliates own and/or manage other businesses, including businesses that may compete with the Partnership and for the Partners' time. Each Partner hereby waives any and all rights and claims which it may otherwise have against each other Partner and such other Partner's officers, directors, shareholders, partners, members, managers, agents, employees, and Affiliates as a result of any of such

activities; including specifically, but without limitation, any claim that a General Partner has breached its fiduciary duty to the Partnership as a result of such activities.

4.4 Remuneration To Partners. Subject to the entitlement of Partners winding up the affairs of the Partnership to reasonable compensation as Liquidators pursuant to Section 9.2, no Partner nor any Affiliate of any Partner shall be entitled to remuneration for services rendered or goods provided to the Partnership in such Person's capacity as a Partner; provided, however, that nothing herein shall prevent the Partnership from employing any Partner to provide goods or services on behalf of the Partnership in furtherance of the Partnership's business and to be compensated therefor, subject to any other provision of this Agreement governing same. The Partnership shall also pay or reimburse the Partners or their Affiliates for organizational expenses (including, without limitation, reasonable legal and accounting fees and costs) incurred to form the Partnership and prepare the Certificate of Formation and this Agreement.

4.5 Non-Managing Partner and Limited Partner Are Not Agents. Pursuant to Section 5.1 and the Certificate (and subject to Sections 5.4 and 5.13), the management of the Partnership is vested in the Managing Partner. Neither the Non-Managing Partner nor the Limited Partners, acting solely in their respective capacities as such, shall act as an agent of the Partnership nor shall either the Non-Managing Partner or the Limited Partners, in any such capacity, bind or execute any instrument on behalf of the Partnership, except to the extent otherwise expressly provided herein.

4.6 Meetings of General Partners.

A. Date, Time and Place of Meetings of General Partners. Meetings of General Partners shall be held at least semi-annually, upon such date and at such time and place within or without the State of Illinois or the State of Florida as determined by the Managing Partner. No other annual or regular meetings of Partners are required.

B. Power to Call Meetings. Meetings of the General Partners may be called at any time and at any place, but no less often than semi-annually, by the Managing Partner, for the purpose of discussing the business and prospects of the Partnership generally and addressing any matters on which the General Partners may vote or on which the Partnership must obtain the consent of the Non-Managing Partner.

C. Notice of Meeting. Written notice of a meeting of General Partners shall be sent or otherwise given to each General Partner not less than seven (7) or more than sixty (60) days before the date of the meeting. The notice shall specify the place, date and hour of the meeting and the general nature of the business to be transacted. If the subject matter of such a meeting is to include items that also require the consent of the Limited Partners, or any of them, the Managing Partner shall also send such notice to the Limited Partners and afford them the opportunity to attend such meeting. Such meetings may be

held at any time and place without notice, by unanimous written consent of the Partners, or by the presence (whether in person or by telephone) of all Partners at such meeting.

D. Action by Written Consent without a Meeting. Any action that may be taken at a meeting of General Partners may be taken without a meeting, if a consent in writing setting forth the action so taken, is signed and delivered to the Partnership by all of the Partners having a right to consent thereto. All such consents shall be filed with the Managing Partner and shall be maintained in the Partnership records. Any Partner giving a written consent, or the Partner's proxy holders, may revoke the consent by a writing received by the Managing Partner or secretary, if any, of the Partnership before written consents of all Partners required to authorize the proposed action have been filed.

E. Telephonic Participation by Partner at Meetings. Partners may participate in any General Partners' meeting through the use of any means of conference telephones or similar communications equipment as long as all Partners participating can hear and communicate with one another. A Partner so participating is deemed to be present in person at the meeting.

F. Proxies. Every Partner entitled to vote shall have the right to do so either in person or by one or more agents authorized by a written proxy signed by the person and filed with the Managing Partner or secretary, if any, of the Partnership. A proxy shall be deemed signed if the Partner's name is placed on the proxy (whether by manual signature, typewriting, telegraphic transmission, electronic transmission or otherwise) by the Partner or the Partner's attorney-in-fact. A proxy may be transmitted by a telephonic transmission if it is submitted with information from which it may be determined that the proxy was authorized by the Partner or the Partner's attorney-in-fact. A validly executed proxy which does not state that it is irrevocable shall continue in full force and effect unless (i) revoked by the person executing it, before the vote pursuant to that proxy, by a writing delivered to the Partnership stating that the proxy is revoked, or by a subsequent proxy executed by, or attendance at the meeting and voting in person by, the Partner executing the proxy; or (ii) written notice of the dissolution, death or incapacity of the Partner executing the proxy is received by the Partnership before the vote pursuant to that proxy is counted; provided, however, that no proxy shall be valid after the expiration of eleven (11) months from the date of the proxy, unless otherwise provided in the proxy.

ARTICLE V

MANAGEMENT AND CONTROL OF THE PARTNERSHIP

5.1 Exclusive Management of the Partnership by the Managing Partner. Except to the extent otherwise expressly set forth in this Agreement, including, without limitation Sections 5.4 and 5.13, the business, property and affairs of the Partnership shall be managed exclusively by

the Managing Partner. Except for situations in which the approval of the Non-Managing Partner and/or the Limited Partners are expressly required by this Agreement or pursuant to provisions of the Act, the Managing Partner shall have full, complete and exclusive authority, power, and discretion to manage and control the business, property and affairs of the Partnership, to make all decisions regarding those matters and to perform any and all other acts or activities customary or incident to the management of the Partnership's business, property and affairs. Without limitation on the foregoing, the Managing Partner shall designate either as authorized signatories or as officers of the Partnership, from time to time the Persons having authority to sign and endorse checks, execute contracts and otherwise bind the Partnership, and no Person not so designated shall have any such authority. Any third party shall be entitled to conclusively rely on any contract or instrument (including, but not limited to, any guaranty) signed by the Managing Partner on behalf of the Partnership, as the act and deed of the Partnership.

5.2 Determination of Partner to Act as Managing Partner.

A. Number and Tenure. The Partnership shall at all times have one Managing Partner. Subject to the terms of this Agreement, the Partnership may have no more than one Non-Managing Partner and any number of Limited Partners. The initial Managing Partner and Non-Managing Partner are the Partners identified as such in the preamble to this Agreement.

B. Vacancies. The Managing Partner and the Non-Managing Partner shall each serve in such capacity until the earlier of (with respect to such Partner only) (i) except relative to an event described in Section 7.4, the sale, transfer or other disposition (whether voluntarily or by operation of law, including, without limitation, by merger, consolidation or liquidation) of such Partner's Partnership Interest in the Partnership in accordance with this Agreement, (ii) such Partner becoming a Bankrupt Partner, (iii) the determination by a court of competent jurisdiction that such Partner has committed fraud, gross negligence, a material breach of its fiduciary duties hereunder, or willfully or intentionally breached this Agreement in any material respect, (iv) the occurrence of an event described in Section 7.4 and (v) the agreement of the Managing Partner and the Non-Managing Partner that the Managing Partner shall become the Non-Managing Partner and vice-versa. The Managing Partner shall have no right to resign, nor may the Non-Managing Partner act to remove the Managing Partner, absent any of the events set forth in the first sentence of this Section 5.2B; provided, that the Non-Managing Partner may seek the determination of a court of competent jurisdiction that any such events have in fact occurred. The Non-Managing Partner shall have no right to resign as such, nor may the Managing Partner act to remove the Non-Managing Partner as such absent any of the events set forth in the first sentence of this Section 5.2B; provided, that the Managing Partner may seek a determination of a court of competent jurisdiction that any such events have in fact occurred. In the event of the sale, transfer or other disposition of the Partnership Interest of the Managing Partner or the Non-Managing Partner as described in clause (i) of the first sentence of this Section 5.2B, the successor to such Partner's

Partnership Interest shall thereupon automatically succeed to the rights of such Partner as Managing Partner or Non-Managing Partner, as applicable. Upon the occurrence of any of the events set forth in clauses (ii), (iii) or (iv) of the first sentence of this Section 5.2B with respect to the Managing Partner only, the Non-Managing Partner shall automatically become the Managing Partner, and the Managing Partner shall become a Limited Partner. In the event of a change in the identity of the Managing Partner hereunder, the departing Managing Partner shall cooperate fully with the new Managing Partner to effect a smooth transition of the duties and responsibilities assigned to the Managing Partner hereunder, as well as the delivery of any and all relevant books and records, files and other information which the departing Managing Partner has in its possession or control relative to such duties and obligations and the business and affairs of the Partnership.

5.3 Powers of Managing Partner. Without limiting the generality of Section 5.1, but subject to the express limitations set forth elsewhere in this Agreement, including, without limitation, Sections 5.4 and 5.13, the Managing Partner shall have all necessary powers to manage and carry out the purposes, business, property, and affairs of the Partnership, including, without limitation, the power to do any or all of the following on behalf and in the name of the Partnership:

A. The licensing of the name "Arvida" or any of its derivatives, provided that, such licensing shall not have a material adverse effect on the business or any of the properties owned (directly or through joint ventures or partnerships) or managed by Arvida/JMB Partners, L.P. as of the date hereof and set forth on Schedule 5.3A.

B. Acquire, purchase, and own any personal property that the Managing Partner determines is necessary or appropriate or in the interest of the business of the Partnership;

C. Sell, exchange, lease, or otherwise dispose of the property and assets owned by the Partnership, or any part thereof, or any interest therein;

D. Borrow money on behalf of the Partnership from any party including the Partners and their respective Affiliates, issue evidences of indebtedness in connection therewith, and secure such indebtedness by mortgage, deed of trust, pledge, security interest, or other lien on Partnership assets, in each case where the amount of any such indebtedness does not exceed $1,000,000.00 in the aggregate; provided, however, that the Managing Partner shall have the power and authority, subject to the terms of this Agreement, to borrow money on behalf of any Future Development Entities (or other entities controlled by them) in such amounts as it deems necessary or appropriate, so long as such indebtedness is non-recourse to the Partnership and the Partners (except for customary recourse "carve-outs" for which recourse is limited to the interests of the Partnership and/or the Partners in the applicable Future Development Entity but not to any Partner's Partnership Interest);

E. Subject to Sections 5.3D and 5.4B incur debts and liabilities in the normal course of the business of the Partnership.

F. Undertake all actions that the Managing Partner determines are necessary or appropriate or in the interest of the business of the Partnership in furtherance of the purposes of the Partnership set forth in Section 2.5; obtain such licenses and permits on behalf of the Partnership and its Subsidiaries as are necessary or appropriate to conduct their respective businesses; employ persons to manage and perform the business of the Partnership and to provide compensation and other financial and employment benefits thereto as the Managing Partners may determine;

G. Sue on, defend, or compromise any and all claims or liabilities in favor of or against the Partnership; submit any or all such claims or liabilities to arbitration; and confess a judgment against the Partnership in connection with any litigation in which the Partnership is involved;

H. Retain legal counsel, auditors, and other professionals in connection with the Partnership business and to pay therefor such remuneration as the Managing Partner may determine;

I. Purchase liability and other insurance to protect the Partnership's property and business; and

J. Invest any Partnership funds in time deposits, short-term governmental obligations, commercial paper or other money market investments as the Managing Partner may determine.

5.4 Non-Managing Partner Has No Managerial Authority Except With Respect to Major Decisions. The Non-Managing Partner shall have no power to participate in the management of the Partnership except as expressly authorized by this Agreement (including, without limitation, this Section 5.4) and except as expressly required by the Act. Unless expressly and duly authorized in writing to do so by the Managing Partner or as otherwise provided herein, the Non-Managing Partner shall not have any power or authority to bind or act on behalf of the Partnership in any way, to pledge its credit, or to render it liable for any purpose. If the Partnership establishes a Subsidiary in accordance with Section 2.5, the Non-Managing Partner shall have the same approval rights for actions proposed to be taken by any such Subsidiary as are specified in this Section 5.4 with respect to actions proposed to be taken by the Partnership. The following matters in this Section 5.4 ("Major Decisions") shall require the prior written approval of both the Managing Partner and the Non-Managing Partner, such consent to be given or withheld at their sole and absolute discretion, before action binding on the Partnership may be taken by the Managing Partner with respect to such matter:

A. Any sale, transfer or disposition by the Partnership, directly or indirectly, of all or substantially all of the Contributed Assets, and the terms of and parties to the documentation relating to the same.

B. Except as permitted by Section 5.3D, any financing, refinancing or indebtedness, or any material modification of the terms of any financing, refinancing or indebtedness, obtained by the Partnership in its own name or in the name of any of its Subsidiaries (or for which any of them are liable, directly or indirectly, by guaranty or otherwise), and the terms of and parties to the documentation relating to the same.

C. Except as expressly permitted by Section 5.12, the acquisition of one or more additional real property assets, or any direct or indirect interest therein, by the Partnership, costing in the aggregate, more than $1,000,000.

D. Except for the provisions of Section 3.3C, any transaction which would otherwise be permitted under Section 5.7, such consent by the Non-Managing Partner not to be unreasonably withheld unless it falls within another category requiring the consent of the Non-Managing Partner under this Section 5.4 or elsewhere in this Agreement.

E. Any sale of the Partnership or any of its Subsidiaries, or merger or consolidation thereof with another entity.

F. Any voluntary action of the Partnership to (a) make an assignment for the benefit of creditors, (b) obligate any Partner as a surety, guarantor or accommodation party to any obligation, or (c) file a petition, or consent to the appointment of a trustee or receiver or any judgment or order, under the federal bankruptcy laws on behalf of the Partnership or any of its Subsidiaries.

G. Except with respect to any action permitted by the provisions of Section 3.3, any action that may, either immediately or upon the exercise of future rights or options, cause the dilution of the Non-Managing Partner's or any Limited Partner's Percentage Interest in the Partnership.

H. The amendment, waiver or repeal of any of the provisions of this Agreement.

I. The conversion of the form of the Partnership from a limited partnership to any other type of entity.

J. Prior to the earlier of (i) the liquidation and termination of Arvida/JMB Partners, LP or (ii) December 31, 2002, the termination, replacement or

reassignment of the Chief Executive Officer of the Partnership, or any material reduction in such person's duties or in his or her total compensation or benefits (as the duties and compensation exist effective as of January 1, 1998).

K. The preparation and filing of the Partnership's federal income tax return and the making (or revocation) of all tax elections for federal income tax purposes for the fiscal year ended December 31, 1997. The Managing Partner shall use its best efforts to provide a copy of the Partnerships proposed federal income tax return for the fiscal year ended December 31, 1997, to the Non-Managing Partner for its review no later than February 28, 1998.

L. The terms of any employment contract (or any modification or amendment thereof) which purports to give a Partnership employee any rights thereunder relative to the Old Arvida Bonus Plans or any other benefits to be provided by the Non-Managing Partner or its Affiliates (other than the Partnership).

M. The termination by the Partnership of any license agreement described on Schedule 5.4M, with respect to uses permitted as of the date hereof; provided that in the event the Managing Partner determines in the future that any other uses are in violation of the quality standards set forth under any such license agreements it shall provide the Non-Managing Partner written notice of such violation and the licensee (or its affiliate as the case may be) shall have forty-five (45) days to cure such violation. If such violation is not cured within such forty-five (45) day period, then the Managing Partner shall have the right without the consent of the Non-Managing Partner to terminate the license agreement.

N. The dissemination and the contents of any public notice, release or announcement, or public distribution of any document, relative to (a) transactions set forth in the Asset Contribution Agreement, (b) the terms and provisions of this Agreement, or (c) the private or public sale of debt or equity securities of the Partnership or any Subsidiary (if such notice, release, announcement or document refers to any other Partner's investment in the Partnership or such Subsidiary), except as such notice, release or announcement, or distribution of such document, may be required by law or the rules or regulations of any securities exchange, in which case the Partner required to give such notice, issue such release, make such announcement or distribute such document, or the Partnership, as applicable, shall allow the other General Partner a reasonable opportunity to comment upon the contents of such notice, release, announcement or document in advance of the public dissemination of same.

Any change in any tax accounting practice or methods of the Partnership shall be subject to the consent of the Non-Managing Partner, which consent may not be unreasonably withheld.

5.5 Performance of Duties; Liability of Managing Partner and Non-Managing Partner. Neither the Managing Partner nor the Non-Managing Partner shall be liable to the Partnership or to any Partner for any loss or damage sustained by the Partnership or any Partner, unless the loss

or damage shall have been the result of fraud, the material breach of fiduciary duty hereunder, gross negligence or willful or intentional misconduct by the Managing Partner or the Non-Managing Partner. In performing their duties, the Managing Partner and the Non-Managing Partner shall be fully protected in relying in good faith on the records of the Partnership and on information, opinions, reports, or statements, including financial statements and other financial data presented to the Partnership by:

(i) any of the other Partners, officers, employees or committees of the Partnership or its Subsidiaries; or

(ii) any attorney, independent accountant, or other person as to matters which the Managing Partner or the Non-Managing Partner reasonably believes to be within such person's professional or expert competence and who has been selected with reasonable care by or on behalf of the Partnership.

5.6 Devotion of Time. The Managing Partner and the Non-Managing Partner are not obligated to devote all of their time or business efforts to the affairs of the Partnership. The Managing Partner and the Non-Managing Partner shall devote whatever time, effort, and skill as they reasonably deem appropriate for the operation of the Partnership.

5.7 Transactions between the Partnership and the Managing Partner. Notwithstanding that it may constitute a conflict of interest, the Managing Partner may, and may cause its Affiliates to, engage in any transaction (including, without limitation, the purchase, sale, lease, or exchange of any property or the rendering of any service, or the establishment of any salary, other compensation, or other terms of employment) with the Partnership so long as such transaction is not expressly prohibited by this Agreement and so long as the terms and conditions of such transaction, on an overall basis, are fair and reasonable to the Partnership and are at least as favorable to the Partnership as those that are generally available from Persons capable of similarly performing them and in similar transactions between parties operating at arm's length.

5.8 Liability of Partners to Partnership or Each Other Limited to Assets. Unless otherwise specifically agreed in writing by the Person undertaking such liability, under no circumstances will any director, officer, shareholder, member, manager, partner, employee, agent or Affiliate of any Partner, have any personal responsibility, directly or indirectly, for any liability or obligation of the Partner (whether on a theory of alter ego, piercing the corporate veil, or otherwise), whether that liability or obligation arises in contract, tort, or otherwise, and any recourse permitted under this Agreement or otherwise of the Partners, any former Partner or the Partnership against a Partner will be limited to the assets of the Partner (exclusive of any rights by or on behalf of such Partner against any of its directors, officers, shareholders, members, managers, partners, employees, agents or Affiliates) as they may exist from time to time; provided, however, that nothing herein shall protect any such Person from liability arising from the fraud, gross negligence or willful or intentional misconduct by such Person, or the activities of such Person taken outside the scope of such Person's duties and authority as a director, officer,

shareholder, member, manager, partner, employee or agent of the Partnership or its Subsidiaries, as applicable.

5.9 Limited Partners Have No Managerial Authority. No Limited Partner shall have any power to participate in the management of the Partnership except as expressly authorized by this Agreement, and except as expressly required by the Act. Unless expressly and duly authorized in writing to do so by the Managing Partner or as otherwise provided herein, no Limited Partner shall have any power or authority to bind or act on behalf of the Partnership in any way, to pledge its credit, or to render it liable for any purpose.

5.10 Officers. The Managing Partner (subject to the rights of the Non-Managing Partner under Sections 5.4 and 5.13) may elect officers at any time and shall maintain the names and offices held of such officers in the records of the Partnership. The initial officers of the Partnership are set forth in Schedule 5.13 attached hereto. The officers of the Partnership may have such titles as are determined by the Managing Partner. The officers shall serve at the pleasure of the Managing Partner, subject to Sections 5.4, 5.13, and this Section 5.10, and all rights, if any, of an officer under any contract of employment that is or becomes an obligation of the Partnership. Any individual may hold any number of offices. No officer need be a resident of any State or citizen of the United States. If the Managing Partner is not an individual, subject to Section 5.13, such Managing Partner's officers may serve as officers of the Partnership if elected by the Managing Partner. The officers shall exercise such powers and perform such duties as shall be determined from time to time by the Managing Partner.

5.11 Managing Partner and Its Successors To Be Single Purpose Entity. The Managing Partner hereby covenants and agrees that its sole purpose while it has any obligations under this Agreement, shall be to hold its Partnership Interest in the Partnership and exercise its rights, duties and obligations in connection herewith. Each successor in interest to the Managing Partner shall also be a single-purpose entity in accordance with the foregoing. St. Joe also joins in this Agreement for the purpose of acknowledging the foregoing and covenanting that it will cause any of its Affiliates that is (or becomes) the Managing Partner to comply with this Section 5.11 and that it will take no action inconsistent therewith.

5.12 New Development or Management Opportunities. The Partnership and the Managing Partner each hereby covenant and agree that all opportunities for the project supervision and management, predevelopment, development, purchase, ownership, construction, marketing or sale of any Future Development (as defined below) shall be governed by this Section 5.12. St. Joe shall join in this Agreement for the purpose of, among other things, acknowledging and becoming bound by the provisions of Section 5.12 hereof.

A. Right of Non-Managing Partner and JMB LP to Participate as Owner in Future Developments. For the purposes of this Agreement, "Future Development" means: (i) future Arvida-named projects; and (ii) other residential projects or mixed use projects that are primarily residential, but may include other land uses, whether or not such

projects include the name "Arvida". This term includes all land, infrastructure, improvements (whether residential improvements or non-residential improvements which support any such property development), rights, fixtures, easements and other real and personal property relative thereto. Future Developments, at St. Joe's sole discretion, may, in addition, include stand alone hotel and/or resort properties, but shall not include stand-alone golf courses; provided that, Future Developments in all cases shall include any Arvida-named projects regardless of any designations to the contrary by St. Joe. The Managing Partner and St. Joe Development, on behalf of themselves and their Affiliates (herein collectively referred to as the "St. Joe Partner"), hereby grant to the Non-Managing Partner and its Affiliates (and to JMB LP to the extent set forth herein), and their respective Affiliates (collectively referred to as the "JMB Partner") the right to participate in any Future Development on the same economic basis as the Managing Partner and its Affiliates, for up to 26% (such percentage to be determined by the JMB Partner) of the Future Development. The right of participation granted to the JMB Partner pursuant to this Section 5.12A shall cover all acquisitions of economic interests of the St. Joe Partner, including all interests in the Future Developments obtained through purchase, option, the acquisition of development rights, loans, contribution or other transfers of assets, securities or rights. The decision as to whether a particular stand-alone hotel and/or resort project is a Future Development in which a JMB Partner shall have a right to participate in shall be the sole decision of the St. Joe Partner; provided that, Future Developments in all cases include any Arvida-named projects regardless of any designations to the contrary by St. Joe. An "Arvida-named project" means any project that includes "Arvida" in its name, whether or not with any other name, designation or reference.

1. Currently Owned Properties. Except for the projects and properties listed on Schedule 5.12A(1), in the event that the St. Joe Partner determines to develop a Future Development on land that is owned by the St. Joe Partner as of the date hereof, the St. Joe Partner shall afford the JMB Partner the right to purchase up to 26% (such percentage to be determined by the JMB Partner) of such Future Development for a purchase price based upon the Fair Market Value thereof, as determined under subsection 5 below.

2. Not Currently Owned Properties. Except for the projects and properties listed on Schedule 5.12A(1), in the event that the St. Joe Partner determines to develop a Future Development on land that is not owned by the St. Joe Partner as of the date hereof, the St. Joe Partner shall afford the JMB Partner the right to participate for up to 26% (such percentage to be determined by the JMB Partner) of the St. Joe Partner's economic interest therein for a cost equal to the cost to the St. Joe Partner (prorated on the basis of their relative percentage interests) of acquiring such interest.

3. Character of JMB Partner's Interest. The JMB Partner's interest in any Future Development Entity shall be as a limited partner, non-managing member of a limited liability company or other similar interest in which the JMB Partner has no liability beyond its interest therein, unless the JMB Partner requests in writing that it be a non-managing general partner. Any participation of the JMB Partner in any such Future Development shall be upon market terms and the provisions and any documentation regarding such Future Development Entity shall be on market terms, but shall in any event permit the JMB Partner to freely transfer any such interest to an Affiliate. In addition to the foregoing, to the extent that the terms of the relevant organizational documents (e.g. partnership agreement, limited liability company agreement, etc.) or transactional documents relative to the investment of the Future Development Entity in such Future Development entitles the St. Joe Partner to receive promotional or incentive fees based upon the returns achieved by the Future Development Entity in such Future Development, such promotional and incentive fees shall not be taxed against the interest of the JMB Partner in such Future Development Entity (other than those given to a third party unaffiliated with the St. Joe Partner which shall be taxed proportionally against the St. Joe Partner and the JMB Partner).

4. Notice of Opportunity and Election to Participate. If the St. Joe Partner desires to undertake or participate in the development of a Future Development, the St. Joe Partner shall first deliver a notice (the "Development Notice") to the Non-Managing Partner notifying it thereof and identifying all of the material terms of and facts relating to the investment theretofore made, or to be made, by the St. Joe Partner in such Future Development, including, without limitation, the identity and extent of participation of any third parties therein. For a period of thirty (30) days after receipt of such Development Notice (the "Development Notice Period") the Non-Managing Partner (on behalf of itself and any other JMB Partner) shall have the right to invest in such development, upon the same terms and conditions as set forth in the Development Notice, which shall otherwise be consistent with this Section 5.12. Such Development Notice shall also include the St. Joe Partner's good faith estimate of the Fair Market Value of any property currently owned by the St. Joe Partner which shall be a part of such Future Development, which Fair Market Value shall be finally determined in accordance with subsection 5 below. The JMB Partner may exercise its right to invest hereunder by delivering a written notice (the "Development Participation Notice") to the St. Joe Partner prior to the end of the Development Notice Period, which Development Participation Notice shall specify the percentage participation (relative to the entire collective participation of the St. Joe Partner and the JMB Partner, but not any unaffiliated third parties), not greater than 26%, that the JMB Partner desires in such Future Development. If the JMB Partner delivers a timely Development Participation Notice exercising its right to invest in the development of such Future Development, the St. Joe Partner and the JMB Partner shall (i)

promptly initiate the appraisal process set forth in subsection 5 below, if applicable, (ii) form and agree upon the terms and provisions of the operating agreements for an entity through which the ownership of the interests in such Future Development shall be held (a "Future Development Entity"); provided, however, that in the event that the JMB Partner elects to invest for its entire 26% entitlement and there are no third-party investors in such Future Development, such ownership may, at the election of the Managing Partner, be held directly by the Partnership, which shall then be deemed to be the Future Development Entity for the purposes of such Future Development, (iii) effect the transfer of any currently owned property to such Future Development Entity, and (iv) enter into development and management agreements with the Partnership which comply with the terms of this Agreement. The Partners hereby agree that, to the extent that the Non-Managing Partner and JMB LP elect to invest for their entire 26% entitlement and the Partnership is to be the Future Development Entity, each of the Partners shall invest therein for such portion in accordance with their respective Percentage Interests. If the JMB Partner does not exercise the right granted hereunder with respect to a particular Future Development the St. Joe Partner will have the right to undertake and participate in such Future Development. If the St. Joe Partner ultimately determines to undertake or participate in such Future Development and there is a material change in the terms and conditions from those contained in the original Development Notice (which would be beneficial to the JMB Partner economically) or the development costs incurred with respect to such Future Development during the one year period after the date of the expiration of the original Development Notice Period are less than $250,000, then the right of the Managing Partner and its Affiliates to develop such Future Development shall again become subject to this Section 5.12, and a new Development Notice containing such revised terms and conditions must be delivered.

5. Agreement Upon Fair Market Value; Appraisal Process. In the event that the St. Joe Partner and the JMB Partner are unable to agree on the Fair Market Value of any interest in property to be purchased by such JMB Partner from such St. Joe Partner under this Section 5.12, within thirty (30) days after the delivery of the Development Participation Notice (the "Value Negotiation Date"), the Fair Market Value of such property shall be determined by an appraisal made by a single appraiser or by a board of three appraisers, each of whom must (i) be a member of the American Institute of Real Estate Appraisers or a successor body hereinafter constituted exercising a similar function, (ii) have at least five (5) years experience in appraising large tracts of undeveloped land, and (iii) have no direct or indirect financial or other business interests in or with either the JMB Partner or the St. Joe Partner. During the fifteen (15) days immediately following the Value Negotiation Date, the St. Joe Partner and the JMB Partner will endeavor to jointly select and appoint an appraiser; however, if they fail to do so, each of

them shall within thirty (30) days after the Value Negotiation Date select and appoint an appraiser, and the two appraisers so selected shall select and appoint a third appraiser. If the appraisers selected by the St. Joe Partner and the JMB Partner are unable to agree upon a third appraiser within forty-five (45) days after the Value Negotiation Date, such third appraiser shall be appointed pursuant to the rules of the American Arbitration Association. If either the St. Joe Partner or the JMB Partner fails to select and appoint an appraiser within thirty (30) days after the Value Negotiation Date (and they have not otherwise agreed on a single appraiser) the appraiser selected and appointed by the party that appointed an appraiser within such period shall be the sole appraiser to determine the Fair Market Value hereunder. The costs and expenses of each of the first two appraisers shall be paid by the party appointing such appraiser, and the costs and expenses of the third appraiser (or the single appraiser, if applicable) shall be shared 50% by the St. Joe Partner and 50% by the JMB Partner. Each appraiser appointed shall proceed to appraise the Fair Market Value of the property and notify the parties of same by written notice (which shall include a copy of such appraiser's appraisal report) not later than thirty (30) days after such appointment. If there is a single appraiser, such appraiser's determination shall constitute the Fair Market Value of such property. If there are three appraisers, the middle appraisal in terms of value shall constitute the Fair Market Value of such property. Such determination of Fair Market Value shall be binding and conclusive on the St. Joe Partner and the JMB Partner.

B. Right of Partnership to Enter Into Future Management Contracts. Unless otherwise agreed in writing by the Partners, the Managing Partner and its Affiliates shall enter into Future Management Contracts solely with the Partnership (or its wholly-owned Subsidiaries) for all Future Developments, and shall refer all opportunities for Future Management Contracts with unaffiliated third parties for Future Developments to the Partnership, which shall include all property purchase, pre-development, development, management, residential property brokerage, advisory, construction, project consulting and/or project supervisory services to be provided relative to such Future Developments. The Managing Partner and its Affiliates may not perform any of such services themselves, but shall act solely through the Partnership and its Subsidiaries. The terms and provisions of each such Future Management Contract respecting any Future Development shall be market terms for such contracts available at the time with unaffiliated third parties, provided, however, that the Partnership shall, in addition to any other compensation to be received pursuant to any such Future Management Contract, receive reimbursement of or value for all out-of-pocket costs incurred by the Partnership and its Affiliates (or their officers, directors, managers, members, shareholders, partners, employees, contractors or agents) in connection with the provision of services pursuant to any such Future Management Contract.

C. Advancement of Development Costs. The St. Joe Partner covenants and agrees that it will advance 75% of the costs and expenses (the "Development Costs") associated with the evaluation of potential Future Developments (the "St. Joe Advances"). The St. Joe Advances shall be made to a Subsidiary of St. Joe. The Partnership shall be responsible for funding the remaining 25% of the Development Costs to be borne by the Partners in their respective Percentage Interests at the time of funding (i.e. 74% to be charged to the Capital Accounts of the Managing Partner and St. Joe Development (or 18.5% of the total Development Costs) and 26% to be charged to the Capital Accounts of the Non-Managing Partner and JMB LP (or 6.5% of the total Development Costs), subject to adjustment as provided in Section 3.3). The St. Joe Advances shall bear interest at the rate of 2% plus the prime rate announced from time to time by First Union National Bank of Florida and shall accrue interest from the date the first advance is made. In the event that either the St. Joe Partner or the JMB Partner ultimately decide to invest in a particular Future Development then the Development Costs shall be repaid by the Future Development Entity including repayment of any St. Joe Advances together with accrued interest. In the event that neither the St. Joe Partner or the JMB Partner invests in a particular Future Development, then only 25% of the Development Costs shall be charged against the Capital Accounts of each Partner pursuant to their respective Percentage Interests.

5.13 Certain Employment Matters. Pursuant to the Asset Contribution Agreement, the Assumed Obligations include, among other things, employment agreements with certain executives of Arvida Company. As of January 1, 1998, the Partnership will become the employer of all the officers listed on Schedule 5.13 (the "Partnership Officers"). The Managing Partner agrees that it will give the Non-Managing Partner 45 days prior written notice of termination of any Partnership Officer; provided, however, that the Managing Partner shall not be required to provide any prior notice of termination to the Non-Managing Partner for the termination of any Partnership Officer if such termination is for Cause. Notwithstanding the foregoing, if the Partnership Officer that the Managing Partner intends to terminate is the Chief Executive Officer (the "CEO") of the Partnership (who initially shall be James D. Motta), then the Managing Partner shall provide the Non-Managing Partner 60 days prior written notice. In addition, the decisions to terminate and replace the CEO of the Partnership shall be made jointly by the Managing Partner and the Non-Managing Partner. The rights of the Non-Managing Partner to prior notices regarding Partnership Officers and decisions regarding the CEO shall terminate upon the earlier of (i) the liquidation and termination of Arvida/JMB Partners, L.P. or (ii) December 31, 2002. The Managing Partner hereby acknowledges and agrees that there are currently in effect for the benefit of certain employees of Arvida I and Arvida Company: (i) the Long Term Income Award Program, and (ii) the Bonus Program (collectively, the "Old Arvida Bonus Plans"). Arvida Company also has adopted and maintains the Amended and Restated 1997 Supplemental Bonus Plan (the "Supplemental Plan"). The Partnership has entered into that certain Paying Agreement (the "Paying Agreement") with Arvida Company, dated as of the date hereof, whereby the Partnership will act as the paying agent of Arvida Company, which will otherwise continue to administer the Supplemental Plan. Subject to the provisions of this

Section 5.13, the Partnership will administer the Old Arvida Bonus Plans from and after January 1, 1998. The Non-Managing Partner represents that any amounts awarded and unpaid under the Old Arvida Bonus Plans on the date hereof are subject to reimbursement by Arvida I. With respect to any amounts to be awarded under the Old Arvida Bonus Plans from and after January 1, 1998 (or any other plans adopted from and after such date) for which reimbursement will be sought from Arvida I ("Arvida I Reimbursable Bonus Costs"), all actions of the Partnership and decisions with respect thereto shall be determined by the Non-Managing Partner, in its sole and absolute discretion. In addition, the Partners acknowledge and agree that the Partnership will obtain the consent of Arvida I prior to the determination of any Arvida I Reimbursable Bonus Costs. The rights of the Non-Managing Partner hereunder shall (subject to the Non-Managing Partner obtaining the approval of Arvida I and solely with respect to Arvida I Reimbursable Bonus Costs) include, without limitation: (i) the determination of the size of any bonus pools funded by Arvida I, (ii) the formulae and parameters for determining whether bonuses will be awarded, (iii) the range of bonus eligibility for each employee; (iv) the exercise of any discretion with respect to the determination of the bonus payable to any employee; (v) the timing of payment, (vi) the rules for participation, vesting and forfeiture of employees; and, (vii) the modification or termination of the Old Arvida Bonus Plans. The Managing Partner shall have no responsibility or liability with respect to duties and obligations of the Non-Managing Partner relative to the Arvida I Reimbursable Bonus Costs. The Managing Partner will have the right to make decisions and take action with respect to any bonus program of the Partnership that is in effect from or after January 1, 1998, to the extent it is a Partnership obligation and not an Arvida I Reimbursable Bonus Cost.

5.14 Business Plan. Prior to thirty (30) days before the beginning of each calendar year the Managing Partner shall prepare (or cause the Partnership to prepare) and submit to the Non-Managing Partner a business plan (the "Business Plan") for such calendar year with respect to the operations of the Partnership. Notwithstanding the foregoing, the Partners agree that the 1998 Business Plan shall not be submitted to the Non-Managing Partner until ninety (90) days after the date of this Agreement. The Business Plan shall be presented in sufficient detail that the recipient thereof shall have a comprehensive report on the projected cash expenditures, capital expenditures, cash receipts, reserves, material business developments and other significant matters expected to be pursued or encountered by the Partnership during the calendar year in question with respect to the portion of the operations of the Partnership covered by such Business Plan. The Managing Partner and the Non-Managing Partner, shall meet within fifteen (15) days following the submission of any Business Plan in order that they may each discuss and provide comments thereon, however, the Managing Partner shall have the sole and absolute authority to adopt such Business Plan and cause the Partnership to implement same; provided that the foregoing shall not modify any rights or obligations under a management agreement or sub-management agreement by which the Partnership is bound. The Business Plan may be amended at any time by the Managing Partner provided that reasonable advance notice be given to the Non-Managing Partner, and a reasonable opportunity for additional discussion and commentary has been provided. The Managing Partner shall cause the Partnership to prepare and deliver a report to the Partners within sixty (60) days after the end of each calendar quarter which

compares the actual results of the Partnership both for the quarter, and on a year to date basis, along with comparable historical information, if available from the previous Fiscal Year, with the projected results set forth in the Business Plan. Such report shall also contain an update of the development and management activities of the Partnership at each of the communities where it is performing services or conducting its activities. The Managing Partner will respond to reasonable questions presented by any Partner respecting the Business Plan, such reports and the operating results of the Partnership.

ARTICLE VI

ALLOCATIONS OF PROFITS AND LOSSES AND DISTRIBUTIONS

6.1 Sharing of Income, Gain, Loss, Deduction and Credit.

A. Profits and Losses. Except as otherwise expressly provided in this Agreement, all Profits and Losses (including, without limitation, all items of income, gain, loss, deduction and credit) and all cash flow, proceeds and other cash available for distribution, and any other economic item or attribute of the Partnership shall be shared by the Partners in accordance with this Article VI.

B. Allocation. Subject to Sections 6.1C and D and Sections 6.5 and 6.6 for each Partnership taxable year (or portion thereof), all Profits and Losses (including, without limitation, all items of income, gain, loss, deduction and credit) shall be allocated among the Partners in proportion to their respective Percentage Interests; provided, however, that Losses shall not be allocated to a Partner to the extent that they would create or increase an Adjusted Capital Account Deficit for such Partner, and any such Losses that would, absent the application of the preceding sentence, otherwise be allocated to such Partner, shall be allocated to the other Partners; and provided further, that any such reallocation shall be subject to the application of this Section 6.1B to the other Partners.

C. Allocations in Accordance with Section 704(c) of Code. The parties hereto intend that the allocations of Profits and Losses set forth in this Section 6.1 be in compliance with Section 704(c) of the Code, to the extent that such Section applies to Partnership property. Accordingly, allocations shall be made so as to take account of the variation between the respective basis of the Partnership properties and their fair market values at the time of contribution, as determined pursuant to Section 5.12, if applicable, and otherwise as determined by all of the Partners. Subject to Section 5.4, the "traditional method" under Regulation Section 1.704-3(b) shall be used.

D. Unrealized Receivables and Inventory Items. For purposes of determining the character of any gain or profit (arising from the sale or other disposition of property by the Partnership or a partnership or limited liability company in which the Partnership is a partner, member or economic interest owner) allocated to any Partner under this Section

6.1, the portion of such gain or profit allocated under this Section 6.1 that represents ordinary income attributable to depreciation recapture, to other Unrealized Receivables or to Inventory Items, shall be allocated to the Partners who were allocated the depreciation deductions or other tax benefits giving rise to or attributable to such depreciation recapture, other Unrealized Receivables or Inventory Items, but only to the extent of such gain or profit already allocated to such Partners under this Section 6.1.

6.2 Allocations and Distributions Attributable to Transferred Interest. Except with respect to the transfer described in Section 3.1 hereof, with respect to any Transfer of an interest in the Partnership in accordance with this Agreement during any period for which an allocation or distribution is made, Profits, Losses and cash distributions resulting from the operations of the Partnership, or a partnership or limited liability company in which the Partnership is a partner or owns an economic interest, shall be allocated or distributed based upon the number of days in such period which occurred before and after such Transfer regardless of the time at which any item was actually received, paid or incurred, and Profits, Losses and cash distributions resulting from sales of properties outside the ordinary course of business by the Partnership, or a partnership or limited liability company in which the Partnership is a partner or owns an economic interest, shall be allocated or distributed, as the case may be, to the Partners of the Partnership as of the day on which such allocations or distributions were based even if they have ceased to be Partners on any date on which such allocations or distributions are made. The determination of allocations of Profits and Losses and distributions with respect to the transfer of Units described in Section 3.1 hereof as between the transferor and the transferee of such Units shall be based upon the closing of the books of the Partnership, on an accrual basis, as of the date of transfer.

6.3 Distributions. Subject to Section 6.2, each distribution to the Partners of cash or other assets of the Partnership made prior to the dissolution of the Partnership, including, but not limited to, each distribution of Distributable Cash from the operations of the Partnership shall be made to the Partners in accordance with their respective Percentage Interests, as of the date of such distribution. Subject to Section 6.2, each distribution of cash or other assets of the Partnership made after dissolution of the Partnership shall be made in accordance with Article IX hereof. Distributions to the Partners will be made in such amounts and at such times as shall be determined by the Managing Partner, or in the event of the dissolution and liquidation of the Partnership, by the Liquidators. Distributions of Distributable Cash shall be made no less frequently than annually.

6.4 Tax Status and Reports. Any provisions hereof to the contrary notwithstanding, solely for Federal income tax purposes, each of the Partners hereby recognizes that the Partnership will be subject to all provisions of Subchapter K of Chapter 1 of Subtitle A of the Code; provided, however, that the filing of partnership returns of income for such tax purposes shall not be construed to extend the purposes of the Partnership.

6.5 Capital Accounts of the Partners.

A. General. The Managing Partner shall establish and maintain for each Partner a separate Capital Account in accordance with Section 704(b) of the Code and Regulation Section 1.704-1(b)(2)(iv). Unless otherwise required by the immediately preceding sentence, such Capital Account shall be increased by (a) the amount of all Capital Contributions made by such Partner to the Partnership pursuant to this Agreement and (b) all Profits or items of Partnership income and gain (including income and gain exempt from tax) computed in accordance with Section 6.5B. hereof and allocated to such Partner pursuant to Section 6.1 hereof, and decreased by (i) all distributions of cash or property (determined based on the Fair Market Value thereof) made to such Partner pursuant to this Agreement, (ii) all Losses or items of Partnership loss or deduction computed in accordance with Section 6.5B. hereof and allocated to such Partner pursuant to Section 6.1, and (iii) any expenditures of the Partnership described, or treated under Section 704(b) of the Code as described in Section 705(a)(2)(B) of the Code. The initial Capital Account balance of each Partner on the date hereof is as set forth in Exhibit B.

B. Income, Gains, Deductions and Losses. For purposes of computing the amount of any item of income, gain, loss or deduction to be reflected in the Partners' Capital Accounts, unless otherwise specified in this Agreement, the determination, recognition and classification of any such item shall be the same as its determination, recognition and classification for Federal income tax purposes determined in accordance with Section 703(a) of the Code (for this purpose all items of income, gain, loss or deduction required to be stated separately pursuant to Section 703(a)(1) of the Code shall be separately included in taxable income or loss).

C. Distributions and Partnership Interest Transfers. The Managing Partner shall make the adjustments to the Capital Accounts of the Partners to the extent permitted by Regulation Section 1.704-1(b)(2)(iv)(f) & (g).

6.6 Minimum Gain Chargeback; Qualified Income Offset. Notwithstanding anything to the contrary in this Agreement, Profits and Losses shall be allocated as though this Agreement contained (and there is hereby incorporated by reference) a minimum gain chargeback provision which complies with the requirements of Section 1.704-2 of the Treasury Regulations and qualified income offset provision which complies with the regulations of Section 1.704-1(b)(2)(ii)(d) of the Treasury Regulations.

ARTICLE VII

TRANSFER AND ASSIGNMENT OF ECONOMIC INTERESTS

7.1 Transfer and Assignment of Interest. Any Partner (a "Transferor") may transfer, assign, convey, sell, pledge, encumber, gift, bequeath (subject to Section 7.4 hereof) or otherwise

alienate (any such event being hereinafter referred to as a "Transfer") such Partner's Partnership Interest hereunder only if such Transfer otherwise complies with the provisions of this Agreement (including, without limitation, Sections 7.2, 7.6 and 12.10 hereof). Subject to such requirements, such Partnership Interest may be transferred in whole, but not in part, and any attempt of a Partner to transfer only a portion of such Partner's Partnership Interest shall be void, and without any force or effect; provided, however, that a Partner may transfer a portion of such Partner's Partnership Interest to any other Partner or to an Affiliate of the Transferor. In further limitation of the foregoing, a Partner may not make any Transfer to a non-Affiliate, unless all Affiliates of such Partner who also hold Partnership Interests, transfer such Partnership Interests to such non-Affiliate (or an Affiliate thereof) on the same terms and conditions as, and in conjunction with, such Transfer. In the event of any Transfer to a Person who is not an Affiliate of such Partner, the Partnership and the other Partners who are not Affiliates of the Transferor (the "Non-Transferring Partners") shall have certain rights to purchase such Partnership Interest or to sell such other Non-Transferring Partners' Partnership Interests pursuant to Sections 7.6 and 7.7. Subject to Section 7.4, in the event of a Transfer of an Partnership Interest hereunder which complies with the provisions of this Agreement, the transferee of such Partnership Interest (the "Transferee") shall be admitted as a substitute Partner of the same category as the Transferor, entitled to all of the benefits, and responsible for all of the obligations, in the Partnership represented by such category of interest from and after the date of such admission as established in Section 7.3. In addition to the other provisions in this Section 7.1, a Partner may not Transfer or otherwise dispose of the economic interest represented by its Partnership Interest, separately from such Partnership Interest, except as expressly provided in this Article 7. In addition to the other restrictions noted in this Agreement, each Partner agrees that it will not, directly or indirectly, Transfer any interest, economic or otherwise, represented by its Units except as permitted under the Securities Act of 1933 and other applicable securities laws. A transfer or other disposition of all or a controlling interest in the stock, partnership interests, membership interests or other equity interests in a Partner, directly or indirectly, shall be deemed a Transfer of such Partner's Partnership Interest for the purposes of this Article VII.

7.2 Substitution of Partners. A Transfer shall not be effective, and Transferee shall not become a substitute Partner, unless the Transferee executes an instrument satisfactory to the Non-Transferring Partners (other than the Limited Partners) accepting and adopting the terms and provisions of this Agreement, and the Transferee pays any reasonable expenses in connection with such Transferee's admission as a new Partner. The admission of a substitute Partner shall not result in the release of the Transferor from any liability that the Transferor may have to the Partnership or any other Partner as of the date of the Transfer. A Transferor who is a Partner shall cease to be a Partner upon the effective date of Transfer under Section 7.3.

7.3 Effective Date of Transfers and Admission to Partnership. Unless otherwise agreed by the Partners in writing, any Transfer of a Partnership Interest shall be effective as of the date following the later of (i) the date upon which the Transferor provides the Non-Transferring Partners with written notice of such Transfer (or, if the Transfer is proposed to be made to a Person other than an Affiliate of such Transferor, the date of expiration of the

Transfer Notice Period under Section 7.6), (ii) the date as of which such Transfer and any other Transfers required under Section 7.7 are consummated between the Transferor and those Partners exercising their piggy-back rights under Section 7.7 and the Transferee, and (iii) the date upon which the Transferee executes an instrument satisfactory to the Non-Transferring Partners (other than the Limited Partners and those other Partners exercising their piggy-back rights under Section 7.7) accepting and adopting the terms and provisions of this Agreement. Any Transferee of a Partnership Interest shall take subject to the restrictions on Transfer imposed by this Agreement.

7.4 Rights of Legal Representatives. Subject to Section 5.2, if a Partner who is an individual dies or is adjudged by a court of competent jurisdiction to be incompetent to manage the Partner's person or property, the Partner's executor, administrator, guardian, conservator, or other legal representative may exercise all of the Partner's rights for the purpose of settling the Partner's estate or administering the Partner's property. Subject to Section 5.2, if a Partner that is a corporation, trust or other entity is dissolved or terminated, the Partner's rights may be exercised by such Partner's legal representative or successor.

7.5 No Effect to Transfers in Violation of Agreement. No transfer of a Partnership Interest not permitted under or made in compliance with this Agreement shall be valid or effective for any purpose.

7.6 Right of Partnership and Remaining Partners to Purchase Partnership Interest Prior to Transfer. If a Partner desires to make a Transfer pursuant to Section 7.1, other than to an Affiliate of such Partner, the Partner shall first deliver a notice (the "Transfer Notice") to the Partnership and the Non-Transferring Partners notifying them thereof and all of the material terms of such Transfer, including, without limitation, the identity of the proposed Transferee (and any reasonable information with respect thereto requested by the Non-Transferring Partner), the consideration for such Transfer and material terms to be set forth in any agreement of transfer intended to be entered into with respect to such Transfer. For a period of sixty (60) days after receipt of such Transfer Notice (the "Transfer Notice Period") the Non-Transferring Partners shall have a right of first refusal to purchase (or cause a designee who is an Affiliate to purchase) the Partnership Interest which is the subject of such proposed Transfer, upon the same terms and conditions as set forth in the Transfer Notice. The Non-Transferring Partners may exercise their purchase right hereunder by delivering a notice (the "Transfer Acceptance Notice") to the Transferor prior to the end of the Transfer Notice Period. If any Non-Transferring Partner delivers a timely Transfer Acceptance Notice exercising its right to purchase the Transferor's Partnership Interest, the Transferor shall transfer such Partnership Interest to the Non-Transferring Partner (or its designee who is an Affiliate) on a date selected by the Non-Transferring Partner on or before thirty (30) days after the end of the Transfer Notice Period. If more than one Non-Transferring Partner exercises such rights, each such Non-Transferring Partner shall purchase its pro rata share of such Partnership Interest, based upon the relative Percentage Interests of such Non-Transferring Partners. If the Non-Transferring Partners do not exercise either the right granted hereunder, or the right granted under Section 7.7,

the Transferor must consummate such proposed Transfer, on the terms set forth in the Transfer Notice (including, without limitation, consummating such Transfer to the Transferee proposed in the Transfer Notice, or an Affiliate thereof), within sixty (60) days after the expiration of the Transfer Notice Period, or the Transferor's right to Transfer shall again become subject to this Section 7.6 and Section 7.7 hereof, and a new Transfer Notice must be delivered. Any such Transfer shall also be subject to all other provisions of this Agreement respecting Transfers.

7.7 Piggy-Back Right. In the event that a Partner delivers a Transfer Notice as described in Section 7.6, the Non-Transferring Partners and each other Partner shall also have the right to elect, such right also to be exercised in the Transfer Acceptance Notice described in Section 7.6, to sell its Partnership Interest to the Transferee specified in the Transfer Notice, on the same terms and conditions (adjusted on a pro-rata basis to take into account the relative Percentage Interests of the Partners) as specified in the Transfer Notice. If the Non-Transferring Partner or any such other Partner delivers a timely Transfer Acceptance Notice exercising its right to sell its Partnership Interest, the Transferor shall cause the Transfer of the Partnership Interests of both the Transferor and Partners so electing, to the proposed Transferee, on or before thirty (30) days after the end of the Transfer Notice Period. The Transferor shall in such event have no right to modify any of the terms of the proposed Transfer without the prior written consent of each of the Non-Transferring Partners, which consent may be withheld or delayed in the sole discretion of the Non-Transferring Partners. In the event such Transfers are not consummated on or before the end of such thirty (30) day period, the Transferor's right to Transfer shall again become subject to Section 7.6 and this Section 7.7 hereof, and a new Transfer Notice must be delivered.

7.8 Right of Managing Partner to Call Partnership Interest of Non-Managing Partner and JMB LP. The Managing Partner shall have the right, which may be exercised at any time after the tenth anniversary of the date hereof, upon one hundred twenty (120) days prior written notice (the "Call Notice"), to purchase the entire aggregate Partnership Interests of the Non-Managing Partner and JMB LP, and their respective successors and assigns, in the Partnership (collectively, the "Called Interest"), upon the terms set forth in this Section 7.8. The price to be paid by the Managing Partner (or an Affiliate designated by the Managing Partner) for the Called Interest (the "Call Price") shall be the amount obtained by multiplying the Fair Market Value of the Partnership, determined on the date of delivery of the Call Notice, by the aggregate Percentage Interests represented by the Called Interest. The Call Notice shall include the Managing Partner's proposal for the Call Price (the "Call Offer"), together with supporting information in sufficient detail so that the Non-Managing Partner may assess the basis for and adequacy of the Call Price so proposed, as well as the date for closing the purchase (the "Call Transfer Date"), which shall be not more than one hundred fifty (150) days from the date of the Call Notice. After receiving the Call Offer, the Non-Managing Partner shall have ninety (90) days (the "Call Assessment Period") to perform such due diligence on the Partnership, at the Non-Managing Partner's sole cost and expense, as the Non-Managing Partner may reasonably deem necessary in order to assess the appropriate Call Price, and the Managing Partner shall fully cooperate with the Non-Managing Partner in facilitating such due diligence review. Prior to the

end of the Call Assessment Period, the Non-Managing Partner shall deliver a notice to the Managing Partner (the "Call Response") which shall include the Non-Managing Partner's proposal for the Call Price (the "Call Counteroffer"), together with supporting information in sufficient detail so that the Managing Partner may assess the basis for and adequacy of the Call Price so proposed. The Call Response and Call Counteroffer shall be binding upon all Limited Partners. For a period of thirty (30) days after the delivery of the Call Response (the "Call Negotiation Period"), the Managing Partner and the Non-Managing Partner shall negotiate in good faith to arrive at the Call Price to be paid hereunder. In the event that the Managing Partner and the Non-Managing Partner are unable to agree on the Call Price prior to the end of such thirty-day period, either the Managing Partner or the Non-Managing Partner may request arbitration with respect thereto by written notice to the other party. In such event, such arbitration shall be conducted in accordance with Section 7.11. Once the Arbitrators with respect to such arbitration determine the Call Price, the Managing Partner shall promptly pay the Call Price to the Non-Managing Partner and JMB LP, or their respective successors or assigns, (prorated based on their respective Percentage Interests), together with interest thereon from the Call Transfer Date to the date of such payment at the Applicable Rate, such payment to be made in cash. The Partnership Interests of the Non-Managing Partner and JMB LP, and their respective successors or assigns, shall be deemed transferred hereunder as of the Call Transfer Date and the Non-Managing Partner and JMB LP agree to deliver appropriate assignment documentation as determined by the Managing Partner.

7.9 Restrictions on Transfer. Anything contained in the provisions of this Article VII to the contrary notwithstanding, no Transfer of Partnership Interests (or any interests therein) shall be effective if the Non-Transferring Partners determine, based on the advice of counsel from a nationally-recognized law firm, that such Transfer (i) would result in the Partnership being classified as an association taxable as a corporation for Federal and/or state income tax purposes (and any such Transfer shall be effected in such manner as may be necessary to maintain the classification of the Partnership as a partnership for Federal and/or state income tax purposes), (ii) would result in a termination of the Partnership under Section 708(b)(1)(B) of the Code, unless the Non-Transferring Partners approve such a Transfer, (iii) would create a material risk of adverse tax consequences to any Partner (other than the transferor and transferee), including without limitation any material risk that the Partnership will be treated as a "publicly traded partnership" under Section 7704 of the Code, or (iv) would create a material risk that the Partnership will fail to qualify for at least one available safe harbor under Section 7704 of the Code and the Treasury Regulations, unless the Non-Transferring Partners approve such Transfer.

7.10 Indemnity. To the fullest extent permitted under applicable law, each Partner shall indemnify and hold harmless the Partnership and all other Partners who were or are parties, or are threatened to be made parties, to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of or arising from any actual or alleged misrepresentation, misstatement of facts or omission to state facts made (or omitted to be made), noncompliance with any agreement or failure to perform any covenant by such Partner in connection with any Transfer of all or any portion of its Units (or any economic

interest therein), against losses, damages or expenses (including attorneys' fees, judgments, fines and amounts paid in settlement) actually and reasonably incurred by it or them in connection with such action, suit or proceeding and for which it or they have not otherwise been reimbursed.

7.11 ARBITRATION OF CALL PRICE. IN THE EVENT THAT THE MANAGING PARTNER AND THE NON-MANAGING PARTNER ARE UNABLE TO AGREE UPON THE CALL PRICE FOR THE CALLED INTEREST AS PROVIDED UNDER SECTION 7.8, SUCH DISPUTE SHALL BE SETTLED BY ARBITRATION IN WASHINGTON, D.C. IN ACCORDANCE WITH THE FOLLOWING.

A. AT ANY TIME AFTER THE CALL NEGOTIATION DATE, EITHER THE MANAGING PARTNER OR THE NON-MANAGING PARTNER, MAY REQUEST ARBITRATION BY WRITTEN NOTICE TO THE OTHER (THE "ARBITRATION NOTICE OF CALL PRICE"), WHICH NOTICE SHALL ALSO DESIGNATE AN ARBITRATOR. THE OTHER PARTY SHALL THEN, BY WRITTEN NOTICE TO THE FIRST PARTY, DESIGNATE A SECOND ARBITRATOR WITHIN FIFTEEN DAYS AFTER RECEIPT OF THE ARBITRATION NOTICE OF CALL PRICE, THE TWO ARBITRATORS SO SELECTED SHALL, WITHIN THIRTY (30) DAYS AFTER THE DELIVERY OF THE ARBITRATION NOTICE, SELECT A THIRD ARBITRATOR AND ALL THREE SHALL CONDUCT THE ARBITRATION. THE ARBITRATORS SHALL BE PERSONS WITH EXPERIENCE IN MANAGING, DEVELOPING AND MARKETING RESIDENTIAL REAL ESTATE PROJECTS OF THE KIND AND NATURE THAT THE PARTNERSHIP AND ITS PARTNERS HAVE BEEN ASSOCIATED WITH.

B. EACH OF THE MANAGING PARTNER AND THE NON-MANAGING PARTNER SHALL WITHIN TEN (10) DAYS AFTER THE DETERMINATION OF THE IDENTITY OF THE THIRD ARBITRATOR, DELIVER THE CALL OFFER AND THE CALL COUNTEROFFER TO EACH ARBITRATOR.

C. THE ARBITRATORS SHALL CONDUCT THE ARBITRATION IN ACCORDANCE WITH THE RULES OF THE AMERICAN ARBITRATION ASSOCIATION, WITH SUCH MODIFICATIONS THEREOF AS THE ARBITRATORS MAY DEEM APPROPRIATE, AND THE PARTIES SHALL DILIGENTLY ENDEAVOR TO CONCLUDE THEIR PRESENTATIONS FOR SUCH ARBITRATION WITHIN SIXTY (60) DAYS WITH A DECISION NO LATER THAN THIRTY (30) DAYS THEREAFTER.

D. THE ARBITRATORS MAY RETAIN COUNSEL (UNRELATED TO EITHER PARTNER OR ITS RESPECTIVE AFFILIATES) TO ADVISE ALL OF THEM ON MATTERS OF LEGAL INTERPRETATION, THE COST OF WHICH SHALL BE A COST OF THE ARBITRATION. THE ARBITRATORS SHALL BE ENTITLED TO REASONABLE COMPENSATION AND REIMBURSEMENT OF

EXPENSES AS MUTUALLY AGREED BY THE PARTNERS, OR IF THEY ARE UNABLE TO AGREE, THEN AS REASONABLY DETERMINED BY THE ARBITRATORS. SUCH COMPENSATION AND OTHER EXPENSES SHALL BE BORNE SOLELY BY THE PARTY WHOSE OFFER OR COUNTEROFFER IS NOT SELECTED BY THE ARBITRATORS.

E. THE ONLY ISSUE TO BE DETERMINED BY THE ARBITRATORS PURSUANT TO THIS SECTION 7.11 SHALL BE WHETHER, BASED ON THE RELATIVE MERITS AND THE EXPRESS PROVISIONS OF THIS AGREEMENT, THE OFFER OF THE MANAGING PARTNER OR THE OFFER OF THE NON-MANAGING PARTNER SO SUBMITTED FOR ARBITRATION IS TO BE SELECTED, AND THE ARBITRATORS SHALL CHOOSE BETWEEN THE TWO OFFERS WITHOUT ALTERATION OR COMPROMISE OF THE CHOSEN OFFER. THE AWARD AND ALL OTHER DECISIONS OF A MAJORITY OF THE ARBITRATORS SHALL BE FINAL AND BINDING UPON THE PARTNERS, AND A JUDGMENT THEREON MAY BE RENDERED IN ANY COURT OF RECORD, EXCEPT THAT THE ENTITY RESPONSIBLE FOR THE PAYMENT OF THE COMPENSATION OF THE ARBITRATORS AND THE EXPENSES OF ARBITRATION MAY CONTEST AND OBTAIN JUDICIAL REVIEW OF THE REASONABLENESS OF THE DETERMINATION OF COMPENSATION UNDER SUBSECTION D. ABOVE.

ARTICLE VIII

ACCOUNTING, RECORDS, REPORTING BY MANAGING PARTNER

8.1 Books and Records. The books and records of the Partnership shall be kept, and the financial position and the results of its operations recorded, in accordance with the accounting methods followed for federal income tax purposes, or otherwise as determined by the Partnership Accountants in accordance with generally accepted accounting practices. The books and records of the Partnership shall reflect all the Partnership transactions and shall be appropriate and adequate for the Partnership's business. The Partnership shall maintain at its principal office, or at such other locations as determined by the Managing Partner, all of the following:

A. A current list of the full name and last known business or residence address of each Partner, together with the Capital Contributions, Capital Account, Units and Percentage Interest of each Partner;

B. A copy of the Certificate and any and all amendments thereto together with executed copies of any powers of attorney pursuant to which the Certificate or any amendments thereto have been executed;

C. A copy of this Agreement and any and all amendments thereto together with executed copies of any powers of attorney pursuant to which this Agreement or any amendments thereto have been executed;

D. The Partnership's books and records of account as they relate to the internal affairs of the Partnership for at least the current and past five Fiscal Years.

8.2 Delivery to Partners and Inspection.

A. Upon the request of any Partner, the Managing Partner shall promptly deliver to the requesting Partner, at the expense of the Partnership, a copy of the information required to be maintained by Section 8.1.

B. Each Partner has the right, upon reasonable request, to:

1. inspect during normal business hours any of the Partnership records described in Section 8.1 and make copies or memoranda; and

2. obtain from the Managing Partner, promptly after their becoming available, a copy of the Partnership's federal, state, and local income tax or information returns for each Fiscal Year; and

3. visit and inspect the properties which are subject to a management agreement or submanagement agreement with the Partnership or Future Management Contracts, or are owned by the Partnership.

8.3 Financial Statements and Reports.

A. In addition to the Business Plan to be prepared and adopted pursuant to Section 5.14, the Managing Partner shall provide to the Partners monthly operating reports, quarterly and annual financial statements, all prepared in accordance with GAAP. Annual financial statements shall be audited by the Partnership Accountants and be prepared and delivered to the Partners not later than sixty (60) days after the close of each Fiscal Year. The Managing Partner shall also cause an unaudited quarterly report to be prepared and delivered to the Partners not later than twenty-five (25) days after the close of each calendar quarter. Each such annual or quarterly report shall contain a balance sheet as of the end of the Fiscal Year (or calendar quarter for quarterly reports), an income statement for the Fiscal Year (or calendar quarter for quarterly reports), and a statement of changes in cash flow for the Fiscal Year (or calendar quarter for quarterly reports). Each such report shall also contain comparable projected information from the Business Plan for the comparable period, and, if available, comparable historical information from the comparable periods of the previous Fiscal Year. Copies of such reports shall be available to any Partner upon written request. The unaudited accounting

statements of the Partnership with respect to each month, which accounting statements shall be prepared and presented in the manner customary for purposes of dissemination for management of the Partnership, shall be delivered to the Partners by the Partnership within twenty (20) days following the end of the month. The unaudited reports shall contain the certificate of the Managing Partner that the financial statements were prepared without audit from the books and records of the Partnership and that, to the best knowledge of the Managing Partner, such statements fairly present the financial position of the Partnership.

B. The Managing Partner shall cause to be prepared at least annually, at Partnership expense, information necessary for the preparation of the Partners' federal and state income tax returns. The Managing Partner shall send or cause to be sent to each Partner within seventy-five (75) days after the end of each taxable year such information as is necessary for such Partner to complete federal and state income tax or information returns respecting its investment in the Partnership.

8.4 Filings. Subject to Section 5.4 the Managing Partner, at Partnership expense, shall cause the income tax returns for the Partnership to be prepared and timely filed with the appropriate authorities. The Managing Partner, at Partnership expense, shall also cause to be prepared and timely filed, with appropriate federal and state regulatory and administrative bodies, amendments to, or restatements of, the Certificate and all reports required to be filed by the Partnership with those entities under the Act or other then current applicable laws, rules, and regulations.

8.5 Bank Accounts. The Managing Partner shall maintain the funds of the Partnership in one or more separate bank accounts in the name of the Partnership. The Managing Partner and the appropriate officers of the Partnership shall have signing authority on such accounts as reasonably necessary for them to perform their duties and obligations hereunder.

8.6 Accounting Decisions and Reliance on Others. All decisions as to accounting matters, except as otherwise specifically set forth herein, shall be made by the Managing Partner. The Managing Partner may rely upon the advice of the Partnership Accountants and/or the Partnership's legal counsel as to whether such decisions are in accordance with accounting methods followed for GAAP or federal income tax purposes.

8.7 Tax Matters for the Partnership Handled by Managing Partner and Tax Matters Partner. Subject to Section 5.4, the Tax Matters Partner (who shall have the same duties and authority as a "Tax Matters Partner", as defined in Code Section 6231, and the other duties and authority specified in this Agreement), shall represent the Partnership (at the Partnership's expense) in connection with all examinations of the Partnership's affairs by tax authorities, including resulting judicial and administrative proceedings, and shall expend the Partnership funds for professional services and costs associated therewith, and the Tax Matters Partner shall oversee the Partnership's tax affairs in the overall best interests of the Partnership.

8.8 Section 754 Election. In connection with any transfer of or distribution with respect to a Partnership Interest, the Managing Partner shall, upon written request by any Partner, cause the Partnership to make an election pursuant to Code Section 754 and Regulation Section 1.754-1(b) to adjust the basis of Partnership property in the manner provided in Code Sections 734(b) and 743(b). Such Partner shall pay all costs incurred by the Partnership in connection with such election.

ARTICLE IX

DISSOLUTION AND WINDING UP

9.1 Dissolution. The Partnership shall not be dissolved except as provided in this Section 9.1. The Partnership shall be dissolved on the first to occur of the following (each, a "Dissolution Event"):

A. The vote to dissolve by the Managing Partner and the Non-Managing Partner; or,

B. The expiration of the Term.

9.2 Winding Up. Upon the occurrence of any event specified in Section 9.1, the Partnership shall continue solely for the purpose of winding up its affairs in an orderly manner, liquidating its assets, and satisfying the claims of its creditors. The Managing Partner shall be responsible for overseeing the winding up and liquidation of Partnership, shall take full account of the liabilities and assets of Partnership, shall either cause its assets to be sold or distributed, and if sold as promptly as is consistent with obtaining the Fair Market Value thereof, shall cause the proceeds therefrom, to the extent sufficient therefor, to be applied and distributed as provided in Section 9.4. The Persons winding up the affairs of the Partnership (herein called "Liquidators") shall take such actions as may be required by law for the liquidation and winding up of the affairs of the Partnership and otherwise conduct such liquidation and winding up in the best interests of the Partnership. The Liquidators shall be entitled to reasonable compensation for such services.

9.3 Distributions in Kind. Any non-cash asset distributed to one or more Partners shall first be valued at its Fair Market Value to determine the Profit or Loss that would have resulted for federal income tax purposes if such asset were sold for such value, such Profit or Loss shall then be allocated pursuant to Article VI, and the Partners' Capital Accounts shall be adjusted to reflect such allocations. The amount distributed and charged to the Capital Account of each Partner receiving an interest in such distributed asset shall be the Fair Market Value of such interest (net of any liability secured by such asset that such Partner assumes or takes subject to). The Fair Market Value of such asset shall be determined by the Liquidators or if any Partner

objects, by an independent appraiser (any such appraiser must be recognized as an expert in valuing the type of asset involved) selected by the Liquidators and approved by all the Partners.

9.4 Liquidation Distributions. Upon liquidation of the Partnership, distributions shall be made pursuant to Regulation Section 1.704-1(b)(2)(ii)(b)(2). Unless otherwise required by the immediately preceding sentence, after determining that all the known debts and liabilities of the Partnership, including, without limitation, debts and liabilities to Partners who are creditors of the Partnership, have been paid or adequately provided for, the remaining assets shall be distributed to the Partners in accordance with Section 6.3.

9.5 No Deficit Restoration Requirements. If, upon liquidation, any Partner has a deficit balance in its Capital Account, after taking into account all permitted Capital Account adjustments for the Partnership's taxable year during which liquidation occurs, such Partner shall have no obligation to contribute capital to the Partnership on account thereof and such deficit balance shall not be considered a debt owed by such Partner to the Partnership or to any other Person for any purpose whatsoever.

9.6 Limitations on Payments Made in Dissolution. Except as otherwise specifically provided in this Agreement, each Partner shall look solely to the assets of the Partnership for any payment with respect to its Partnership Interest and shall have no recourse for its Capital Contribution and/or share of distributions against the other Partners.

9.7 Certificate of Cancellation. The Liquidators shall cause to be filed in the office of, and on a form prescribed by, the Delaware Secretary of State, a certificate of cancellation of the Partnership (or its equivalent) upon the completion of the winding up of the affairs of the Partnership.

9.8 No Action for Dissolution. The Partners acknowledge that irreparable damage would be done to the goodwill and reputation of the Partnership if any Partner should bring an action in court to dissolve the Partnership under circumstances where dissolution is not required by Section 9.1. This Agreement has been drawn carefully to provide fair treatment of all parties and equitable payment in liquidation of the Partnership Interests. Accordingly, except where the Managing Partner has failed to liquidate the Partnership as required by this Article IX, each Partner hereby waives and renounces his or her right to initiate legal action to seek the appointment of a receiver or trustee to liquidate the Partnership or to seek a decree of judicial dissolution of the Partnership on any ground including, but not limited to, that (a) it is not reasonably practicable to carry on the business of the Partnership in conformity with this Agreement, or (b) dissolution is reasonably necessary for the protection of the rights or interests of the complaining Partner.

ARTICLE X

INDEMNIFICATION

Indemnification of Agents. The Partnership shall and does hereby indemnify any Person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding by reason of the fact that he or she is or was a Partner, officer, employee or other agent of the Partnership or that, being or having been such a Partner, officer, employee or agent, he or she is or was serving at the request of the Partnership as a manager, director, officer, employee or other agent of another limited liability company, corporation, partnership, joint venture, trust or other enterprise (all such persons being referred to hereinafter as an "agent"), to the fullest extent permitted by applicable law in effect on the date hereof and to such greater extent as applicable law may hereafter from time to time permit; provided, however, that nothing herein shall protect any such Person from liability arising from the fraud, gross negligence or willful or intentional misconduct by such Person, or the activities of such Person taken outside the scope of such Person's duties and authority as a director, officer, shareholder, member, manager, partner, employee or agent of the Partnership or its Subsidiaries, as applicable. The Managing Partner shall be authorized, on behalf of the Partnership, to enter into indemnity agreements from time to time with any Person entitled to be indemnified by the Partnership hereunder, upon such terms and conditions as the Managing Partner deems appropriate in its business judgment.

ARTICLE XI

ARBITRATION

11.1 Arbitration of Claims. Except for the matters included in Sections 5.12A.5, 7.8 and 7.11, any other controversy or claim arising out of or relating to this Agreement, or the breach thereof, shall be settled by arbitration administered by the American Arbitration Association in accordance with its Commercial Arbitration Rules and judgment on the award rendered by a majority of the arbitrators appointed pursuant to Section 11.2 of this Agreement may be entered in any court having jurisdiction thereof. Any such arbitration proceeding shall be held in Washington, D.C. Any arbitrator selected pursuant to this Article 11 shall have experience in managing, developing and marketing residential real estate projects of the kind and nature that the Partnership and its Partners have been associated with.

11.2 Selection of Arbitrators. Either General Partner may demand arbitration in writing within ten (10) days after a controversy arises, which demand shall include the name of the arbitrator appointed by the party demanding arbitration, together with a statement of the matter in controversy. Within ten (10) days after such demand, the other General Partner shall name its arbitrator, or in default of such naming, such second arbitrator shall be named by the Arbitration Committee of the American Arbitration Association, and the two arbitrators so selected shall name a third arbitrator within five (5) days after the selection of the second arbitrator and the three arbitrators shall conduct the arbitration, with the award being determined

by the decision of a majority of the arbitrators. The General Partners agree to diligently endeavor to bring such arbitration to conclusion within sixty (60) days with the award of the arbitrators to be made no later than thirty (30) days after the conclusion of presentations by the parties.

11.3 Arbitration Fees and Expenses. All fees and expenses of the arbitration shall be borne by the parties equally. However, each party shall bear the expense of its own counsel, experts, witnesses, and preparation and presentation of proofs.

NOTICE: BY INITIALING THE SPACE BELOW, EACH OF THE MANAGING PARTNER, THE NON-MANAGING PARTNER AND THE LIMITED PARTNERS ARE AGREEING TO THE MATTERS INCLUDED IN THIS ARTICLE XI AND IN SECTIONS 5.12A.5, 7.8 AND 7.11, ARE GIVING UP ANY RIGHTS IT MAY POSSESS TO HAVE THE DISPUTES DESCRIBED HEREIN LITIGATED IN A COURT, WITH OR WITHOUT A JURY TRIAL, AND ARE GIVING UP ANY RIGHTS TO DISCOVERY AND APPEAL. EACH OF THE MANAGING PARTNER, THE NON-MANAGING PARTNER AND THE LIMITED PARTNERS HAVE READ AND UNDERSTAND THE FOREGOING AND AGREE TO SUBMIT ALL DISPUTES TO ARBITRATION AS PROVIDED HEREIN.

/s/ --------------------------- MANAGING PARTNER SENIOR V.P.	/s/ -------------------------------- NON-MANAGING PARTNER V.P.
/s/ --------------------------- ST. JOE DEVELOPMENT SENIOR V.P.	/s/ -------------------------------- JMB LP

ARTICLE XII

MISCELLANEOUS

12.1 Complete Agreement. This Agreement and the Certificate constitute the complete and exclusive statement of agreement among the Partners with respect to the subject matter herein and therein and replace and supersede all prior written and oral agreements or statements by and among the Partners or any of them. No representation, statement, condition or warranty not contained in this Agreement or the Certificate will be binding on the Partners or have any force or effect whatsoever. Notwithstanding the foregoing, the Partners acknowledge the existence of the Asset Contribution Agreement and the various documents and instruments executed and delivered in connection therewith, and they hereby agree that nothing in this Agreement shall render void or ineffective any provision of same; provided, however, that to the extent any of the express provisions of this Agreement shall be in conflict with any of the express provisions of the Asset Contribution Agreement, or any such other document and instrument unless expressly agreed to by the parties thereto, the provisions of this Agreement shall be controlling.

12.2 Binding Effect. Subject to the provisions of this Agreement relating to transferability, this Agreement will be binding upon and inure to the benefit of the Partners and their respective successors and assigns.

12.3 Parties in Interest. Except as expressly provided in this Agreement, nothing in this Agreement shall confer any rights or remedies under or by reason of this Agreement on any Persons other than the Partners and their respective permitted successors and assigns, nor shall anything in this Agreement relieve or discharge the obligation or liability of any third person to any party to this Agreement, nor shall any provision give any third person any right of subrogation or action over or against any party to this Agreement.

12.4 Pronouns; Statutory References. All pronouns and all variations thereof shall be deemed to refer to the masculine, feminine, or neuter, singular or plural, as the context in which they are used may require. Any reference to the Code, the Regulations, the Act, or other statutes or laws will include all amendments, modifications, or replacements of the specific sections and provisions concerned.

12.5 Headings. All headings herein are inserted only for convenience and ease of reference and are not to be considered in the construction or interpretation of any provision of this Agreement.

12.6 Interpretation. This Agreement is the result of negotiations among the parties. Therefore, in the event any claim is made by any Partner relating to any conflict, omission or ambiguity in this Agreement, no rule of construction, presumption or burden of proof or persuasion shall be implied by virtue of the fact that this Agreement or any provision hereof was prepared by or at the request of a particular Partner or its counsel.

12.7 References to this Agreement. Numbered or lettered articles, sections and subsections herein contained refer to articles, sections and subsections of this Agreement unless otherwise expressly stated.

12.8 Exhibits and Schedules. All Exhibits and Schedules attached to this Agreement, if any, are incorporated and shall be treated as if set forth herein.

12.9 Severability. If any provision of this Agreement or the application of such provision to any Person or circumstance shall be held invalid, the remainder of this Agreement or the application of such provision to Persons or circumstances other than those to which it is held invalid shall not be affected thereby.

12.10 Additional Documents and Acts. Each Partner agrees to execute and deliver such additional documents and instruments and to perform such additional acts as may be necessary or appropriate to effectuate, carry out and perform all of the terms, provisions, and conditions of this Agreement and the transactions contemplated hereby.

12.11 Notices. Any notice or other communication required or permitted to be made or given under this Agreement shall be in writing and shall be deemed to have been received by the party to whom it is addressed: (i) on the date indicated on the United States certified or registered mail return receipt; (ii) on the date actually received if hand delivered or if transmitted by facsimile (receipt of which is confirmed to sender); or (iii) on the Business Day after such notice was delivered to an overnight delivery service, addressed, delivered or transmitted in each case as follows:

To the Partnership:
St. Joe/Arvida Company, L.P.
1650 Prudential Drive, Suite 400
Jacksonville, Florida 32207
Attention: Charles A. Ledsinger
Telephone: (904) 396-6600
Facsimile: (904) 858-5265

With a copy to:
JMB Southeast Development, LLC
900 North Michigan Avenue, Suite 1900
Chicago, Illinois 60611
Attention: Stephen A. Lovelette
Telephone: (312) 915-2856
Facsimile: (312) 915-2310

and to:

JMB Southeast Development, LLC
900 North Michigan Avenue, Suite 1900
Chicago, Illinois 60611
Attention: Gary A. Nickele
Telephone: (312) 915-1977
Facsimile: (312) 915-1023

To Managing Partner and St. Joe Development:
c/o St. Joe/Arvida Company, Inc.
1650 Prudential Drive, Suite 400
Jacksonville, Florida 32207
Attention: Charles A. Ledsinger
Telephone: (904) 396-6600
Facsimile: (904) 858-5265

With a copy to:
St. Joe Corporation
1650 Prudential Drive, Suite 400
Jacksonville, Florida 32207
Attention: Robert M. Rhodes
Telephone: (904) 396-6600
Facsimile: (904) 858-5237

To Non-Managing Partner and JMB LP:
c/o JMB Southeast Development, LLC
900 North Michigan Avenue, Suite 1900
Chicago, Illinois 60611
Attention: Stephen A. Lovelette
Telephone: (312) 915-2856
Facsimile: (312) 915-2310

With a copy to:
JMB Southeast Development, LLC
900 North Michigan Avenue, Suite 1900
Chicago, Illinois 60611
Attention: Gary A. Nickele
Telephone: (312) 915-1977
Facsimile: (312) 915-1023

Any Partner may, at any time by giving five (5) days' prior written notice to the other Partner, designate any other address in substitution of the foregoing address to which such notice will be given.

12.12 Amendments. This Agreement may not be amended in any way, except by the unanimous vote or written consent of the Partners of the Partnership.

12.13 Reliance on Authority of Person Signing Agreement. If a Partner is not a natural person, neither the Partnership, any Partner nor any third party will (a) be required to determine the authority of the individual signing this Agreement to make any commitment or undertaking on behalf of such entity or to determine any fact or circumstance bearing upon the existence of the authority of such individual or (b) be responsible for the application or distribution of proceeds paid or credited to individuals signing this Agreement on behalf of such entity.

12.14 No Interest in Partnership Property, Waiver of Action for Partition. No Partner has any interest in specific property of the Partnership. Without limiting the foregoing, each Partner irrevocably waives during the term of the Partnership any right that it may have to maintain any action for partition with respect to the property of the Partnership.

12.15 Multiple Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same instrument.

12.16 Time is of the Essence. All dates and times in this Agreement are of the essence.

12.17 Remedies Cumulative. The remedies under this Agreement are cumulative and shall not exclude any other remedies to which any Person may be lawfully entitled.

IN WITNESS WHEREOF, the Partners of St. Joe/Arvida Company, L.P., a Delaware limited partnership, have executed this Agreement, effective as of the date written above.

MANAGING PARTNER:

ST. JOE/ARVIDA COMPANY, INC.,
a Florida corporation

By: /s/ Robert M. Rhodes

Its: Senior Vice President

NON-MANAGING PARTNER:

JMB SOUTHEAST DEVELOPMENT, LLC,
a Delaware limited liability company

By: /s/ Stephen A. Lovelette

Its: STEPHEN A. LOVELETTE

Vice President

LIMITED PARTNERS:

JMB SOUTHEAST DEVELOPMENT, L.P.,
a Delaware limited partnership

By: EDUCATION PARTNERS, L.P.,
a Delaware limited partnership,
General Partner

By: A/J ACQUISITIONS COMPANY,
a Delaware corporation,
General Partner

By: /s/ Dennis M. Quinn

Its: Vice President

ST. JOE DEVELOPMENT, INC., a Florida
corporation

By: /s/ Robert M. Rhodes

Its: Senior Vice President

Joinder for the purposes set forth in this Agreement:

ST. JOE CORPORATION,
a Florida corporation

By: /s/ Robert M. Rhodes

Its: Senior Vice President

EXHIBIT A

Initial Capital Contributions of the Partners

	CASH	AGREED FAIR MARKET VALUE OF PROPERTY
St. Joe/Arvida Company, Inc.		
St. Joe Development, Inc.		
JMB Southeast Development, L.L.C.		
JMB Southeast Development, L.P.		

LIMITED PARTNERSHIP AGREEMENT
SCHEDULE 5.3A

ARVIDA ENTITIES

NAME	STATE OF ORG.	TYPE OF ENTITY
Arvida-BR Investors	Illinois	General Partnership
Arvida-BR Managers, Inc.	Delaware	Corporation (for profit)
Arvida-Bridle Ridge Managers, L.P.	Delaware	Limited Partnership
Arvida-Bridle Ridge Partners, L.P.	Delaware	Limited Partnership
Arvida-CCG, L.L.C.	Delaware	Limited Liability Company
Arvida-Hickory Springs Manager, Inc.	Delaware	Corporation (for profit)
Arvida-Hickory Springs Partners Limited Partnership	Delaware	Limited Partnership
Arvida-Hickory Springs Managers, Limited Partnership	Delaware	Limited Partnership
Arvida-Sawmill Lakes Managers, Limited Partnership	Delaware	Limited Partnership
Arvida-Sawmill Lakes Partners, Limited Partnership	Delaware	Limited Partnership
Arvida-TC Investors	Illinois	General Partnership
Arvida-TC Managers, L.P.	Delaware	Limited Partnership
Arvida-TC Sales, L.L.C.	Texas	Limited Liability Company
Arvida-Twin Creeks Partners L.P.	Delaware	Limited Partnership
Arvida Builders, Inc.	Florida	Corporation (for profit)
Arvida Commercial Realty, Inc.	Florida	Corporation (for profit)
Arvida Company	Illinois	Corporation (for profit)
Arvida Contractors-II, Inc.	Delaware	Corporation (for profit)
Arvida Contractors-II, L.P.	Delaware	Limited Partnership
Arvida Contractors Limited Partnership	Delaware	Limited Partnership
Arvida Contractors, Inc.	Florida	Corporation (for profit)
Arvida Corporate Park Associates	Florida	General Partnership
Arvida Grand Bay Limited Partnership-I	Delaware	Limited Partnership
Arvida Grand Bay Limited Partnership-II	Delaware	Limited Partnership
Arvida Grand Bay Limited Partnership-III	Delaware	Limited Partnership
Arvida Grand Bay Limited Partnership-IV	Delaware	Limited Partnership
Arvida Grand Bay Limited Partnership-V	Delaware	Limited Partnership
Arvida Grand Bay Limited Partnership-VI	Delaware	Limited Partnership
Arvida Grand Bay Managers, Inc.	Delaware	Corporate (for profit)
Arvida Grand Bay Properties, Inc.	Delaware	Corporate (for profit)
Arvida Home Builders, Inc.	Delaware	Corporate (for profit)
Arvida Management Co. of Georgia, Inc.	Delaware	Corporate (for profit)
Arvida Management Limited Partnership	Delaware	Limited Partnership
Arvida Managers, Inc.	Florida	Corporation (for profit)
Arvida Oaks II, Ltd.	Florida	Limited Partnership
Arvida Pompano Associates Joint Venture	Florida	General Partnership
Arvida Realty Company	Delaware	Corporation (for profit)
Arvida Realty Contracting, L.L.C.	Delaware	Limited Liability Company
Arvida Realty Limited Partnership	Delaware	Limited Partnership

Residential - Continued

NAME	STATE OF ORG.	TYPE OF ENTITY
Arvida Realty At Boca West, Inc.	Florida	Corporation (for profit)
Arvida Realty Sales Limited Partnership	Delaware	Limited Partnership
Arvida Realty Sales of Georgia, Inc.	Georgia	Corporation (for profit)
Arvida Realty Sales, Inc.	Florida	Corporation (for profit)
Arvida/Heathrow Cable, Inc.	Delaware	Corporation (for profit)
Arvida/Heathrow Club, Inc.	Delaware	Corporation (for profit)
Arvida/Heathrow Developers Limited Partnership	Delaware	Limited Partnership
Arvida/Heathrow Realty Sales, Inc.	Delaware	Corporation (for profit)
Arvida/Jacksonville Contractors, Inc.	Delaware	Corporation (for profit)
Arvida/Jacksonville Contractors, L.P.	Delaware	Limited Partnership
Arvida/JMB Associates	Illinois	General Partnership
Arvida/JMB Associates Limited Partnership-II	Illinois	Limited Partnership
Arvida/JMB Limited Partnership	Illinois	Limited Partnership
Arvida/JMB Managers-II, Inc.	Delaware	Corporation (for profit)
Arvida/JMB Managers, Inc.	Delaware	Corporation (for profit)
Arvida/JMB Partners	Florida	General Partnership
Arvida/JMB Partners, L.P.	Delaware	Limited Partnership
Arvida/JMB Partners, L.P.-II	Delaware	Limited Partnership
Arvida/Lakes Managers, Inc.	Delaware	Corporation (for profit)
Arvida/Lakes Plaza, L.P.	Delaware	Limited Partnership
Arvida/River Hills Contractors, Inc.	Delaware	Corporation (for profit)
Arvida/River Hills Contractors, L.P.	Delaware	Limited Partnership
Arvida/Weston Contractors-III, L.P.	Delaware	Limited Partnership
Arvida/Weston Contractors-II, L.P.	Delaware	Limited Partnership
Arvida/Weston Contractors-I, L.P.	Delaware	Limited Partnership
Arvida/Weston Contractors, Inc.	Delaware	Corporation (for profit)
Arvida/Weston Realty Sales Limited Partnership	Delaware	Limited Partnership
Education Partners, L.P. d/b/a Arvida/JMB Acquisitions, Ltd.	Delaware	Limited Partnership
Arvida Company of Illinois (d/b/a on file in Arizona)		

PROPERTIES

Residential

Palm Beach County, Florida
- Broken Sound

Weston, Florida
- Weston

Jacksonville, Florida
- Sawgrass Country Club
- The Players Club
- Jacksonville Golf & Country Club
- Sawmill Lakes

Residential - Continued

Sarasota/Tampa, Florida
- River Hills Country Club
- Grand Bay

Seminole County, Florida
- Heathrow

Cherokee County, Georgia
- Eagle Watch

North Carolina
- Cullasaja

Cobb County, Georgia
- Hickory Springs

Gwinnett County, Georgia
- Country Club of Gwinnett

Forsythe County, Georgia
- Bridle Bridge

Dekalb County, Georgia
- Water's Edge
- Dockside

Commercial and Industrial

Arvida Parkway Center, Boca Raton
Arvida Executive Center, Boca Raton
Arvida Park Center, Sarasota
Arvida Pompano Park, Pompano Beach
Arvida Corporate Park, Tampa
Arvida Lakes Plaza, Weston
Metrodrama Joint Venture Property, Palm Beach County
HAE Joint Venture Property, Palm Beach County

LIMITED PARTNERSHIP AGREEMENT
SCHEDULE 5.4M
LICENSE AGREEMENTS

1. License Agreement by and between Arvida/JMB Partners, L.P., a Delaware limited partnership ("Arvida-I") and Arvida Company, an Illinois corporation ("Arvida"), set forth as Exhibit A to that certain Management, Advisory and Supervisory Agreement, dated as of September 10, 1987, by and between Arvida-I and Arvida.

2. License Agreement by and between Arvida/JMB Partners, L.P.-II, a Delaware limited partnership ("Arvida-II"), and Arvida, set forth as Exhibit A to that certain Management Agreement, dated as of October 16, 1989, by and between Arvida-II and Arvida.

3. License Agreement by and between Arvida-Bridle Ridge Partners, L.P., a Delaware limited partnership ("Arvida-Bridle"), and Arvida, set forth as Exhibit A to that certain Management Agreement, dated as of June 1, 1994, by and among Arvida-Bridle, Arvida-Bridle Ridge Managers, L.P., a Delaware limited partnership, and Arvida.

4. License Agreement by and between Arvida-Hickory Springs Partners Limited Partnership, a Delaware limited partnership ("Arvida-Hickory"), and Arvida, set forth as Exhibit A to that certain Management Agreement, dated as of December 9, 1996, by and among Arvida-Hickory, Arvida-Hickory Springs Managers, Limited Partnership, a Delaware limited partnership, and Arvida.

5. License Agreement by and between Arvida-Sawmill Lakes Partners Limited Partnership, a Delaware limited partnership ("Arvida-Sawmill"), and Arvida, set forth as Exhibit A to that certain Management Agreement, dated as of July 1, 1996, by and among Arvida-Sawmill, Arvida-Sawmill Lakes Managers, Limited Partnership, a Delaware limited partnership, and Arvida.

6. License Agreement by and between Heathrow Land Company Limited Partnership, a Florida limited partnership ("Heathrow"), and Arvida, set forth as Exhibit A to that certain Development Management Agreement, dated as of June 14, 1996, by and between Heathrow and Arvida.

7. License Agreement, dated as of December 30, 1996, by and between Country Club of Gwinnett, L.L.C. and Arvida.

8. License Agreement, dated as of October 17, 1997, by and between Stanford Lake Hotel, Inc. and Arvida.

9. License Agreement dated November 12, 1997, by and between the Partnership and Arvida.

LIMITED PARTNERSHIP AGREEMENT
SCHEDULE 5.12A(1)
EXCLUDED PROJECTS

1. Arcadia Land Company projects
2. Seaside (500 Acres in Florida panhandle)
3. Boulevard Company (Infill residential properties)

LIMITED PARTNERSHIP AGREEMENT
SCHEDULE 5.13
PARTNERSHIP OFFICERS

NAME	TITLE
AMBACH, MARK	VP & PROJECT MANAGER
BROWN, MORGAN	PROJECT MANAGER
BARIC, JOHN	VP & GENERAL COUNSEL
GRAB, JOHN	VP & PROJECT GENERAL MANAGER
HILL, MILES E.	VP & PROJECT MANAGER
JENNESSE, MARGARET	PROJECT MANAGER
KUZMA, THOMAS	DIRECTOR, IS
LARSEN, RICHARD	VP SALES & MARKETING
LASSMAN, MARK	VP & CORPORATE CONTROLLER
MEARS, DONALD	VP, DEVELOPMENT
MOTTA, JAMES	PRESIDENT & CEO
PASKOW, ROY	VP & PROJECT GENERAL MANAGER
SIEGEL, THOMAS	VP

EXHIBIT 2.02

AGREEMENT OF LIMITED PARTNERSHIP OF

ST. JOE/CNL REALTY GROUP, LTD.,

A FLORIDA LIMITED PARTNERSHIP

DATED AS OF

DECEMBER 3, 1997

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AGREEMENT OF LIMITED PARTNERSHIP OF

ST. JOE/CNL REALTY GROUP, LTD.,

A FLORIDA LIMITED PARTNERSHIP

THIS AGREEMENT OF LIMITED PARTNERSHIP (this "Agreement") is made and entered into effective this 3rd day of December, 1997, by and between ST. JOE CENTRAL FLORIDA MANAGEMENT, INC., a Florida corporation ("St. Joe Management"), and CNL CORPORATE VENTURE, INC., a Florida corporation ("CNL Venture"), as General Partners, and ST. JOE CENTRAL FLORIDA DEVELOPMENT, INC. a Florida corporation ("St. Joe Development") and CNL CORPORATE VENTURE I, INC., a Florida corporation ("CNL Venture I"), as Limited Partners. The General Partners and the Limited Partners are sometimes hereinafter referred to individually as a "Partner" and collectively as the "Partners."

WHEREAS, the Partners have elected to form a limited partnership (the "Partnership") under the Florida Revised Uniform Limited Partnership Act for the purposes set forth in Section 4.1 hereinbelow; and

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

ARTICLE ONE

DEFINITIONS

Section 1.1 "Act" means the Florida Revised Uniform Limited Partnership Act (1986), as amended.

Section 1.2 "Adjusted Capital Account Deficit" means, with respect to any Partner, the deficit balance, if any, in such Partner's Capital Account as of the end of the relevant fiscal year after crediting such Capital Account for any amounts the Partner is deemed obligated to restore pursuant to the penultimate sentences of Sections 1.704-2(g)(1) and 1.704-2(i)(5) of the Income Tax Regulations, this Agreement or otherwise, and debiting such Capital Account for the items described in Sections 1.704-1(b)(2)(ii)(d)(4), 1.704-1(b)(2)(ii)(d)(5) and 1.704-1(b)(2)(ii)(d)(6) of the Income Tax Regulations. The foregoing definition of Adjusted Capital Account Deficit is intended to comply with the provisions of Section 1.704-1(b)(2)(ii)(d) of the Income Tax Regulations and shall be interpreted consistently therewith.

Section 1.3 "Adjusted Capital Contributions" means the excess of (a) each Partner's total capital contributions to the Partnership over (b) the prior total distributions to each Partner pursuant to Sections 6.2 and 12.4 hereof.

Section 1.4 "Affiliate" means, with respect to any Partner, (a) any Person that directly or indirectly controls, is controlled by, or is under common control with, such Partner; (b) any entity of which a Partner owns five percent (5%) or more of the outstanding voting power; and (c) any entity of which a Partner is an officer, director or general partner. As used in this definition of "Affiliate," the term "control" means possessing, directly or indirectly, the power for any reason whatsoever to direct or cause the direction of the management and policies of an entity. Partners shall be treated as affiliates for purposes of this Agreement. With respect to St. Joe Management and St. Joe Development, "Affiliate" shall not include the Alfred I. duPont Testamentary Trust.

Section 1.5 "Annual Partnership Business Plan" means the annual business plan for the operation of the Partnership which is described in Section 7.6(a) hereinbelow and approved by the Management Committee or General Partners.

Section 1.6 "Assignee" means a Person who has acquired a beneficial interest in the Partnership, but who is not a Substitute Limited Partner.

Section 1.7 "Authorized Representative" means the Person appointed by each General Partner to represent, manage the interests of, speak for, and act on behalf of such General Partner as described in Section 7.1 hereinbelow.

Section 1.8 "Bankrupt Partner" means any Partner (a) that (i) makes a general assignment for the benefit of creditors; (ii) files a voluntary bankruptcy petition; (iii) becomes the subject of an order for relief or is declared insolvent in any federal or state bankruptcy or insolvency proceedings; (iv) files a petition or answer seeking for the Partner a reorganization, arrangement, composition, readjustment, liquidation, dissolution, or similar relief under any law; (v) files an answer or other pleading admitting or failing to contest the material allegations of a petition filed against the Partner in a proceeding of the type described in subclauses (i) through (iv) of this clause (a); or (vi) seeks, consents to, or acquiesces in the appointment of a trustee, receiver, or liquidator of the Partner or of all or any substantial part of the Partner's properties; or (b) against which, a proceeding seeking reorganization, arrangement, composition, readjustment, liquidation, dissolution, or similar relief under any law has been commenced and sixty (60) days have expired without dismissal thereof or with respect to which, without the Partner's consent or acquiescence, a trustee, receiver, or liquidator of the Partner or of all or any substantial part of the Partner's properties has been appointed and sixty (60) days have expired without the appointments having been vacated or stayed, or sixty (60) days have expired after the date of expiration of a stay, if the appointment has not previously been vacated.

Section 1.9 "Budget" or "Budgets" mean, individually or collectively as the context may require, Partnership Budgets and Project Budgets.

Section 1.10 "Capital Account" means, as to any Partner, the account maintained for such Partner pursuant to Section 6.4 hereof, as adjusted from time to time.

Section 1.11 "Capital Contribution" means, with respect to any Partner, the initial Fair Value of any Contributed Property with respect to the Percentage Interest in the Partnership held by such Partner. The principal amount of a promissory note which is not readily tradeable on an established securities market and which, subject to the agreement of all of the General Partners, is contributed to the Partnership by the maker of the note shall not be included in the Capital Account of any Partner until the Partnership makes a taxable disposition of the note or until (and to the extent) principal payments are made on the note, all in accordance with Income Tax Regulations Section 1.704(b)(2)(iv)(d)(2). The initial Capital Contributions are set forth in Article Five hereinbelow.

Section 1.12 "Capital Proceeds" means the proceeds received by the Partnership derived from (a) dividends or distributions paid by a Subsidiary or any other entity, (b) the sale, exchange or other disposition by the Partnership or any Subsidiary of all or any portion of the assets of the Partnership or such Subsidiary, other than in the ordinary course of the business of the Partnership or such Subsidiary, (c) any mortgage financing or refinancing of any mortgage loans on any Property by a Subsidiary, or (c) any condemnation, casualty insurance or any other nonrecurring proceeds not used for the restoration of any Property by a Subsidiary.

Section 1.13 "Carrying Value" means (a) with respect to Contributed Property, the Fair Value of such property reduced (but not below zero) by all amortization, depreciation and cost recovery deductions charged to the Partners' Capital Accounts with respect to such property, as well as any other charges for sales, retirements and other dispositions of assets included in a Contributed Property, as of the time of determination, and (b) with respect to any other property, the adjusted basis of such property for federal income tax purposes as of the time of determination. The Carrying Value of any property shall be adjusted in accordance with the principles set forth in Article Six hereinbelow.

Section 1.14 "Cash Flow" means the net taxable income or loss of the Partnership for federal income tax purposes, other than "Capital Proceeds," plus the amount of all depreciation and any other noncash charges deducted in determining taxable income or loss, less (a) the amount of all expenditures which are not deductible for federal income tax purposes, (b) a reasonable reserve for such business needs of the Partnership as taxes, insurance, maintenance, repairs and replacement of capital items and other amounts as reasonably determined by the Managing Partner, offset by amounts currently included in taxable income or loss which were previously reserved, (c) a reserve for budgeted expenditures, and, in accordance with Section 1.704-1(b)(2)(iv)(d)(2) of the Income Tax Regulations, offset by amounts currently included in taxable income or loss which were previously reserved, (d) a predevelopment reserve for future projects which may be undertaken by Subsidiaries in an amount reasonably determined by the Management Committee, and (e) repayments on all indebtedness.

Section 1.15 "CCP" means CNL Corporate Properties, Inc., an Affiliate of CNL Venture and CNL Venture I.

Section 1.16 "CCP Management Agreement" means the management agreement between the Partnership and CCP, pursuant to which CCP shall manage the business and affairs of the Partnership as described in Section 7.5 hereinbelow.

Section 1.17 "Central Florida Region" means the following counties in the state of Florida: Lake, Seminole, Orange, Osceola, Sumter, Hernando, Pasco, Hillsborough, Pinellas, Polk, Hardee, De Soto, Highlands, Manatee, Sarasota, Volusia and Brevard.

Section 1.18 "Code" means the Internal Revenue Code of 1986, as amended or superseded from time to time.

Section 1.19 "Contributed Property" means each Partner's interest in property or other consideration (excluding services) contributed to the Partnership by such Partner.

Section 1.20 "Controllable Costs" means the costs or expenses related to the development, construction, or operation of a project undertaken by a Subsidiary the incurrence or magnitude of which is within the direct control and discretion of the Managing Partner; provided, however, a cost or expense which is reasonably required to be incurred in order to comply with terms and parameters of a Project Plan approved by the Management Committee or General Partners or any contract, agreement, lease or other obligation of the Partnership or any Subsidiary which was generally or specifically approved by the Management Committee, General Partners, or Authorized Representatives as part of a Project Plan or Project Budget will not be deemed a "Controllable Cost". "Controllable Costs" shall not include any cost or expense which is reasonably incurred or reasonably required to be incurred, or which increases, as a result of or in connection with conditions or occurrences which change, arise or are discovered during the development, construction or operation of a project that are not within the direct control by the Managing Partner, including, but not limited to, general economic conditions, general increases in the cost of utilities, insurance or taxes of any nature, the adoption by any governmental entity or agency having jurisdiction over the project of any law, regulation, ordinance, guideline or requirement, or any amendment to any of the foregoing, related to the development, construction or operation of the project, labor trouble or strikes, the occurrence of any uninsured loss, damage, casualty, or personal injury, natural occurrences and calamities or acts of God (whether or not covered by insurance), civil unrest, riots or acts of war or a public enemy (whether or not covered by insurance), breaches or violations of laws, regulations, ordinances, guidelines or requirements by any Person other than the Managing Partner and CCP, environmental or other conditions related to the Property which were not or had not been discovered at the time the applicable Project Plan and Project Budget was approved by the Management Committee or General Partners, or cost increases imposed by any Person providing materials, labor or services in connection with a project which cannot reasonably be mitigated within the scope and parameters of the applicable Project Plan.

Section 1.21 "Corporate Facilities" means office buildings, industrial space and flex space, but shall not include medical or medical office buildings.

Section 1.22 "Debenture" or "Debentures" mean, individually or collectively as the context may require, the Partnership's 10% Subordinated Debentures due 2004 issued to St. Joe Management and CNL Venture in the aggregate face amounts of $25,000,000 and $5,000,000, respectively, as provided in Section 5.9 hereinbelow.

Section 1.23 "Event of Bankruptcy" means any event that causes a Partner to be deemed a Bankrupt Partner under Section 1.6.

Section 1.24 "Fair Value" means the value determined in accordance with the terms of Section 11.2(d) hereinbelow.

Section 1.25 "Income Tax Regulations" means the Income Tax Regulations promulgated under the Code as such regulations may be amended from time to time (including corresponding provisions of succeeding regulations).

Section 1.26 "IRS" means the Internal Revenue Service.

Section 1.27 "Management Committee" means the committee comprised of three Persons appointed by CNL Venture and three Persons appointed by St. Joe Management which is responsible for the overall management and control of the business and affairs of the Partnership.

Section 1.28 "Managing Partner" means CNL Venture.

Section 1.29 "Material" means, with respect to a Partnership Budget, an aggregate overage of costs, expenses or expenditures of the Partnership exceeding ten percent (10%) of the total amount of costs, expenses and expenditures provided for in such Partnership Budget, and, with respect to a Project Budget, an aggregate overage of Controllable Costs related to the project which is the subject of the Project Budget exceeding five percent (5%) of the total amount of costs, expenses and expenditures provided for in such Project Budget. The defined term "Material" shall have no application in any context other than as relates to a Budget.

Section 1.30 "Material Adverse Effect" means any circumstances, developments, occurrences, state of facts or matters which have, or would reasonably be expected to have, a material adverse effect in respect of the operations, properties, assets, condition (financial or otherwise), results, plans, strategies or prospects of the business of the Partnership taken as a whole.

Section 1.31 "Nonrecourse Deductions" shall have the meaning set forth in Section 1.704-2(b)(1) of the Income Tax Regulations. The amount of Nonrecourse Deductions for a Partnership fiscal year equals the excess, if any, of the net increase, if any, in the amount of Partnership Minimum Gain during that fiscal year over the aggregate amount of any distributions during that fiscal year of proceeds of a Nonrecourse Liability that are allocable to

an increase in Partnership Minimum Gain, determined according to the provisions of Section 1.704-2(c) of the Income Tax Regulations.

Section 1.32 "Nonrecourse Liability" shall have the meaning set forth in Sections 1.704-2(b)(3) and 1.752- 1(a)(2) of the Income Tax Regulations.

Section 1.33 "Partner" means any Person executing this Agreement as of the date of this Agreement as a member of the Partnership or hereafter admitted to the Partnership as a Substitute Limited Partner as provided in this Agreement, but does not include any Assignee or any Person who has ceased to be a Partner of the Partnership.

Section 1.34 "Partner Nonrecourse Debt Minimum Gain" means an amount, with respect to each Partner Nonrecourse Debt, determined in accordance with Section 1.704-2(i) of the Income Tax Regulations.

Section 1.35 "Partner Nonrecourse Debt" shall have the meaning set forth in Section 1.704-2(b)(4) of the Income Tax Regulations.

Section 1.36 "Partner Nonrecourse Deductions" shall have the meaning set forth in Section 1.704-2(i)(1) of the Income Tax Regulations. The amount of Partner Nonrecourse Deductions with respect to a Partner Nonrecourse Debt for a Partnership fiscal year equals the excess, if any, of the net increase, if any, in the amount of Partner Nonrecourse Debt Minimum Gain attributable to such Partner Nonrecourse Debt during that fiscal year over the aggregate amount of any distributions during the fiscal year to the Partner that bears the economic risk of loss for such Partner Nonrecourse Debt to the extent such distributions are from the proceeds of such Partner Nonrecourse Debt and are allocable to an increase in Partner Nonrecourse Debt Minimum Gain attributable to such Partner Nonrecourse Debt, determined in accordance with Section 1.702-2(i)(2) of the Income Tax Regulations.

Section 1.37 "Partnership Budget" means the annual operational budget for the Partnership as described in Section 7.6(a) hereinbelow which is approved by the Management Committee or the General Partners.

Section 1.38 "Partnership Interest" means, with respect to any Partner, any interest whatsoever of such Partner in the Partnership, including, but not limited to, a Partner's Percentage Interest.

Section 1.39 "Partnership Minimum Gain" shall have the meaning set forth in Section 1.704-2(b)(2) of the Income Tax Regulations and shall be determined in accordance with Section 1.704-2(d) of the Income Tax Regulations.

Section 1.40 "Percentage Interest" means, with respect to any Partner, such Partner's percentage profits interest in the Partnership. Each Partner's Percentage Interest is expressed as a percentage of one hundred percent (100%).

Section 1.41 "Person" means any individual, partnership, firm, limited liability company, corporation, trust, association or other legal entity.

Section 1.42 "Plan" or "Plans" mean, individually or collectively as the context may require, Annual Partnership Business Plans and Project Plans.

Section 1.43 "Project Budget" means any development budget as described in Section 7.6(b) hereinbelow which is approved by the Management Committee or the General Partners for any project undertaken by a Subsidiary.

Section 1.44 "Project Financing" means financing, refinancing or indebtedness obtained or incurred by or on behalf of any Subsidiary to fund acquisition, development, construction, operational or other costs and expenses related to any project undertaken by such Subsidiary as approved by the General Partners or Management Committee.

Section 1.45 "Project Plan" means any business or development plan as described in Section 7.6(b) hereinbelow which is approved by the Management Committee or the General Partners for any project undertaken by a Subsidiary.

Section 1.46 "Property" means, collectively and individually, all of the real property owned by the Subsidiaries, together with all tangible and intangible personal property and rights relating thereto.

Section 1.47 "Subsidiary" or "Subsidiaries" means, individually and collectively, the wholly or majority owned entities formed or acquired by the Partnership for the purposes generally described in Section 4.1 below.

Section 1.48 "Substitute Limited Partner" means any Person not a Person executing this Agreement as of the date of this Agreement to whom all or any portion of a Partnership Interest of a Limited Partner has been transferred and who has been admitted to the Partnership as a Substitute Limited Partner pursuant to and in accordance with the provisions of Article Ten hereinbelow.

ARTICLE TWO

ORGANIZATION

Section 2.1 Formation. The parties hereto do hereby confirm the formation of the Partnership pursuant to the provisions of the Act by the filing of an Affidavit and Certificate of Limited Partnership on the date hereof, and agree that the Partnership shall be governed by the terms and conditions of this Agreement. The parties agree that they shall promptly file any additional or supplemental amended Affidavit and Certificate of Limited Partnership as may be required by the appropriate office in the State of Florida, and in such other offices as may be required, and that the parties shall comply with the other provisions and requirements of the Act as in effect in Florida, which Act shall govern the rights and liabilities of the Partners except as herein or otherwise expressly stated.

Section 2.2 Filings. The General Partners shall file, record, and publish such certificates and other documents as may be necessary and appropriate to comply with the requirements for the organization and operation of a limited partnership under the Act.

Section 2.3 Foreign Qualification. In the event that the business of the Partnership shall be carried on or conducted in other states in addition to the State of Florida, then the parties agree that this Partnership shall exist or shall be qualified under the laws of each such additional state in which business is actually conducted by the Partnership, and they severally agree to execute and authorize the General Partners to execute on their behalf or on behalf of the Partnership such other and further documents as may be necessary or appropriate to permit the General Partners to qualify this Partnership, or otherwise comply with requirements for the formation and organization of a limited partnership in all such states.

Section 2.4 Effective Date; Term. The Partnership shall be effective as of the date of this Agreement and shall continue in existence until December 31, 2025, unless sooner terminated pursuant to the terms of this Agreement or by law (the "Term").

Section 2.5 Scope. The purpose, authority and scope of the Partnership shall extend no further than the purposes set forth in Article Four. This Agreement shall not be deemed or construed to create a relationship between the Partners with respect to any activities whatsoever except for those activities required for the accomplishment of the Partnership's purposes as specified in Article Four.

ARTICLE THREE

NAME AND PRINCIPAL OFFICE

Section 3.1 Name and Office. The name of the Partnership is "St. Joe/CNL Realty Group, Ltd." Its principal office shall be at 400 East South Street, Suite 500, Orlando, Florida 32801, or at such other address as the Managing Partner notifies each Partner in writing in accordance herewith. The address of the registered office of the Partnership in the State of Florida is 400 East South Street, Suite 500, Orlando, Florida 32801, or at such other address as the General Partners notify each Limited Partner in writing in accordance herewith. The registered agent of the Partnership in Florida shall be Robert A. Bourne. The General Partners also shall have the right, without notice to the Limited Partners, to establish a registered office or offices in such other states as the General Partners deem necessary in order to qualify the Partnership under the laws of any additional state in which the Partnership actually conducts business.

Section 3.2 Fictitious Names. The business of the Partnership shall be conducted under the name listed above or under such other names as the General Partners deem appropriate to comply with the laws of any state in which the Partnership does business. The General Partners shall execute and file in the proper offices such certificates as may be required by the Fictitious Name Statute, Assumed Name Act, or similar law in effect in the counties and other governmental jurisdictions in which the Partnership may elect to conduct business.

ARTICLE FOUR

PURPOSES AND POWERS OF THE PARTNERSHIP

Section 4.1 Purposes of the Partnership. The Partners have formed the Partnership to engage, solely through Subsidiaries, in the following activities: acquiring, financing, developing, leasing, maintaining, owning, operating, managing, enhancing, and/or disposing of (a) multi- and single tenant Corporate Facilities in the Central Florida Region, (b) single tenant Corporate Facilities throughout the United States, and (c) other projects in the Central Florida Region in which a Subsidiary will act as a master developer. The Partnership may also (y) engage in such other lawful activities as the General Partners determine from time to time, and (z) do any and all things necessary or incidental to any of the foregoing.

Section 4.2 Powers of the Partnership. The Partnership shall be empowered to do or cause to be done, or not to do, any and all acts deemed by the General Partners to be necessary or appropriate or in furtherance of the purpose of the Partnership, including, without limitation, the power and authority:

(a) to cause the Subsidiaries to purchase, hold, develop, construct, operate, refinance or resell real property, consistent with the purposes of the Partnership and otherwise as determined by the General Partners;

(b) to finance all or any of its or any Subsidiary's activities authorized under the provisions of this Agreement by secured or unsecured indebtedness from affiliated or unaffiliated lenders and, in connection therewith, to issue evidences of indebtedness and to execute and deliver guarantee instruments and security instruments of every nature and kind as security therefor and to prepay, refinance, and recast any debt or other lien, subject to the limitations contained in this Agreement;

(c) to make such elections under the Code as to the treatment of items of Partnership income, gain, loss, deduction and credit, as to all relevant matters as the General Partners believe necessary, desirable, or beneficial to the Partners (the General Partners shall make a Section 754 election at the request of any Partner);

(d) to purchase from others (except the General Partners or their Affiliates unless approved by each General Partner) or to elect not to purchase from others, at the expense of the Partnership, contracts of liability, casualty, and other insurance which the General Partners deem, in their sole discretion, to be advisable, appropriate, or convenient for the protection of the assets or affairs of the Partnership or for any purpose convenient or beneficial to the Partnership;

(e) to employ, at the expense of the Partnership, Persons, including Affiliates, for the operation and management of the Partnership and its Subsidiaries on such terms and for such compensation as the General Partners deem, in their absolute discretion, to be in the best interest of the Partnership;

(f) to designate the depository or depositories in which all bank accounts of the Partnership shall be kept and the Person or Persons upon whose signature withdrawals therefrom shall be made;

(g) to prosecute, defend, settle, compromise, or submit to arbitration, at the Partnership's expense, any suits, actions, or claims at law or in equity to which the Partnership is a party or by which it is affected, as may be necessary, proper, or convenient, and to satisfy out of Partnership funds any judgment, decree, or decision of any court, board, agency, or authority having jurisdiction, or any settlement of any suit, action, or claim prior to judgment or final decision thereon;

(h) to incur, at the expense of the Partnership, bank charges with respect to bank accounts maintained, and expenses relating to the purchase of supplies, materials, equipment, or similar items used in connection with the operation of the Partnership, and to incur

recording fees, insurance premiums, and similar expenses in connection with the business of the Partnership;

(i) to employ Persons, at the expense of the Partnership, to perform administrative, legal, and independent accounting services in connection with the operation and management of the Partnership's business, and to provide services in connection with the preparation and filing of any tax return required of the Partnership;

(j) to distribute among the Partners, to the extent deemed prudent or advisable in the sole discretion of the General Partners, Cash Flow, including cash generated from the operations of the Partnership, and Capital Proceeds or, in the discretion of the General Partners, to utilize all or any portion thereof to satisfy Partnership obligations, expenses, and reserves;

(k) to sell, lease, exchange, mortgage, transfer, convey or otherwise dispose of all or any portion of the assets of the Partnership, including, but not limited to, interests in any Subsidiary, and to cause any Subsidiary to sell, lease, exchange, mortgage, transfer, convey or otherwise dispose of all or any portion of any of its assets, including, but not limited to, any Property, subject to the limitations contained elsewhere in this Agreement or in other agreements to which the Partnership is bound, if such transactions are deemed by the General Partners to be in the best interest of the Partnership;

(l) to establish any reserves deemed necessary or advisable by the General Partners, and invest such funds as temporarily are not required for Partnership purposes in short-term, highly liquid investments, including, without limitation, certificates of deposit, United States Treasury bills or bonds, money market funds, and obligations of a financial institution;

(m) to engage in such other businesses, activities, and transactions similar in nature and scope to those described in this Article Four as the General Partners from time to time may determine to be necessary or appropriate in furtherance of the purpose of the Partnership;

(n) to enter into such agreements, contracts, documents, leases, mortgages, and instruments and to give such receipts, releases, and discharges with respect to all of the foregoing and any matters incident thereto, as the General Partners may deem advisable, appropriate or convenient; and

(o) to execute, deliver, perform, and carry out all contracts, agreements, and undertakings of every kind, pay all amounts required by this Agreement or by applicable law, and engage in all activities and transactions as may in the opinion of the General Partners be necessary, incidental, or advisable to the accomplishment of the Partnership's purposes or in

connection with any of the foregoing, subject in each case to the limitations contained in this Agreement.

Section 4.3 First Option as to Potential Property Acquisition, Development and Other Opportunities.

(a) Each General Partner will present, and cause its majority or wholly owned Affiliates (except, with respect to St. Joe Management, Florida East Coast Industries, Inc.) to present, and use its best efforts to cause each other of its Affiliates (including, with respect to St. Joe Management, Florida East Coast Industries, Inc.) to present, to the Partnership during the term of this Agreement on a right of first option basis all opportunities identified, optioned, acquired or presently held by such General Partner or its Affiliates with respect to acquiring, financing, developing, leasing, maintaining, owning, operating, managing, enhancing, and/or disposing of (i) multi- and single tenant Corporate Facilities in the Central Florida Region, (ii) other projects in the Central Florida Region for which a Subsidiary could potentially act as a master developer; provided these projects are primarily comprised of Corporate Facilities, (iii) development opportunities with respect to subsections (i) and (ii) hereinabove obtained through referrals by existing or future clients of the retail, restaurant, hospitality or healthcare groups of Affiliates of CNL Venture and cultivation of the "Butler" relationship of such Affiliates.

(b) Nothing hereinabove shall preclude any Partner or its Affiliates from entering into transactions or ventures with other parties to acquire, finance, develop, lease, maintain, own, operate, manage, enhance or dispose of Corporate Facilities outside of the Central Florida Region, or engage in any other activities outside the Central Florida Region, however, each Partner may, at its sole and absolute option, present to the Partnership any such opportunity for consideration and a determination of whether the Partnership shall, through a Subsidiary, pursue such opportunity.

(c) As of the date hereof, CNL has undertaken certain projects which will be presented to the Partnership for consideration. In connection therewith, upon the execution hereof, CNL will present to the Partnership the potential projects described on Exhibit A attached hereto and incorporated herein by reference.

(d) For any opportunity or project presented to the Partnership for consideration under subsections (a), (b) or (c) above, the non-presenting General Partner (or its Authorized Representative) shall have the sole right to determine on behalf of the Partnership whether to pursue such opportunity or project, provided that such determination shall be made within ten (10) business days following the presentation of such opportunity or project to the Partnership (the "Project Approval Period"). Notwithstanding anything in this Agreement to the contrary, the Partnership shall undertake and pursue any such opportunities or projects presented to it upon the approval of the non- presenting General Partner (or its Authorized Representative). In the event the non-presenting General Partner (or its Authorized Representative) rejects or does not approve the pursuit of any opportunity or project presented to Partnership within the Project

Approval Period, the presenting General Partner or its Affiliates shall have the sole and absolute right to pursue such opportunity or project for its own account regardless of whether such opportunity or project will compete with the Partnership or any Subsidiary or create a Material Adverse Effect. All approvals or rejections of opportunities or projects presented to the Partnership under this Section 4.3 (other than rejections due to the expiration of the Project Approval Period) shall be effective upon notification in writing to the presenting General Partner in accordance with Section 14.2 hereinbelow.

In no event shall any Partner engage or cause its Affiliates (which, for this purpose, shall not include Florida East Coast Industries, Inc.) to engage or participate, directly or indirectly, in any activity, business, transaction or project within the Central Florida Region which is similar in nature or scope to any activity, business, transaction or project of the Partnership in the Central Florida Region as described in this Article Four, or which will compete with any activity, business, transaction or project of the Partnership or its Subsidiaries in the Central Florida Region, without the express written consent of all of the General Partners. The presentation of a potential project to the Partnership and the rejection or failure by the non-presenting General Partner (or its Authorized Representative) to approve the pursuit of any opportunity or project presented to Partnership within the Project Approval Period shall be deemed to satisfy the requirement of express written consent for purposes of this Section. It is the intention of the Partners that, except as otherwise set forth herein, the exclusive opportunity of the Partners and their Affiliates to engage or participate in any activity, business, transaction or project which is similar in nature or scope to those of the Partnership and its Subsidiaries in the Central Florida Region as described in this Article Four is through the Partnership and the Subsidiaries.

ARTICLE FIVE

CAPITALIZATION

Section 5.1 Limited Partners' Capital Contributions. Each of the Limited Partners have contributed or shall, upon the request of the General Partners, contribute to the Partnership the sum of $980,000 as its Capital Contribution in consideration of which such Limited Partner shall receive a Percentage Interest equal to 49%.

Section 5.2 General Partners' Capital Contributions. Each of the General Partners have contributed to the Partnership the sum of $20,000 as its Capital Contributions in consideration of which such General Partner shall receive a Percentage Interest equal to 1%.

Section 5.3 Liability of Limited Partners. Except as otherwise provided in Section 8.1, Limited Partners shall not be liable to the Partnership beyond the amount of their Capital Contributions, nor shall they be personally liable for any liabilities, contracts, or obligations of the Partnership. It is the intent of the Partners that no distribution (or any part of a distribution)

made to any Limited Partner pursuant to Article Six of this Agreement shall be deemed a return or withdrawal of capital, even if such distribution represents (in full or in part) an allocation of depreciation or any other non-cash item accounted for as a loss or deduction from or offset to the Partnership's income, and that no Limited Partner shall be obligated to pay any such amount to or for the account of the Partnership or any creditor of the Partnership. Further, no Limited Partner may be assessed for amounts beyond their related Capital Contributions without the consent of all of the General Partners and all of the Limited Partners.

Section 5.4 Interest. Interest earned on Partnership funds shall inure to the benefit of the Partnership, and the Partners shall not receive interest on their Capital Accounts or Capital Contributions.

Section 5.5 Additional Capital Contributions. No Partner shall be required to make any additional Capital Contributions beyond the amount of such Partner's initial Capital Contribution, unless otherwise determined by the General Partners, whereupon the Partners shall make additional Capital Contributions to the Partnership pro rata in accordance with each Partner's respective Percentage Interest in the manner determined by the General Partners.

Section 5.6 Repayment of Capital Contributions of Limited Partners; Distributions and Withdrawals. Except as expressly provided in this Agreement, no specific time has been agreed upon for the repayment of the Capital Contributions of the Limited Partners. No Limited Partner or any successor in interest shall have a right to withdraw or reduce any capital contributed to the Partnership. Distributions may be made in cash or in property, or partly in each, but no Partner shall have the right to require that a distribution be made other than in cash except as expressly provided otherwise in this Agreement.

Section 5.7 No Priorities among Limited Partners. Except as expressly provided in this Agreement, no Limited Partner shall have the right to demand or receive property other than cash in return for the Limited Partner's Capital Contribution, nor shall any Limited Partner have priority over any other Limited Partner as to Capital Contributions or as to compensation by way of income.

Section 5.8 Agreement to Fund Capital Contributions to Subsidiaries. Each of the General Partners shall fund, or cause their Affiliates to fund, capital contributions to the Subsidiaries when and as such Subsidiaries are formed in such amounts as the General Partners determine, but in no event less than an aggregate of $4,000,000 for each General Partner and their respective Affiliates. On or about the date hereof, the General Partners have agreed to form a Subsidiary to be named "CNL Plaza, Ltd." Each General Partner shall fund, or cause its Affiliates to fund, aggregate capital contributions to CNL Plaza, Ltd. in the amount of $3,000,000. In lieu of cash contributions to CNL Plaza, Ltd., CNL Venture and its Affiliates shall contribute their entire right, title and interest in and to the project to be initially undertaken by CNL Plaza, Ltd. (as such project is briefly described in Section (a) of Exhibit A attached

hereto), which contributions, the General Partners agree, have an aggregate Fair Value of $3,000,000.

Section 5.9 Additional Required Funds.

(a) Notwithstanding the provisions of Sections 5.3, 5.5 and 5.8, in order to finance the capital requirements of the Partnership and its Subsidiaries and to facilitate the receipt by the Partnership and its Subsidiaries of secured third-party financing, St. Joe Management and CNL Venture (each, a "Holder") have agreed to make lendings (individually, a "Lending" and collectively, "Lendings") to the Partnership under the Debentures from time to time from a date which is ten (10) days after the date of this Agreement until the Maturity Date (as defined hereinbelow) up to the maximum aggregate principal amount outstanding at any time of $30,000,000 (the "Maximum Commitment"); provided that in no event shall the amount in principal outstanding at any time from Lendings to the Partnership exceed $25,000,000 by St. Joe Management (the "St. Joe Funding Obligation") and $5,000,000 by CNL Venture (the "CNL Funding Obligation") (the St. Joe Funding Obligation and the CNL Funding Obligation are sometimes referred to hereinbelow individually as a "Funding Obligation" and collectively as the "Funding Obligations").

(b) The Debentures shall be revolving, unsecured, fully subordinated obligations of the Partnership which shall bear interest at the rate per annum of 10%, 8% of which shall be payable on a quarterly basis in arrears and 2% of which shall accrue until the earlier of the maturity of the Debentures or the date prior to the stated maturity thereof on which the principal amounts of such Debentures are due and payable in full or otherwise paid in full (the "Accrued Interest Allocation"). Interest shall be computed on the basis of a year of 12 30-day months. The Accrued Interest Allocation shall be compounded annually. The Debentures shall mature on December 3, 2004 (the "Maturity Date"). The Partnership shall be permitted to receive Lendings under the Debentures upon fifteen (15) days' written notice to the Holders in minimum aggregate amounts of $1,000,000 (or a lesser amount necessary to fully fund a Debenture at the time of such Lending). Each Lending to be made hereunder shall be made by St. Joe Management and CNL Venture in proportion to their respective Funding Obligations. For example, for a minimum aggregate Lending of $1,000,000, the St. Joe Funding Obligation would be $833,333 and the CNL Funding Obligation would be $166,667.

In the event a Holder (the "Defaulting Holder") fails to satisfy its Funding Obligation with respect to a Lending (a "Funding Default"), the other Holder may, at its sole option, elect to pay the Defaulting Holder's unpaid Funding Obligation (the "Deficiency Advance") within twenty (20) business days following the date the Funding Obligation was to have been satisfied. Such paying non-defaulting Holder shall automatically acquire a lien upon the Defaulting Holder's Partnership Interest (the "Defaulted Interest") and the Defaulting Holder's Debenture for the amount so paid, plus interest thereon at a rate per annum of (i) the greater of the prime rate of interest in effect on the date of the Deficiency Advance (as published in the Wall Street Journal) plus 3%, or 15%, or (ii) the maximum rate permitted by applicable law,

whichever is less. The Deficiency Advance, and all accrued but unpaid interest thereon, shall be due and payable by the Defaulting Holder upon demand by the non-defaulting Holder. Notwithstanding anything to the contrary in this Agreement, the Debenture Agreement or the Debentures, each Holder's obligation to make a Lending hereunder is subject to the satisfaction by the other Holder of its Funding Obligation with respect to such Lending. Further notwithstanding anything to the contrary in this Agreement, neither a Defaulting Holder nor any of such Defaulting Holder's Affiliates shall be entitled to vote any interest which such Defaulting Holder and its Affiliates have in the Partnership or any Subsidiary with respect to the affairs of the Partnership or any Subsidiary, including, but not limited to, Major Decisions or any decision to enforce the rights of the Partnership under the Debenture of the Defaulting Holder, or otherwise to direct or control the activities of the Partnership or any Subsidiary, whether directly or through the Management Committee or its Authorized Representatives, until such time as the Defaulted Interest is cured and becomes a Partnership Interest in good standing. Nothing in this subsection 5.9(b) is intended to relieve any Holder from any obligation to provide funds under the Debentures with respect to its Funding Obligation, and nothing in this subsection 5.9(b) is intended to limit or restrict any remedy or recourse the Partnership or the other Holder may have against a Defaulting Holder, in law, equity or pursuant to other provisions of this Agreement or the Debenture Agreement. The remedies set forth in this subsection 5.9(b) are in addition to any other remedies allowed or available under other provisions of this Agreement or the Debenture Agreement, by law or in equity.

(c) Sums outstanding under the Debentures shall be prepayable in whole or in part (in amounts of at least $1,000,000) at any time without penalty. Sums prepaid may be reborrowed up to the Maximum Commitment, subject to the terms and conditions set forth herein and in the Debenture Agreement. All payments and prepayments of principal and interest under the Debentures shall be paid to the Holders in proportion to their respective Funding Obligations. Borrowings under the Debentures will be unsecured obligations of the Partnership, fully subordinated to all existing and future indebtedness of the Partnership, and non-recourse to the Partners. The Debentures shall be issued in accordance with the specific terms and condition of a Debenture Agreement to be executed by the Partnership and the General Partners, the form of which is attached hereto as Exhibit B.

(d) Subject to the agreement of the General Partners on a case by case basis, the General Partners may elect to provide to the Partnership a guaranty or a letter of credit in response to a Lending request of the Partnership in lieu of providing cash under the Debentures. In the event that a General Partner is required to pay under a guaranty or a General Partners' letter of credit is called upon, any sums paid under such guaranty or letter of credit shall be deemed to be advances made by such General Partner under its respective Debenture. In no event shall the principal balance outstanding under a Debenture, together with all sums secured by guaranties or letters of credit, exceed $25,000,000 with respect to St. Joe Management and $5,000,000 with respect to CNL Venture.

(e) Except as otherwise agreed to by the Management Committee, any additional funding in excess of the Maximum Commitment to be provided by the General Partners hereunder shall be provided by the General Partners on an equal dollar for dollar basis and shall be evidenced by additional debentures or evidences of indebtedness issued by the Partnership in favor of St. Joe Management and CNL Venture as appropriate.

(f) In addition to the foregoing, the Managing Partner may, upon the approval of the Management Committee whether in conjunction with the approval of a Budget or a Plan or otherwise, cause the Partnership to borrow amounts at market terms and conditions from Affiliates or nonaffiliates to finance Partnership operations. Notwithstanding anything in this Agreement to the contrary, the Partnership shall be entitled to replace or refinance indebtedness at market terms and conditions upon maturity of such indebtedness unless the General Partners determine otherwise. CNL Financial Corporation, an Affiliate of CNL Venture, and its Affiliates, shall have a right of first refusal to provide to the Subsidiaries any and all Project Financing provided that the terms and conditions of such Project Financing shall be fair, reasonable and no less favorable to the Partnership than reasonably could be obtained from unaffiliated Persons and provided further that this right shall be exercised within thirty (30) days of presentation of a proposed Project Financing to CNL Financial Corporation.

ARTICLE SIX

ALLOCATION OF NET PROFIT AND LOSS; DISTRIBUTIONS; ACCOUNTING

Section 6.1 Allocation of Net Profit and Loss and Capital Proceeds. The Partnership shall allocate net profits and losses as follows:

(a) Except as otherwise provided in this Agreement, the interest of each Partner in net profit and loss of the Partnership and each item of income, gain, loss, deduction or credit (excluding Capital Proceeds) shall be allocated among the Partners in proportion to their Percentage Interests.

(b) Capital Proceeds, if any, shall be allocated among the Partners, after adjusting the Partners' Capital Accounts for profits (excluding gain to be allocated pursuant to this Section 6.1(b)) and losses earned or incurred by the Partnership and for Cash Flow and Capital Proceeds, except those proceeds relating to the current allocation, available for distribution (as though such amounts had been distributed) through the date of such sale, exchange or other disposition and for gain previously allocated pursuant to this Section 6.1(b), as follows: (i) first, gain shall be allocated among those Partners, if any, with Adjusted Capital Account Deficits pro rata with, and to the extent of the aggregate of, any such Adjusted Capital Account Deficits; (ii) thereafter, any remaining gain shall be allocated among the Partners in proportion to their Percentage Interests.

(c) Notwithstanding the foregoing, if and to the extent one or more Partners may be allocated losses without being caused thereby to have an Adjusted Capital Account Deficit balance, no loss shall be allocated to a Partner to the extent it would cause or increase an Adjusted Capital Account Deficit with respect to such Partner's Capital Account.

Section 6.2 Distributions of Capital Proceeds and Cash Flow. Subject to the rights of creditors (including Partners who have loaned amounts to the Partnership), except as the General Partners may otherwise determine from time to time, all Capital Proceeds shall be distributed to the Partners in proportion to their respective Percentage Interests at the time of such distribution at such times and in such amounts as the General Partners may unanimously determine. All Cash Flow shall be distributed to the Partners in proportion to their respective Percentage Interests in the Partnership at the time of such distribution at such times and in such amounts as the General Partners may unanimously determine, provided, however, that it is the intent, but not the obligation, of the General Partners to distribute such Cash Flow to the Partners on a quarterly basis (within approximately sixty (60) days following the end of each calendar quarter).

Section 6.3 Accounting.

(a) The books of the Partnership shall be kept on the accrual basis and in accordance with generally accepted accounting principles consistently applied.

(b) The fiscal year of the Partnership shall be a year ending December 31.

(c) The terms "net profits" and "net losses," as used herein, means profits and losses as determined for federal income tax purposes and shall also include each Partner's share of income described in Section 705(a)(1)(B) of the Code, any expenditures described in Section 705(a)(2)(B) of the Code, any expenditures described in Section 709(a) of the Code that have not been deducted or amortized in accordance with Section 709(b) of the Code, losses not deductible pursuant to Sections 267(a) and 707(b) of the Code and adjustments made pursuant to this Article Six; in such event losses shall first be allocated to any Partners with positive Capital Account balances, and in proportion to such balances, to the extent necessary to reduce their positive Capital Account balances to zero. Any excess shall be allocated among the Partners in accordance with their Percentage Interests.

(d) All costs and expenses of keeping the books of account and the fees for accounting services shall be deemed and treated as expenses of the Partnership. The books of account shall be closed and balanced as of the end of each fiscal year, and the net profit or loss of the Partnership determined as herein provided. Copies of a report of such determination prepared by the Partnership's accountants, accompanied by a report of federal income tax information and a schedule of the Partners' accounts as of the end of each fiscal year, shall be furnished to each Partner. Each Partner (and any authorized representative of a Partner) shall have the right to examine said books of account during reasonable business hours. The

Management Committee will select a major national accounting firm to (i) review or audit the Partnership's books, and (ii) prepare or sign annual tax returns for the Partnership, such outside auditor expenses to be expenses of the Partnership.

(e) The Managing Partner, at the expense of the Partnership, shall provide all Partners with monthly operating reports and quarterly and annual financial statements for the Partnership, all prepared in accordance with generally accepted accounting principles, modified to the extent that such reports and financial statements shall only include footnotes describing Affiliate transactions. Monthly operating reports shall be provided within fifteen (15) days following the end of each month; quarterly financial statements shall be provided within twenty-five (25) days following the end of each fiscal quarter; and annual audited financial statements shall be provided within forty-five (45) days following the end of each fiscal year.

Section 6.4 Capital Accounts; Capital Account Adjustments; 704(c) Tax Allocations.

(a) There shall be maintained a Capital Account for each Partner in accordance with this Section 6.4 and the principles set forth in this Article Six. The amount of any Capital Contribution made to the Partnership by each Partner, net of liabilities assumed by the Partnership or to which any property so contributed is subject, shall be credited to its Capital Account, and from time to time the share of each Partner in profits, losses and distributions shall be credited or charged to its Capital Account. The determination of Partners' Capital Accounts, and any adjustments thereto, shall be made consistent with tax accounting and other principles set forth in Section 704(b) of the Code and applicable regulations thereunder.

(b) Immediately following the transfer of any Partnership Interest, the Capital Account of the transferee Partner shall be equal to the Capital Account of the transferor Partner attributable to the transferred interest and such Capital Account shall, at the request of any Partner, be adjusted to reflect any basis adjustment under Section 743 of the Code.

(c) For purposes of computing the amount of any item of income, gain, deduction or loss to be reflected in the Partners' Capital Accounts, the determination, recognition and classification of any such item shall be the same as its determination, recognition and classification for federal income tax purposes, taking into account any adjustments required pursuant to Section 704(b) of the Code and the applicable regulations thereunder as more fully described hereinbelow.

(d) For purposes of computing the amount of any item of income, gain, deduction or loss to be reflected in the Partners' Capital Accounts, the determination, recognition and classification of any such item shall be the same as its determination, recognition and classification for federal income tax purposes; provided, however, that the computation of all items of income, gain, loss and deduction shall be made by the Partnership and, as to those items described in Section 705(a)(1)(B) or Section 705(a)(2)(B) of the Code, without regard to the fact

that such items are not includable in gross income or are neither currently deductible nor capitalizable for federal income tax purposes.

(e) Upon an issuance of additional Partnership Interests for Contributed Property or upon adjustment of the Partners' Percentage Interests resulting from Partner Contributions pursuant to this Agreement, the Capital Accounts of all Partners (and the Carrying Values of all Partnership properties) shall, immediately prior to such issuance, be adjusted (consistent with the provisions hereof and Section 1.704-1(b)(2)(iv) of the Income Tax Regulations) upward or downward to reflect any unrealized gain or unrealized loss attributable to each Partnership property (as if such unrealized gain or unrealized loss had been recognized upon an actual sale of such property at the fair value thereof, immediately prior to such issuance or adjustment, and had been allocated to the Partners, at such time, pursuant to Article Six of the Agreement). In determining such unrealized gain or unrealized loss attributable to the properties, the fair value of Partnership properties shall be determined by the General Partners using such reasonable methods of valuation as are appropriate under the circumstances.

(f) Immediately prior to the distribution of any Partnership property in liquidation of the Partnership or an interest in the Partnership, the Capital Accounts of all Partners (and the Carrying Values of all Partnership properties) shall be adjusted (consistent with the provisions hereof, Section 704 of the Code and Section 1.704-1(b)(2)(iv) of the Income Tax Regulations) upward or downward to reflect any unrealized gain or unrealized loss attributable to each Partnership property (as if such unrealized gain or unrealized loss had been recognized upon an actual sale of each such property, immediately prior to such distribution, and had been allocated to the Partners, at such time, pursuant to Article Six of the Agreement). In determining such unrealized gain or unrealized loss attributable to the properties, the fair value of Partnership properties shall be determined by the Managing Partner using such reasonable methods of valuation as are appropriate under the circumstances.

(g) In accordance with Section 704(c) and the regulations thereunder, income, gain, loss and deduction with respect to any Contributed Property shall, solely for tax purposes, be allocated among the Partners so as to take account of any variation between the adjusted basis of such property to the Partnership for federal income tax purposes and its Fair Value.

(h) In the event the Fair Value of any Partnership asset is adjusted as described above, subsequent allocations of income, gain, loss and deduction with respect to such asset shall take account of any variation between the adjusted basis of such asset for federal income tax purposes and its Fair Value in the same manner as under Section 704(c) of the Code and the regulations thereunder.

(i) Any elections or other decisions relating to such allocations shall be made by the General Partners in any manner that is consistent with applicable law and regulations and reasonably reflects the purpose and intention of this Agreement.

Section 6.5 Special Allocation Provisions.

(a) For purposes of determining the amount of gain or loss to be allocated pursuant to this Article Six, any basis adjustments permitted pursuant to Section 743 of the Code shall be disregarded.

(b) Partnership income, loss, deductions and credits shall be allocated to the Partners in accordance with the portion of the year during which the Partners have held their respective interests. All items of income, loss and deduction shall be considered to have been earned ratably over the period of the fiscal year of the Partnership, except that gains and losses arising from the disposition of assets shall be taken into account as of the date thereof.

(c) Notwithstanding any other provision of the Agreement, to the extent required by law, income, gain, loss and deduction attributable to Contributed Property shall be shared among the Partners so as to take into account any variation between the basis of the property and the fair value of the Contributed Property at the time of contribution in accordance with the requirements of Section 704(c) of the Code and the applicable regulations thereunder as more fully described in Section 6.4 hereinabove.

(d) Notwithstanding any other provision of the Agreement, in the event the Partnership is entitled to a deduction for interest imputed under any provision of the Code on the Debentures or any other loan or advance from a Partner (whether such interest is currently deducted, capitalized or amortized), such deduction shall be allocated solely to such Partner.

(e) Notwithstanding any provision of the Agreement to the contrary, to the extent any payments in the nature of fees made to a Partner are finally determined by the IRS to be distributions to a Partner for federal income tax purposes, there will be a gross income allocation to such Partner in the amount of such distribution.

(f) Notwithstanding any provision of the Agreement to the contrary and subject to the exceptions set forth in Section 1.704-2(f)(2)-(5) of the Income Tax Regulations, if there is a net decrease in Partnership Minimum Gain during any Partnership fiscal year, each Partner shall be specially allocated items of Partnership income and gain for such year (and, if necessary, subsequent years) in an amount equal to such Partner's share of the net decrease in Partnership Minimum Gain determined in accordance with Section 1.704-2(g)(2) of the Income Tax Regulations. The items to be so allocated shall be determined in accordance with Section 1.704-2(f) of the Income Tax Regulations. This section (f) is intended to comply with the minimum gain chargeback requirement in such Section of the Regulations and shall be interpreted consistently therewith. To the extent permitted by such Section of the Regulations and for purposes of this subsection (f) only, each Partner's Adjusted Capital Account Deficit shall be determined prior to any other allocations pursuant to this Article Six with respect to such fiscal year and without regard to any net decrease in Partner Minimum Gain during such fiscal year.

(g) Notwithstanding any provision of the Agreement to the contrary, except subsection (f) hereinabove, and subject to the exceptions set forth in Section 1.704-2(i)(4) of the Income Tax Regulations, if there is a net decrease in Partner Nonrecourse Debt Minimum Gain, determined in accordance with Section 1.704-2(i)(3) of the Income Tax Regulations, during any Partnership fiscal year, each Partner who has a share of the Partner Nonrecourse Debt Minimum Gain shall be specially allocated items of Partnership income and gain for such year (and, if necessary, subsequent years) in an amount equal to such Partner's share of the net decrease in Partner Nonrecourse Debt Minimum Gain, determined in accordance with Section 1.704-2(i)(5) of the Income Tax Regulations. The items to be so allocated shall be determined in accordance with Section 1.704-2(i)(4) of the Regulations. This subsection (g) is intended to comply with the minimum gain chargeback requirement in such Section of the Regulations and shall be interpreted consistently therewith. Solely for purposes of this subsection (g), each Partner's Adjusted Capital Account Deficit shall be determined prior to any other allocations pursuant to this Article Six with respect to such fiscal year, other than allocations pursuant to subsection (f) hereof.

(h) Notwithstanding any provision of the Agreement to the contrary, in the event any Partners unexpectedly receive any adjustments, allocations or distributions described in Income Tax Regulation Section 1.704-1(b)(2)(ii)(d)(4), 1.704-1(b)(2)(ii)(d)(5) or 1.704-1(b)(2)(ii)(d)(6), items of Partnership income and gain shall be specially allocated to such Partners in an amount and manner sufficient to eliminate their Adjusted Capital Account Deficits created by such adjustments, allocations or distributions as quickly as possible.

(i) Any special allocations of items pursuant to this Section 6.5 shall be taken into account in computing subsequent allocations so that the net amount of any items so allocated and the profits, losses and all other items allocated to each such Partner pursuant to this Article Six shall, to the extent possible, be equal to the net amount that would have been allocated to each such Partner pursuant to the provisions of this Article Six if such special allocations had not occurred.

(j) Notwithstanding any provision of the Agreement to the contrary, any Partner Nonrecourse Deduction for any fiscal year or other period shall be specially allocated to the Partner who bears the economic risk of loss with respect to the Partner Nonrecourse Debt to which such Partner Nonrecourse Deductions are attributable in accordance with Section 1.704-2(i) of the Income Tax Regulations.

Section 6.6 Elections. The General Partners, at the request of any Partner, shall elect pursuant to Section 754 of the Code to adjust the basis of the Partnership's assets for any subsequent transfers of Partnership Interest.

Section 6.7 Charges Carried Against Capital Accounts; Deficit Restoration Obligation. If the Partnership shall suffer losses as a result of which the Capital Account of any Partner shall be negative, such loss shall be carried as a charge against its Capital Account and its subsequent

share of net income and gain of the Partnership shall be applied to restore such deficit in its Capital Account. Upon liquidation of the Partnership, any Partner with a deficit Capital Account balance shall not be required to make any further contribution to the capital of the Partnership to restore any such deficit in its Capital Account.

Section 6.8 Tax Matters. The Managing Partner shall be the "Tax Matters Partner," as defined in Section 6231(a)(7) of the Code and shall, at the expense of the Partnership, prepare and file or cause to be prepared and filed all tax returns and tax filings for the Partnership and shall make all elections required or permitted by the Code with respect to the Partnership's federal income tax returns.

Section 6.9 Interest of the General Partners. Notwithstanding anything contained in this Agreement to the contrary, the aggregate interests of the General Partners in each material item of Partnership income, gain, loss, deduction, and credit will be equal to at least 1% of each such item at all times during the existence of the Partnership.

ARTICLE SEVEN

MANAGEMENT

Section 7.1 Management of Partnership. The overall management and control of the business and affairs of the Partnership shall be vested in the Management Committee. Any appointee to the Management Committee may be removed or replaced at any time by the General Partner which appointed such Person. Notwithstanding any other provision hereof, no action shall be taken, sum expended, decision made or obligation incurred with respect to a matter within the scope of any of the major decisions enumerated below ("Major Decisions"), unless such Major Decision has been approved by the unanimous agreement of all members of the Management Committee or, alternatively, by the unanimous agreement of the General Partners (the agreement of the members of the Management Committee shall equate to the agreement of the General Partners). The Major Decisions are:

(a) Approving the Partnership Budget and all Project Budgets, amending in any Material respect the Partnership Budget or any Project Budget as necessary to reflect changes in the operations of the Partnership or the scope thereof, additional projects undertaken by any Subsidiary or otherwise, or approving any Material deviation or Material variation from the Partnership Budget or any Project Budget;

(b) Approving the Annual Partnership Business Plan and all Project Plans, amending in any material respect the Annual Partnership Business Plan or any Project Plan, or approving any material deviation or variation from the Annual Partnership Business Plan or any Project Plan;

(c) Authorizing the making of distributions to the Partners in accordance with Article Six hereinabove;

(d) Amending, waiving or repealing any of the provisions of this Agreement, except as specifically provided for herein;

(e) Requiring the making by Partners of additional Capital Contributions;

(f) Permitting an assignment of a Partnership Interest and admitting an assignee of a Partnership Interest as a substituted Partner in the Partnership, pursuant to terms and subject to the limitations set forth in this Agreement;

(g) Obtaining any financing, incurring and refinancing any indebtedness (except as provided in Section 5.9(c) with respect to the replacement or refinancing of indebtedness upon the maturity thereof), or modifying in any material respect the terms of any financing, refinancing or indebtedness obtained or incurred by the Partnership in its own name or in the name of any of its Subsidiaries (or for which any of them are liable, directly or indirectly, by guaranty or otherwise), including financing or indebtedness to be provided or incurred under the Debentures, and approving the terms of, and parties to, any documentation relating to the same;

(h) Except as expressly approved pursuant to a Budget or Plan, acquiring or leasing one or more additional real or personal property assets, or any direct or indirect interest therein, by the Partnership or any Subsidiary, costing in the aggregate, more than $1,000,000;

(i) Selling any interest in the Partnership or any of its Subsidiaries, or merging or consolidating the Partnership or any Subsidiary with another entity;

(j) Taking any voluntary action to cause the Partnership to (i) make an assignment for the benefit of creditors, (ii) obligate any Partner as a surety, guarantor or accommodation party to any obligation, or (iii) file a petition, or consent to the appointment of a trustee or receiver or any judgment or order, under the federal bankruptcy laws on behalf of the Partnership or any of its Subsidiaries;

(k) Except with respect to any action otherwise specifically permitted by the provisions of this Agreement, taking any action that may, either immediately or upon the exercise of future rights or options, cause the dilution of any Partners' Percentage Interest in the Partnership;

(l) Converting the form of the Partnership from a limited partnership to any other type of entity; and

(m) Preparing and filing the Partnership's federal income tax return and making (or revoking) all tax elections for federal income tax purposes.

Notwithstanding anything herein to the contrary, the General Partners shall have all the rights and powers which may be possessed by a general partner under the Act and such rights and powers as are otherwise conferred by law or are necessary, advisable, or convenient to the discharge of its duties under this Agreement or applicable law and to the management of the business and affairs of the Partnership; provided, however, that except for rights, powers and authority granted to the Managing Partner in this Agreement or otherwise, any action taken by the General Partners upon the affirmative vote of all of the General Partners, shall constitute the act of and serve to bind the Partnership. The General Partners agree to manage and control the affairs of the Partnership to the best of their ability and to conduct the operations contemplated under this Agreement in a prudent manner in accordance with good industry and business practice.

Each of the General Partners shall appoint and, during the term of this Agreement, maintain, one Authorized Representative to represent, manage the interests of, speak for, and act on behalf of such General Partner, and consult with the Managing Partner in connection with any matters other than Major Decisions, including, but not limited to, matters involving an amendment to or deviation or variation from any Budget or Plan previously approved by the Management Committee which such Authorized Representatives have unanimously determined is not material (which, with respect to a Budget, shall have the meaning ascribed to it in Section 1.29 hereinabove). The Limited Partners consent to the appointment of and authority granted to the Authorized Representatives and each of the Partners acknowledges that the Partnership and the other Partners are relying, and will in the future rely, on the authority granted to the Authorized Representatives herein. In the event a General Partner removes an Authorized Representative, or an Authorized Representative of a General Partner resigns, such General Partner shall promptly deliver to the Partnership and the other Partners written notice of such removal or resignation. Notwithstanding anything in this Agreement to the contrary, the Partnership and the other Partners shall be entitled to rely upon the authority of an Authorized Representative of a General Partner and deal with such Authorized Representative on the basis described herein until such time as the Partnership and other Partners receive written notice of the removal or resignation of such Authorized Representative. Upon the removal or resignation of an Authorized Representative, the General Partner which appointed such Authorized Representative will immediately appoint a substitute Authorized Representative and notify the Partnership and the other Partners of such appointment.

In the event that the members of the Management Committee refuse or are unable to agree on any Major Decision or in the event that the General Partners are unable to agree on such matter or any other matter requiring their consent and authorization hereunder, subject to the conditions set forth in Section 11.3, the General Partners shall submit the matter to mediation in accordance with Section 11.3 hereof. In the event that the General Partners cannot resolve the

matter by mediation or otherwise, any Partner may give notice to any other Partner(s) of its intention to invoke the reciprocal purchase provisions set forth in Section 11.3 hereof.

Section 7.2 Day-to-Day Management. The Partners hereby appoint CNL Venture as the Managing Partner to manage and conduct of the day-to-day business of the Partnership, to implement the decisions of the Management Committee, the General Partners or the Authorized Representatives as provided in Section 7.1 above and to take such other actions and exercise such further powers as are set forth in this Agreement. Subject to the items, decisions and parameters set forth in Budgets and Plans approved by the Management Committee in accordance with Section 7.1 above, and other limitations specifically set forth in this Agreement, including, but not limited to, Section 7.1 above, the Managing Partner shall, in addition to those powers and authority granted to the Managing Partner by law or elsewhere in this Agreement, have the right, power and authority to take the following actions without the approval (or further approval, as the case may be) of the Management Committee or any other Partner:

(a) Expend the capital and revenues of the Partnership in furtherance of the Partnership's business and pay, in accordance with the provisions of this Agreement, all expenses, debts and obligations of the Partnership to the extent that funds of the Partnership are available therefor;

(b) Borrow money in the Partnership's name or use the Partnership's property as collateral for a debt (except as set forth in Section 5.9(c) with respect to the replacement or refinancing of indebtedness upon the maturity thereof for which no Management Committee approval is necessary);

(c) Collect additional Capital Contributions approved by the Management Committee or General Partners;

(d) Purchase or lease any real property or any personal property;

(e) Enter into, amend or terminate agreements and contracts with third parties, institute and defend litigation arising therefrom, and give receipts, releases and discharges with respect to all of the foregoing and any matters incident thereto;

(f) Assign, transfer, pledge, compromise or release any claim of or debt owing to the Partnership upon payment in full to the Partnership of such claim or debt;

(g) Maintain, at the expense of the Partnership, adequate records and accounts of all operations and expenditures and furnish the Partners with the reports referred to in Section 6.3(e);

(h) Purchase, at the expense of the Partnership, liability, casualty, fire, fidelity and other insurance and bonds to protect the Partnership's properties, business, Partners and employees;

(i) Sell, lease, trade, mortgage, pledge, exchange or otherwise dispose of all or any portion of the property of the Partnership in the ordinary course of the business of the Partnership;

(j) Employ or retain, at the expense of the Partnership, and enter into agreements with such contractors, subcontractors, engineers, managers, consultants, brokers, attorneys, escrow agents, accountants and others the Managing Partner may select, on such terms and for such reasonable compensation as the Managing Partner shall determine, and notwithstanding the fact that the Managing Partner or any of its Affiliates may have a financial interest in, or otherwise be affiliated with, any such persons, firms or corporations, and terminate such employment, retention or agreements;

(k) Execute and deliver any and all instruments necessary or incidental to the conduct of the business of the Partnership;

(l) Prepare or cause to be prepared all required governmental filings, including tax returns, and make any and all elections under the tax laws of the United States, the several states and other relevant jurisdictions as to the treatment of items of income, gain, loss, deduction and credit of the Partnership, or any other method or procedure related to the preparation of the Partnership's income tax returns, and any and all other elections for tax purposes it deems appropriate to meet the overall needs of the Partnership; and

(m) Prosecute, defend, adjust, compromise, settle, refer to arbitration or otherwise deal with any claims in favor of or against the Partnership; provided, however, the Managing Partner may not without the consent of the Management Committee or each General Partner, settle any legal claims against the Partnership by paying in excess of Ten Thousand and no/100 Dollars ($10,000.00), unless such claim is covered by insurance.

By executing this Agreement, each Partner shall be deemed to have consented to any exercise by the Managing Partner of any of the foregoing powers. Notwithstanding the foregoing, if the Managing Partner delegates its duties to CCP that the Managing Partner shall remain responsible for the duties undertaken by it pursuant to the terms of this Agreement, including specifically, but without limitation, Sections 7.2, 7.3 and 7.6 of this Agreement.

Section 7.3 Duties of the Managing Partner.

(a) The Managing Partner shall manage or cause to be managed the affairs of the Partnership in a prudent and businesslike manner and shall devote such portion of its time to the Partnership's affairs as is reasonably necessary for the conduct of such affairs;

provided, however, that it is expressly understood and agreed that the Managing Partner shall not be required to devote its entire time or attention to the business of the Partnership and shall not be restricted in any manner from participating in any other business activities, provided that, except as set forth in Section 4.3(c) hereinabove or elsewhere in this Agreement, such activities shall not have a Material Adverse Effect.

(b) In carrying out its obligations hereunder, the Managing Partner shall, at the expense of the Partnership:

(i) prepare from time to time proposed Budgets and Plans, and proposed amendments to the foregoing as may be necessary, for presentation to and consideration and approval by the Management Committee, which Budgets and Plans shall be in form and substance acceptable to the General Partners and shall include without limitation the information described in Section 7.6 below;

(ii) install and maintain appropriate accounting systems;

(iii) upon the request of any Partner, provide access during regular business hours to originals, and deliver photocopies, of all contracts, agreements, leases, records and other documentation affecting or otherwise relating to the Partnership or any of its Subsidiaries;

(iv) obtain and maintain appropriate public liability, casualty and other insurance as may be necessary or desirable in the discretion of the Managing Partner;

(v) cause one or more interest bearing accounts to be maintained in the Partnership's name at one or more banks, each of which shall, unless otherwise agreed to by the Management Committee, the General Partners or the Authorized Representatives, be a member of the FDIC having not less than One Billion and no/100 Dollars ($1,000,000,000.00) of assets and being "well capitalized" under FDIC rules for purposes of accepting brokered deposits. The Managing Partner shall cause all expenditures incurred by or on behalf of the Partnership to be timely paid out of such accounts and all income, cash receipts, and other monies received by the Partnership as a result of operation of the Property to be promptly deposited into such accounts. All funds not needed for the operations of the Partnership may be invested in short-term investments, having maturities of no more than ninety (90) days which are securities issued or fully guaranteed by United States government agencies, certificates of deposit of banks having a net worth of at least Fifty Million and no/100 Dollars ($50,000,000.00), bank repurchase agreements covering the securities of the United States government, commercial paper rated "A" or better by Moody's Investors Services, Inc., money market funds having assets in excess of Ten Million and no/100 Dollars ($10,000,000.00), or interest-bearing time deposits in banks or thrift institutions. All such amounts shall be and remain the property of the Partnership, shall be held in the name of the Partnership, and shall be received, held and disbursed by the Managing Partner solely for the purposes of the Partnership.

No other funds shall in any way be commingled with funds belonging to the Partnership in such accounts. Withdrawals from such accounts shall be made on such signatures as the Managing Partner shall determine from time to time. All personnel handling Partnership funds or with access to Partnership bank accounts shall be bonded or otherwise covered by insurance;

(vi) have prepared and distributed to all Partners the reports and financial statements described in Section 6.3(e) hereinabove within the time periods set forth therein; and

(vii) cause such certificates to be filed, if any, and do such other acts as may be required by applicable law to qualify and maintain the Partnership as a limited partnership in good standing in the States where the Partnership does business, including, without limitation, any state where property owned by the Partnership is located.

Section 7.4 Exculpation. Neither the General Partners, the members of the Management Committee, the Authorized Representatives, the Managing Partner, any of their respective Affiliates, nor any officer, director, partner, employee or agent of the foregoing (each, an "Exculpated Party"), shall be liable, in damages or otherwise, to the Partnership or to any of the Partners for any act or omission by any such Exculpated Party pursuant to the authority granted by this Agreement, unless such act or omission results from fraud, gross negligence, or willful misconduct. The Partnership shall indemnify, defend and hold harmless each Exculpated Party from and against any and all claims or liabilities of any nature whatsoever, including reasonable attorneys' fees, arising out of or in connection with any action taken or omitted by an Exculpated Party pursuant to the authority granted by this Agreement, except where attributable to the fraud, gross negligence, or willful misconduct of such Exculpated Party. Each Exculpated Party shall be entitled to rely on the advice of counsel, public accountants or other independent experts experienced in the manner at issue, and any act or omission of such Exculpated Party pursuant to such advice shall in no event subject such Exculpated Party to liability to the Partnership or any Partner.

Section 7.5 Compensation of the Managing Partner; Affiliated Contracts. Except as otherwise provided in this Section 7.5, the Managing Partner shall receive no compensation for its services to the Partnership. Pursuant to an approved Budget, the Managing Partner shall be entitled to reimbursement by the Partnership for (a) reasonable out-of-pocket costs and expenses incurred by the Managing Partner or its Affiliates on behalf of the Partnership in connection with the conduct of its business and affairs, including, but not limited to, costs and expenses related to overhead of the Managing Partner and its Affiliates allocated to the Partnership and compensation and other benefits, including incentive bonuses, for the staff and professional personnel of the Managing Partner and its Affiliates which are employed, engaged or retained in connection with the business of the Partnership; provided that such costs and expenses were approved by the Management Committee as part of a Budget or otherwise, and (b) expenses (including reasonable attorneys' fees) incurred in prosecuting or defending any action relating to the Partnership's affairs or this Agreement or any Partner, except as to matters where the

Managing Partner is adjudged to have been guilty of gross negligence, willful misconduct or intentional breach of this Agreement. The Partners acknowledge that the Managing Partner will cause the Partnership to enter into the CCP Management Agreement with its Affiliate, CCP, pursuant to which the Partnership will engage and retain CCP to operate and manage the business and affairs of the Partnership. The form and substance of the CCP Management Agreement shall be subject to the unanimous approval of the General Partners, the members of the Management Committee or the Authorized Representatives.

The Partnership may do business and enter into contracts with any of the Partners or any Affiliate of any Partner (each, an "Affiliated Contract") for such consideration and upon such terms as are unanimously approved by the General Partners, the members of the Management Committee or the Authorized Representatives, such approval not to be unreasonably withheld. The General Partners, the members of the Management Committee or the Authorized Representatives shall approve the consideration to be paid under and the other terms and conditions of an Affiliated Contract in the event such consideration, terms and conditions are fair, reasonable and no less favorable to the Partnership than reasonably could be obtained from unaffiliated Persons.

The Partnership may enter into agreements with its Subsidiaries pursuant to which the Partnership will (a) provide services to the Subsidiaries in connection with the acquisition, development, management, leasing, and disposition of Properties as well as the management of the assets of such Subsidiaries, and (b) receive commissions, fees and other compensation in consideration of the services provided. Notwithstanding anything in this Agreement to the contrary, unless otherwise agreed to by the Management Committee or the General Partners, no Partner shall be entitled to receive direct compensation resulting from any services provided by such Partner to the Subsidiaries in connection with the foregoing.

Section 7.6 Budgets and Plans. In accordance with Section 7.3(b)(i) above, the Managing Partner shall prepare and submit to the Management Committee for consideration and approval the Budgets and Plans as follows:

(a) Except for the 1998 Partnership Business Plan and Partnership Budget which shall be due within thirty (30) days of the date of this Agreement, at least ninety (90) days prior to the end of a fiscal year, the Managing Partner shall prepare and submit to the Management Committee a proposed Annual Partnership Business Plan and Partnership Budget detailing with respect to the following fiscal year all material aspects of the operation of the Partnership, the management of the business of the Partnership, the transactions and projects anticipated to be undertaken by the Partnership or its Subsidiaries and such other information as may be reasonably requested by the Management Committee, including, without limitation, the following:

(i) a description of specific proposed developments and real estate acquisitions together with proposed terms of each transaction and parameters of yet unspecified projects;

(ii) the number and duties of employees of the Managing Partner or its Affiliates engaged or to be engaged on behalf of the Partnership;

(iii) projected revenues of the Partnership from development, management, leasing, property acquisition/disposition and asset management fees;

(iv) projected cash expenditures, including salaries and benefits for employees of the Managing Partner and its Affiliates engaged or to be engaged on behalf of the Partnership and other identified expenses to be reimbursed by the Partnership;

(v) projected capital expenditures; and

(vi) projected reserves.

(b) Additionally, within a reasonable period of time after the Partnership has identified a potential project for consideration, the Managing Partner shall prepare and submit to the Management Committee a proposed Project Plan and a proposed Project Budget with respect to such potential project. The proposed Project Plan shall include, without limitation, the following information:

(i) the proposed name of the project;

(ii) preliminary architectural plans and specifications setting forth the scope and size of the project, the quality and type of architectural finishes, and the standards and methods of construction, including plans and elevations;

(iii) a development pro forma statement of total project costs and anticipated revenues and expenses;

(iv) the proposed leasing policy, tenant allowances, and rental rate structure for the project; and

(v) the proposed general contractors, engineers, managers, consultants, brokers and architects for the project.

The proposed Project Budget shall include all proposed costs of developing and constructing the project computed in accordance with a form to be adopted by the Management Committee including, without limitation, the following:

(i) the acquisition cost of the project site plus any transfer taxes, title insurance premiums, escrow fees, and other closing costs, as well as carrying costs attributable to the project site;

(ii) the hard construction costs of all labor, materials, utilities, equipment and similar items incorporated into or consumed in the construction and development of the project and any related site, utility, or landscaping work including all contract prices of contractors or materialmen;

(iii) architectural, topographical and boundary surveying, legal, consulting, accounting, and engineering fees and costs paid to outside architects, surveyors, accountants, consultants, attorneys, and engineers in connection with the planning, construction, financing, and leasing of the project and any related site, utility, or landscaping work, including borings, soil analysis, traffic studies required by local authorities, and market studies;

(iv) costs of reproducing plans and specifications for major tenants, lenders, inspecting architects and/or engineers, and the general contractor;

(v) all leasing fees and commissions, advertising and promotional costs, lease takeover costs, tenant inducement payments, and tenant coordination costs incurred in connection with leasing or pre-leasing of space in the project;

(vi) all project level costs, including office rents, office supplies, utilities, and related expenses, and the travel costs of all project employees, if any, including salaries, bonuses, medical and hospital insurance premiums, costs of workmen's compensation insurance and other fringe benefits and costs, and payroll taxes;

(vii) all costs and expenses with respect to the installation of tenant finish work in the project, and the amount of any tenant finish allowances or any other concessions actually paid under all initial tenant leases for space in the project;

(viii) all costs of building and other permits for the project and all direct or indirect costs incurred in connection with obtaining any rezoning, zoning variances, or other approvals required from any governmental entities having jurisdiction over the project;

(ix) all commitment fees, interest, and other financing costs incurred during the development of the project, including actual interest accruing on interim and/or permanent financing, plus interest upon equity funds advanced or deemed advanced by the Partnership from time to time in connection with the project;

(x) all ad valorem taxes and assessments paid or payable with respect to the project;

(xi) the actual costs of all off-site improvements required to be constructed including but not limited to, any such improvements required to be constructed or paid for in connection with the issuance of any building or other permits;

(xii) all direct or indirect costs of acquiring any easements, air rights, use permits, or other off-site rights in connection with the development of the project;

(xiii) all insurance premiums paid or payable with respect to a project, including, but not limited to, any builder's risk, fire and extended coverage, rent loss, or general liability coverage; and

(xiv) any other costs appropriate to a specific development.

(c) All Budgets and Plans approved by the Partnership shall be reviewed, revised, updated and amended on a quarterly basis as necessary.

ARTICLE EIGHT

RIGHTS AND OBLIGATIONS OF LIMITED PARTNERS

Limited Partners shall have the following rights and obligations.

Section 8.1 Liabilities. Except as otherwise provided in this Section 8.1 or under applicable law, no Limited Partner shall be personally liable for any of the debts of the Partnership or any of the losses thereof beyond the amount of the Limited Partner's Capital Contribution and the share of undistributed profits of the Partnership attributable to such Limited Partner.

Section 8.2 Management. No Limited Partner, as such, shall take part in the management of the business or transact any business for the Partnership. All management responsibility is vested in the General Partners and the Managing Partner.

Section 8.3 Authority. No Limited Partner, as such, shall have the power to sign for or to bind the Partnership. All authority to act on behalf of the Partnership is vested in the General Partners and in the Managing Partner.

Section 8.4 Rights. A Limited Partner shall have such rights as are set forth in the Act and otherwise in this Agreement.

ARTICLE NINE

MEETINGS OF THE PARTNERS

Section 9.1 Voting Rights. Except as otherwise expressly provided in this Agreement or otherwise under the Act, a Limited Partner shall have no right to vote upon any matter affecting the Partnership. Votes may be cast on any matter submitted for consideration at a duly called meeting of the Partnership, or without a meeting upon call of either of the General Partners. The affirmative vote of all of the Limited Partners shall be required to approve any matter presented to the Limited Partners for their vote.

Section 9.2 Meetings of the Partnership. Meetings of the Partnership may be called by either of the General Partners. Within ten (10) days after receipt of such request, the General Partners shall provide all Limited Partners with written notice of a meeting to be held not less than ten (10) nor more than sixty (60) days after receipt of such written request, which notice (i) shall specify the time and place of such meeting, (ii) shall contain a detailed statement of each matter to be acted on at such meeting, and (iii) shall include proxies or written consents which specify a choice between approval or disapproval of each matter to be acted upon at such meeting. Meetings of the Partnership shall be held at such location as shall be specified by the General Partners. Voting by proxy shall be permitted. Limited Partners comprising 100% of the Limited Partners in interest entitled to vote, represented in person or by proxy, shall constitute a quorum at a meeting of the Partnership.

Section 9.3 Amendment of Agreement.

(a) Amendments to this Agreement may be proposed by either of the General Partners. The General Partners shall have the right, without first proposing such amendment to the Limited Partners and without notice to, or the vote or consent of, the Limited Partners, to amend the Agreement to reflect a ministerial amendment, amendment required by state securities authority, or amendment to add to the duties or responsibilities of the General Partners to reflect the transfer of Partnership Interests pursuant or to reflect the admission of additional Limited Partners pursuant to this Agreement.

(b) Following any proposal of an amendment, other than an amendment to be made as described in Section 9.3(a) above, the General Partners, within ten (10) days after receipt, shall submit to all Limited Partners a verbatim statement of the proposed amendment. Except as otherwise provided in Sections 9.3(a) above, all proposed amendments shall be submitted to Limited Partners for a vote, and the affirmative vote of all of the Limited Partners shall be required to approve any such amendment.

ARTICLE TEN

RESTRICTIONS ON TRANSFERS OF INTEREST IN THE PARTNERSHIP

Section 10.1 Restrictions of Transfers. No General Partner may sell, assign, transfer or otherwise dispose of, or mortgage, hypothecate or otherwise encumber its Partnership Interest or permit or suffer the encumbrance thereof (each a "transfer") whether voluntarily, involuntarily or by operation of law, and any attempt to do so shall be null and void ab initio. No Limited Partner may transfer (as defined above) or permit a transfer of its Partnership Interest whether voluntarily, involuntarily or by operation of law (except as provided in this Article Ten), and any attempt to do so shall be null and void ab initio. Further, any transfer of all or any portion of a Partnership Interest of a Limited Partner shall not give the transferee the right to be admitted as a Substitute Limited Partner. Notwithstanding the foregoing, a Limited Partner may sell, assign or transfer its Partnership Interest to any of its majority or wholly owned subsidiaries or Affiliates, and, upon such sale, assignment or transfer, such subsidiary or Affiliate will be entitled to become a Substitute Limited Partner with respect to such Partnership Interest, subject to the provisions of this Article Ten.

Section 10.2 Transfer of Limited Partners' Partnership Interests. Except as set forth above, if a Limited Partner is permitted to transfer its Partnership Interest, its Assignees shall not become Substituted Limited Partners unless the General Partners shall have affirmatively consented in writing to such Persons becoming Substituted Limited Partners, which consent may be withheld in the sole discretion of the General Partners. Additionally, any such transfers also shall comply with the following conditions:

(a) No transfer will be permitted if the General Partners determine that such transfer would increase the likelihood that the Partnership would be treated as a corporation or as a "publicly traded partnership" within the meaning of sections 7704, 469(k), or 512(c) of the Code.

(b) In no event shall any Partnership Interest be transferred to a minor or an incompetent except by will or intestate succession.

(c) No transfer will be permitted that would cause the assets of the Partnership to be characterized as "plan assets" under the Employee Retirement Income Security Act of 1974, as amended; or subject to the Investment Company Act of 1940, as amended.

Section 10.3 Conditions and Effect of Transfer.

(a) No transfer will be binding upon the Partnership or the Partners until (i) the provisions of Section 10.2 have been met; and (ii) the General Partners have received, at the expense of the transferor or the transferee, an opinion of counsel satisfactory in form and substance to the General Partners that neither the offer to transfer nor the transfer of such

Partnership Interest will violate any federal or state securities laws; (iii) in the case of a transfer (but not an offer to transfer), there shall have been filed with the Partnership a duly executed and acknowledged counterpart of the instrument making such transfer, signed by both the transferor and the transferee, with such instrument evidencing the written acceptance by the transferee of all of the terms and provisions of this Agreement and containing a representation by the transferor that such transfer was made in accordance with all applicable laws and regulations; and (iv) the transferor and the transferee have executed and provided such certificates and other documents and have performed such acts as the General Partners deem necessary to preserve the limited liability status of the Partnership under the laws of the jurisdictions in which the Partnership is doing business, to preserve the federal tax status of the Partnership as a partnership rather than as an association or publicly traded partnership, to prevent the termination of the Partnership for federal tax purposes, to prevent the assets of the Partnership from being characterized as "plan assets" under the Employee Retirement Income Security Act of 1974, as amended, to prevent the Partnership from becoming subject to the Investment Company Act of 1940, as amended, to preserve the status of the original or subsequent sale of such Partnership Interest under the private offering exemption of the Securities Act of 1933, as amended, or any similar state exemption, and to evidence the agreement of such transferee to be bound by the terms and provisions of this Agreement. Any transfer of Partnership Interests pursuant to this Article Ten shall be subject to, and the transferee shall acquire the transferred Partnership Interests subject to, all of the terms and provisions of this Agreement. Notwithstanding anything else herein contained, the General Partners may waive any one or more of the foregoing conditions in connection with a transfer, and the consent of the General Partners shall not be required for the transfer of a Partnership Interest by succession or testamentary disposition upon the death of a Limited Partner.

(b) All transfers of a Limited Partner's Partnership Interest shall entitle the transferee only to receive the economic interest to which the transferring Limited Partner otherwise would be entitled. Such transferee shall become a Substituted Limited Partner only with the written consent of the General Partners following compliance with the conditions set forth in this Section 10.3 and in Section 10.2 hereof. The Substituted Limited Partner also shall be required to (i) execute and acknowledge such instruments as the General Partners deem necessary or advisable to effect the admission of such Person as a Substituted Limited Partner, and (ii) pay all reasonable expenses incurred by the Partnership in connection with such Person's admission as a Substituted Limited Partner.

(c) All transfers made in compliance with Sections 10.2 and 10.3 hereof shall be effective the first day of the month immediately following the date the Partnership receives the instrument described in clause (iii) of Section 10.3(a) above and any other documents required by the General Partners in connection with the transfer. Each Partner agrees to execute such certificates and other documents and perform such acts as may be requested by the General Partners in connection with such transfer. Any Substituted Limited Partner so admitted to the Partnership will succeed to all the rights and be subject to all the obligations of the transferring Limited Partner with respect to the Partnership Interest as to which such Limited Partner was

substituted. The Limited Partners hereby consent to the substitution as a Limited Partner of any individual or entity approved by the General Partners.

Section 10.4 Liabilities of Transferring Limited Partners. Limited Partners who shall transfer all of their Partnership Interests shall cease to be Limited Partners of the Partnership, except that unless and until Substituted Limited Partners are admitted in their stead, such transferring Limited Partners shall retain the statutory rights of assignors of limited partnership interests under the Act. No substitution of an Assignee as a Limited Partner shall operate to relieve the assignor of the liabilities imposed under the Act or of the assignor's duties and obligations hereunder, unless the General Partners agree in writing to release such Limited Partner.

Section 10.5 Record Owner of Partnership Interest. Notwithstanding anything contained in this Agreement to the contrary, both the Partnership and the General Partners shall be entitled to prohibit the transfer of a Limited Partner's economic interest in the Partnership in accordance with Section 10.2 hereof and to treat the transferor of any Partnership Interest as the absolute owner thereof in all respects, and shall incur no liability for distributions of cash or other property made to such transferor until such time as the conditions of this Article are satisfied above- referenced written instrument of transfer has been received by, approved, and recorded on the books of, the Partnership.

Section 10.6 Admission of Additional Limited Partners. The General Partners are authorized, in their sole discretion and without the approval of any of the Limited Partners, to admit from time to time on or before expiration of the Term, as additional Limited Partners, such Persons as apply to become Limited Partners. Each such Person may apply for admission by completing, executing, and delivering to the General Partners (i) the Capital Contribution required by the General Partners, and (ii) such documents as may be required by the General Partners. Admission of an additional Limited Partner will become effective upon an amendment to this Agreement reflecting such admission. The recordation of such amendment with the State of Florida is not required.

Section 10.7 Death, Incompetency, or Dissolution of a Limited Partner. The death, legal incompetency, bankruptcy, or dissolution of a Limited Partner shall not dissolve the Partnership. The rights and obligations of such Limited Partner to share in the net income, net loss, net profit, Cash Flow, profit and loss of the Partnership, to receive distributions of Partnership funds, and to transfer the Limited Partner's Partnership Interest pursuant to this Article Ten, upon the happening of such an event, shall devolve upon such Limited Partner's legal representative or successor in interest, as the case may be, subject to the terms and conditions of this Agreement, and the Partnership shall continue as a limited partnership. Upon the death of a Limited Partner, the Limited Partner's legal representative shall have all the other rights of a Limited Partner solely for the purpose of settling the Limited Partner's estate. In no event, however, may such estate, legal representative, or other successor in interest become a Substituted Limited Partner

except in accordance with Sections 10.2 and 10.3 hereof. Each Limited Partner's estate or other successor in interest shall be liable for all the obligations and liabilities of such Limited Partner.

ARTICLE ELEVEN

ADDITION OR WITHDRAWAL OF A GENERAL PARTNER

Section 11.1 Additional General Partners. The General Partners may at any time designate one or more additional general partners whose Partnership Interests shall be such as shall be agreed upon by the General Partners and such additional general partners, provided that the Partnership Interests of the Limited Partners shall not be affected thereby.

Section 11.2 Withdrawal, Default or Insolvency of a General Partner; Purchase Option.

(a) Except as otherwise specifically provided in this Agreement, no General Partner shall have the right to withdraw from the Partnership and all General Partners hereby agree not to withdraw from the Partnership. If a General Partner becomes a Bankrupt Partner, the remaining General Partner or Partners or an assignee designated thereby (the "Remaining Partner(s)") shall have the right to purchase the entire interest in the Partnership of the Bankrupt Partner and any Affiliate of the Bankrupt Partner (collectively, the "Bankrupt Sellers") as follows: The Remaining Partners that are not Affiliates of the Bankrupt Sellers shall become vested with the exclusive right and option, to be exercised in writing to the Bankrupt Sellers (with written notice provided to all other Partners), for a period of one hundred eighty (180) days after the occurrence of a General Partner becoming a Bankrupt Partner, to elect to purchase the entire interest of the Bankrupt Sellers at a purchase price determined in accordance with subsection (d) of this Section 11.2.

(b) A Bankrupt Seller (or its legal representative) whose entire right, title and interest is to be purchased and succeeded to by the Remaining Partner(s) pursuant to this Section 11.2 shall, within ten (10) days after receipt of notice from the Remaining Partner(s) of its or their intent to purchase the entire interest of the Bankrupt Sellers, execute and deliver such deeds, bills of sale and other instruments as shall reasonably be requested by such Remaining Partner(s) to effect the conveyance and transfer of the entire right, title and interest of such Bankrupt Sellers in the Partnership, and shall, to the extent requested by the Remaining Partner(s), cooperate to effect a smooth and efficient continuation of the Partnership affairs. If either of the Bankrupt Sellers disputes the right of the Remaining Partner(s) to purchase and succeed to the Bankrupt Sellers' entire right, title and interest in the Partnership, such Bankrupt Seller shall nevertheless execute instruments and cooperate with the Remaining Partner(s) pursuant to the immediately preceding sentence, without, however, being deemed to have waived his or its rights to damages if the Remaining Partner(s) shall have purchased and succeeded to the interest of the Bankrupt Seller under this Section 11.2 without having the right to do so. The Bankrupt Seller shall indemnify and hold the Remaining Partner(s) harmless from and against all

loss, liability, cost or expense (including reasonable attorneys' fees) suffered or incurred by the Remaining Partner(s) if the Bankrupt Seller shall fail to properly execute instruments and cooperate with the Remaining Partner(s) pursuant to, or shall otherwise fail to perform, the provisions of this Section 11.2.

(c) Simultaneously upon compliance by the Bankrupt Sellers with the provisions of the immediately preceding subsection (b) of this Section 11.2, the Remaining Partner(s) succeeding to the entire right, title and interest of the Bankrupt Sellers in the Partnership shall pay to such Bankrupt Sellers the "Fair Value" thereof (such value to be determined as of the date the Remaining Partner(s) serve notice on the Bankrupt Sellers of its or their intent to purchase the Bankrupt Sellers' interest). The Fair Value of the Partnership and of the interest of the Bankrupt Sellers therein shall be determined in accordance with the proceeding set forth in Section 11.2(d) below.

(d) Whenever in this Agreement the term "Fair Value" is used, it shall mean the fair market value (i.e., the value at which a willing purchaser and a willing seller would, under normal circumstances, purchase and sell, both cognizant of all relevant factors, and neither being under a compulsion to buy or sell) of the Partnership, Partnership Interest or property in question (the "Subject Property"), as of the date of the valuation, the date of the service of notice exercising any right to purchase or sell under this Agreement, the date of the contribution of property or such other date specified in this Agreement, as appropriate and as the case may be, determined in the following manner:

(i) In the event a determination of "Fair Value" is required, such determination shall be made by agreement in writing of the General Partners.

(ii) If the General Partners fail to agree in writing upon the "Fair Value" of the Subject Property within thirty (30) days of the appropriate date as described in Section 11.2(d) above (the "Agreement Period"), then the "Fair Value" of such Subject Property shall be determined as follows, which determination shall be final, binding, and conclusive upon all Persons affected by such determination.

(iii) The General Partners shall agree upon a mutually acceptable appraiser within ten (10) days following the end of the Agreement Period, or, in the event the General Partners fail to so agree, two (2) appraisers shall be appointed within fifteen (15) days following the end of the Agreement Period, one by each General Partner. If either General Partner fails to appoint an appraiser within the fifteen (15) day time period specified herein, the sole appraiser appointed within such fifteen (15) day time period shall be the sole appraiser of the "Fair Value" of the Subject Property. Each General Partner shall promptly provide notice of the name of the appraiser so appointed by such General Partners, respectively, to the other. A third appraiser, if the initial two appraisers are appointed, shall be appointed by the mutual agreement of the first two appraisers so appointed, or, if such first two appraisers fail to agree upon a third appraiser within twenty (20) days following the end of the Agreement

Period, either General Partner may demand that appointment of an appraiser be made by the then Director of the Regional Office of the American Arbitration Association located nearest to Orlando, Florida, in which event the appraiser appointed thereby shall be the third appraiser. Each of the three appraisers shall submit to each General Partner within thirty (30) days after all appraisers have been appointed (the "Appraisal Period"), a written appraisal of the "Fair Value" of the Subject Property.

(iv) In connection with any appraisal conducted pursuant to this Agreement, the parties hereto agree that any appraiser appointed hereunder shall be given full access during normal business hours to all books, records, and files of the Partnership and all Partners relevant to a valuation of the Subject Property.

(v) If three appraisers are appointed, the "Fair Value" of the Subject Property shall be equal to the numerical average of the two closest appraised determinations, or, if one appraisal is within seven percent (7%) of the average of the other two appraisals, the numerical average of all three appraisals shall be determinative.

(vi) Any appraiser, to be qualified to conduct an appraisal hereunder, shall be an independent appraiser (i.e., not affiliated with any Partner), M.A.I. certified, and have at least five (5) years experience in appraising property similar to the Subject Property. If any appraiser initially appointed under this Agreement shall, for any reason, be unable to serve, a successor appraiser shall be promptly appointed in accordance with the procedures pursuant to which the predecessor appraiser was appointed.

(vii) Notwithstanding the foregoing, if the determination of the "Fair Value" of the Subject Property by appraisal is not completed and all appraisal reports delivered as provided for herein within the Appraisal Period, then all closing, payment, and similar dates subsequent thereto shall be automatically extended one (1) day for each day delivery of the appraisal reports is delayed beyond the end of the Appraisal Period.

(viii) The costs of the appraiser appointed by each respective General Partner shall be borne by that General Partner. The costs of the third appraiser, if any, or the sole appraiser, in the event the General Partners mutually agree upon a single appraiser or either General Partner fails to appoint its respective appraiser, shall be borne equally by the General Partners.

(e) Any determination of Fair Value hereunder shall take into account any encumbrances, debts or indebtedness to which the Subject Property is subject and which is to be assumed by a party in connection with the contribution, transfer, assignment or sale of the Subject Property.

Section 11.3 Mediation of Disputes; Reciprocal Purchase Rights.

(a) In the event the Partners are unable to reach agreement with respect to any matter which requires their consent and authorization hereunder, or in the event any Partner wants to remove a General Partner or the Managing Partner, terminate CCP as the manager of the Partnership's business and affairs, or terminate the CCP Management Agreement (except in connection with a dissolution of the Partnership), the Partners shall submit the matter in dispute to an independent mediator for settlement and use reasonable attempts to resolve such dispute prior to taking any other action with respect thereto. The Partners shall mutually agree on a certified mediator to mediate the dispute and shall make their respective representatives available for mediation with full power to enter into a settlement within five (5) days of any Partner identifying a dispute in writing to the other Partners (or such other period of time as may be reasonably required in order to gather documentation and prepare for such mediation). The representatives must be available for mediation between the hours of 9:00 a.m. and 5:00 p.m. on the date(s) agreed upon by the Partners as the date set for the mediation. The Partners shall bear equally the mediator's fee and the costs associated with the mediation. The Partners shall make reasonable good-faith efforts to resolve any dispute before mediation and at mediation.

(b) In the event the Partners are unable to resolve the matter in dispute by mediation under subsection 11.3(a) or otherwise, any Partner (other than a Bankrupt Partner or any Partner in default under this Agreement) may declare that an impasse exists (and that the Partner intends to invoke the provisions of this Section 11.3) and if such impasse is not resolved within five (5) days of receipt of written notice regarding the impasse, any Partner may elect to invoke the provisions of this Section 11.3 by giving written notice (the Partner giving such notice being sometimes hereinafter referred to as "A") to the other Partner(s) (the Partner(s) receiving such written notice being sometimes hereinafter referred to as "B") stating that A wishes to apply the provisions of this Section 11.3 to purchase the entire right, title and interest of B and its Affiliates in the Partnership (whether such interest is in the nature of a General Partner interest or a Limited Partner interest) and setting forth a dollar figure selected by A (such figure being hereinafter referred to as the "Specified Value") to be the net value (i.e., the value net of (i) all Partnership liabilities to Partners and (ii) all Capital Account balances of the Partners, all of which amounts are to be repaid before any purchase pursuant to this Section 11.3, as set forth in Section 11.3(h) below) of the Partnership. A's offer to purchase B's interest (including the interest of any of B's Affiliates) shall be at a price equal to the Specified Value multiplied by the aggregate Percentage Interest of B and B's Affiliates at such time. A's notice shall be accompanied by a letter or other statement signed by a bank or trust company confirming that A has deposited with such bank or trust company the sum of One Hundred Thousand and no/100 Dollars ($100,000.00), and the funds so deposited by A shall be held in an interest-bearing account and applied as hereinafter provided.

(c) Notwithstanding the foregoing or anything else in this Agreement to the contrary, in the event the impasse pertains solely to a Subsidiary and not the Partnership as a whole, including, but not limited to, matters related to, involving or arising out of (i) the

management and operation of the business of the Subsidiary, (ii) a current or future project of the Subsidiary, or (iii) a Project Plan or Project Budget of the Subsidiary, A's purchase rights under this Section 11.3 shall be limited to the purchase of the entire right, title and interest of the selling party and its Affiliates in the Subsidiary (whether such interest is in the nature of a General Partner interest (or the selling party's interest in any entity which holds a General Partner interest in the Subsidiary) or a Limited Partner interest) and not in the Partnership as a whole. In the case of a Subsidiary, for purposes of calculating the value of the interest of the selling party and its Affiliates in the Subsidiary, the percentage interest of the selling party and its Affiliates in the Subsidiary would be added to the product of (A) the percentage interest of the Partnership in the Subsidiary and (B) the aggregate Percentage Interest of the selling party and its Affiliates in the Partnership. For example, if the selling party and its Affiliates hold (Y) limited partner interest in the Subsidiary of 49.5%, and (Z) an aggregate Percentage Interest in the Partnership of 50%, and the Partnership is the holder of a 1% general partner interest in the Subsidiary, the aggregate interest of the selling party and its Affiliates in the Subsidiary would equal 49.5% plus .5% (50% x 1%) or 50%.

(d) Within sixty (60) days after receipt of such notice from A, B shall give written notice to A electing either to (i) purchase A's entire right, title and interest in the Partnership or Subsidiary, as the case may be (including the right, title and interest of all of A's Affiliates in the Partnership or Subsidiary) at an amount equal to the Specified Value set forth in the notice from A to B, multiplied by the aggregate Percentage Interest of A and A's Affiliates at such time, or (ii) sell its entire interest (including the interest of its Affiliates) to A at the price set forth in A's offer, multiplied by the aggregate Percentage Interest of B and B's Affiliates at such time. If B shall give notice electing to purchase the entire Partnership (or Subsidiary) interest of A and A's Affiliates, then such notice, to be effective, shall be accompanied by a letter or other statement signed by a bank or trust company confirming that B has deposited with such bank or trust company the sum of One Hundred Thousand and no/100 Dollars ($100,000.00), which funds may be held in an interest-bearing account and applied as hereinafter provided: thereupon, the deposit (together with interest thereon) made by A pursuant to subsection (b) above, shall be returned to A by the bank or trust company with which A shall have deposited said monies. If B shall not effectively give either of the above notices within sixty (60) days of receipt of notice from A, then B shall be deemed to have elected to sell its entire right, title and interest in the Partnership or Subsidiary, as the case may be (and the entire right, title and interest of B's Affiliates in the Partnership or Subsidiary) to A as herein provided.

(e) The closing of the purchase of the interest of a Partner and its Affiliates described in this Section 11.3 shall take place on or before the expiration of a one hundred eighty (180) day period immediately following the expiration of the sixty (60) day period set forth above for giving notice of an election by B (the "Purchase Closing Date"), on which date the selling Partner(s) shall convey, transfer and assign to the purchasing Partner or its designee (by assignment and such other instruments of transfer as shall be reasonably requested by the purchasing Partner) the selling Partner's or Partners' entire right, title and interest in and to the Partnership or Subsidiary, as the case may be, free and clear of any liens, encumbrances

or claims of any nature whatsoever, and shall, to the extent requested by the purchasing Partner, cooperate to effect a smooth and efficient continuation of the affairs of the Partnership or Subsidiary.

(f) On the Purchase Closing Date, the purchasing Partner shall pay to the selling Partner(s), by certified or bank cashier's check, a cash sum equal to one hundred percent (100%) of the total purchase price for the selling parties' interest in the Partnership or Subsidiary, as the case may be (net of any debts, loans or other obligations by the selling parties' to the Partnership (or Subsidiary) or to any other Partner (or partner of the Subsidiary), which shall be paid from amounts otherwise payable to the selling parties). On the Purchase Closing Date, the purchasing parties' or their designee(s) shall execute such instruments as shall be reasonably requested by the selling parties to confirm the assumption by the purchasing parties of all of the obligations (whether of the Partnership or the Subsidiary) for which the selling parties shall have been liable, it being understood and agreed that the selling parties may not be released from liabilities and obligations to third parties and the purchasing parties shall have no obligation to obtain any such releases to complete the purchase contemplated by this Section 11.3. The closing shall occur at such place as shall be designated by the purchasing parties by notice to the selling parties at least ten (10) days prior to the Purchasing Closing Date. Upon the Purchase Closing Date, the selling parties shall have no further right, title or interest in or to the deposit made by the purchasing parties, and said deposit may be returned to the purchasing parties by the bank or trust company with which the purchasing parties shall have deposited said monies, or may be used in payment of the purchase price to the selling parties; provided, however, that until the Purchase Closing Date said deposit shall stand as security for the performance of the obligations hereunder by the purchasing parties.

(g) If the purchasing parties shall fail to complete the purchase within the time and in the manner required by this Section 11.3 (a) through (f), the One Hundred Thousand and no/100 Dollar ($100,000.00) deposit made by such parties with the bank or trust company, together with all accrued interest or other earnings thereon, shall be forfeited by the purchasing parties and shall be paid over by such institution to the selling parties, and the selling parties may then elect (i) to become the purchasing parties and purchase the other parties entire right, title and interest in the Partnership or the Subsidiary, as the case may be (including the entire right, title and interest of the other parties Affiliates in the Partnership or the Subsidiary) on the same terms as were offered by the parties who failed to complete the purchase, said election to be made within forty-five (45) days after the initial purchasing parties failure to timely and/or properly close, with the closing then to take place within sixty (60) days thereafter, or (ii) to cancel the notice invoking the provisions of this Section 11.3 regardless of which party originally gave the notice, in which event (absent written agreement of all parties to the contrary) the parties failing to complete the purchase shall have no further right for a period of three (3) years thereafter to invoke the provisions of this Section 11.3.

(h) If the provisions of this Section 11.3 are invoked and a party's interest in the Partnership or Subsidiary is sold, all loans made to or by the selling parties to the

Partnership (or the Subsidiary, as the case may be), or to any other Partner (or partner in the Subsidiary), and all Capital Account balances of the Partners (or capital account balance of the partner in the Subsidiary), together with any interest earned thereon, must be repaid within ninety (90) days following the Purchase Closing Date under Section 11.3(d), (e), (f), (g) and (h) hereof.

ARTICLE TWELVE

DISSOLUTION OF THE PARTNERSHIP

Section 12.1 Dissolution; Winding Up. Except pursuant to rights provided in Sections 12.1 and 12.3 hereof, each of the Partners agrees not to voluntarily withdraw from the Partnership or to default with respect to any obligation or undertaking contained in this Agreement or the Act. Upon (i) the expiration of the Term, (ii) a sale, transfer, conveyance, or other disposition of all of the then-remaining non-cash assets of the Partnership, (iii) any Partner becoming a Bankrupt Partner or dissolving (provided that for purposes of this Section 12.1, the term "dissolving" shall not include the merger, consolidation, or recapitalization of any corporate general partner) or terminating, or (iv) the occurrence of any other event causing the dissolution of the Partnership under the Act, the affairs of the Partnership shall be wound up insofar as practicable, and the Partnership shall be liquidated and its affairs applied and distributed, in accordance with this Article Twelve.

Section 12.2 Liquidation of Assets; Payment of Debts. Upon the termination of the Partnership, subject to the provisions of Section 12.1(a) hereof, its assets shall be liquidated insofar as it is determined practicable by the Managing Partner, and the net proceeds shall first be applied to the payment of the debts and liabilities of the Partnership and the expenses of liquidation. A reasonable time shall be allowed for the orderly liquidation of the assets of the Partnership and the discharge of liabilities to creditors so as to enable the Partners to minimize the normal losses attendant upon such liquidation.

Section 12.3 Debts to Partners. The remaining proceeds and assets shall next be applied toward the repayment of any loans made by any Partners to the Partnership on a pari passu basis.

Section 12.4 Distributions to Partners. The remaining proceeds and assets of the Partnership shall then be applied and distributed among the Partners proportionally in accordance with the positive balances in their Capital Accounts, until all such Capital Accounts are reduced to zero. The Managing Partner may, in its sole and absolute discretion, distribute cash or assets or properties in kind, or any combination of cash and assets or properties in kind, to each Partner (or its legal representative or successor in interest) in connection with the winding-up and liquidation of the Partnership, and no Partner (or its successor in interest) shall claim any interest whatsoever in any such distribution to another Partner so long as the cash and assets or properties so distributed are equivalent in value to the value of such Partner's Capital Account at such time. The value of any assets or properties distributed in kind to a Partner in liquidation shall be such

value as is attributed to such asset in the final accounting prepared pursuant to Section 12.6 below.

Section 12.5 Reserves. Upon the liquidation of the Partnership, if any Partner's Capital Account has a deficit balance (after giving effect to all contributions, distributions and allocations for all fiscal years through and including the fiscal year of liquidation) such Partner shall not be required to contribute to the capital of the Partnership the amount necessary to restore such deficit balance to zero. Any liquidating distribution pursuant to this Article Twelve shall be made no later than the earlier of (a) the end of the taxable year during which such liquidation occurs and (b) ninety (90) days after the date of such liquidation. Notwithstanding the preceding sentence, with the approval of all Partners, a pro rata portion of the distributions which would otherwise be made to the Partners pursuant to the first sentence of Section 12.4 hereof may be:

(i) distributed to a trust established for the benefit of the Partners for the purpose of liquidating Partnership assets, collecting amounts owed to the Partnership, and paying any known or existing or contingent or unforeseen liabilities or obligations of the Partnership or the Partners arising out of or in connection with the Partnership. The assets of any such trust shall be distributed to the Partners from time to time, in the reasonable discretion of the Managing Partner or of all the Partners or of the trustees, in the same proportions as the amount distributed to such trust by the Partnership would otherwise have been distributed to the Partners pursuant to Section 12.4 hereof; or

(ii) withheld to provide a reasonable reserve (taking into account the receivables of the Partnership, the unrealized portion of any installment obligations owed to the Partnership and the likelihood of collection of same) for Partnership liabilities (contingent or otherwise); provided, however, that such withheld amounts shall be distributed to the Partners as soon as practicable pursuant to Section 12.4 hereof.

Section 12.6 Final Accounting. Each of the Partners (or its successor in interest) shall be furnished with a statement prepared by the Managing Partner and reviewed by an independent public accountant that shall set forth the assets and liabilities of the Partnership as at the date of termination. Upon compliance with the foregoing distribution plan, the Partnership shall cease to be such, and the General Partners shall, if necessary, execute and cause to be filed, distributed or published any and all notices and documents as may be necessary or appropriate with respect to the termination of the Partnership.

ARTICLE THIRTEEN

INDEMNIFICATION

Section 13.1 General. In any pending or completed action, suit, or proceeding to which a General Partner or an Affiliate (which for purposes of this Article shall include in each case

the officers, directors, shareholders, partners, principals, agents and representatives of the foregoing) is or was a party by reason of the fact that such General Partner or Affiliate (a) is or was a General Partner, or (b) is an Affiliate of a General Partner, the Partnership shall hold harmless and indemnify such General Partner or Affiliate harmless from and against any an against any and all losses, harm, liabilities, damages, costs, and expenses (including, but not limited to, attorneys' fees, judgments, and amounts paid in settlement) incurred by such General Partner or Affiliate in connection with such action, suit, or proceeding if such General Partner or Affiliate determined in good faith, that the course of conduct which caused the loss or liability was in the best interests of the Partnership, and provided that such General Partner's or Affiliate's conduct does not constitute gross negligence, willful misconduct, or breach of fiduciary duty to the Limited Partners or the Partnership.

Section 13.2 Liability Insurance. The Partnership shall not incur the cost of that portion of any liability insurance which insures a General Partner or Affiliate against liabilities as to which such General Partner or Affiliate may not be indemnified under this Article Thirteen.

Section 13.3 Advancement of Legal Costs and Expenses. The Partnership shall advance Partnership funds to the General Partner or its Affiliates for legal expenses and other costs incurred as a result of any legal action if the following conditions are satisfied: (a) the legal action relates to acts or omissions with respect to the performance of duties or services on behalf of the Partnership; (b) the legal action is initiated by a third party who is not a Limited Partner, or the legal action is initiated by a Limited Partner and a court of competent jurisdiction specifically approves such advancement; and (c) the General Partner or its Affiliates undertake to repay the advanced funds, together with interest at the rate of prime plus one percent (1%), to the Partnership in cases in which the General Partners or such Affiliates are not entitled to indemnification under this Article Thirteen.

Section 13.4 Liability of Exculpated Parties and Partners.

(a) In carrying out their respective powers and duties hereunder, each Exculpated Party (as defined in Section 7.4 hereinbelow) shall exercise its best efforts and shall not be liable to the Partnership or to any Partner for any actions taken or omitted to be taken in good faith and reasonably believed to be in the best interest of the Partnership or for errors of judgment made in good faith.

(b) A Partner who ceases to be a Partner shall not be liable for or on account of obligations or liabilities of the Partnership incurred subsequent to its ceasing to be a Partner.

ARTICLE FOURTEEN

MISCELLANEOUS

Section 14.1 Reliance Upon General Partners. No Person dealing with the General Partners shall be required to determine such General Partners' authority to make any commitment or undertaking on behalf of the Partnership, nor to determine any fact or circumstance bearing upon the existence of its authority.

Section 14.2 Notices. Notices to Partners or to the Partnership shall be deemed to have been given when personally delivered or delivered by facsimile transmission, or when mailed by prepaid registered or certified mail to the respective mailing addresses of each Partner and of the Partnership's principal office, all as herein provided:

To the Partnership:	c/o CNL Corporate Venture, Inc., Managing Partner 400 East South Street, Suite 500 Orlando, Florida 32801 Facsimile: (407) 648-8920 Attention: Lynn E. Rose, Chief Financial Officer
To St. Joe Management:	St. Joe Central Florida Management, Inc. 1650 Prudential Drive Suite 400 Jacksonville, Florida 32207 Facsimile: (904) 396-4042 Attention: Robert M. Rhodes Senior Vice President and General Counsel
To St. Joe Development:	St. Joe Central Florida Development, Inc. 1650 Prudential Drive, Suite 400 Jacksonville, Florida 32207 Facsimile: (904) 396-4042 Attention: Robert M. Rhodes Senior Vice President and General Counsel
To CNL Corporate Venture, Inc.:	400 East South Street, Suite 500 Orlando, Florida 32801 Facsimile: (407) 648-8920 Attention: Lynn E. Rose, Chief Financial Officer

To CNL Corporate
Venture I, Inc.: 400 East South Street, Suite 500
Orlando, Florida 32801
Facsimile: (407) 648-8920
Attention: Lynn E. Rose, Chief Financial Officer

Any Partner may change the address at which it shall receive notices by notifying the Partnership and all other Partners of such change in writing in accordance with this provision.

Section 14.3 Section Headings. All headings contained in this Agreement are for convenience of reference only and are in no way intended to describe, interpret, define, or limit the scope, extent, or intent of this Agreement or any provisions hereof.

Section 14.4 Severability. The provisions of this Agreement shall be deemed severable, and the invalidity or unenforceability of any provision shall not affect the validity or enforceability of the remainder of this Agreement or any valid clause of any invalid provision. Any such invalid or unenforceable provision shall be replaced with a valid and enforceable provision which comes closest to the intent of the parties with respect to such invalid or unenforceable provision.

Section 14.5 Governing Law. The laws of the State of Florida shall govern the validity of this Agreement, the construction of its terms and the interpretation of the rights and duties of the parties.

Section 14.6 Jurisdiction. Each party hereto agrees to submit to the personal jurisdiction and venue of the state and federal courts in the state of Florida in the judicial circuit of Orange County, and does hereby waive all questions of personal jurisdiction and venue, including, without limitation, the claim or defense that such courts constitute an inconvenient forum.

Section 14.7 Counterpart Execution. This Agreement may be executed in any number of identical counterparts with the same effect as if all parties hereto had signed the same document. All counterparts shall be construed together and shall constitute one Agreement.

Section 14.8 Parties in Interest. Each and every covenant, term, provision and agreement herein contained shall be binding upon, and inure to the benefit of, the heirs, successors, assigns, and legal representatives of the respective parties hereto.

Section 14.9 Gender and Number. As the context requires, all words used herein in the singular number shall extend to and include the plural; all words used in the plural number shall extend to and include the singular; and all words used in any gender shall extend to and include all genders or be neutral.

Section 14.10 Partition. No Partner will, either directly or indirectly, make any application for dissolution, take any action to require partition or appraisement of the Partnership or of any of its assets or properties or cause the sale of any Partnership property, and notwithstanding any provisions of applicable law to the contrary, each Partner (and its successors and assigns) hereby irrevocably waives any and all right to maintain any action for partition or to compel any sale with respect to his interest in the Partnership, or with respect to any of the properties and assets of the Partnership.

Section 14.11 Amendment, Waiver or Termination. Except as otherwise expressly provided in this Agreement, no amendment, waiver or termination of this Agreement, or any part hereof, shall be effective unless made in writing and signed by the party or parties sought to be bound thereby, and no failure to pursue or elect any remedies shall constitute a waiver of any default under or breach of any provisions of this Agreement, nor shall any waiver of any default under or breach of any provision of this Agreement be deemed to be a waiver of any other subsequent similar or different default under or breach of such or any other provision or of any election of remedies available in connection therewith.

Section 14.12 Strict Construction. This Agreement is the result of the mutual efforts of the parties hereto. As such, in any dispute regarding the interpretation of a provision hereto, no party shall advance a position that a provision in dispute should be more strictly construed against another party on the basis that such other party was the party responsible for the preparation of any provision in controversy.

Section 14.13 Costs of Enforcement. In the event any party hereto initiates action to enforce its rights hereunder or to interpret the terms hereof, the substantially prevailing party shall recover from the substantially non- prevailing party its reasonable expenses, court costs, including taxed and untaxed costs, and reasonable attorneys' fees (including fees of paralegals and legal assistants), whether suit be brought or not (collectively referred to as "Expenses"). As used herein, Expenses include Expenses incurred in any appellate or bankruptcy proceeding. All such Expenses shall bear interest at the highest rate allowable under the laws of the State of Florida from the date the substantially prevailing party pays such Expenses until the date the substantially non-prevailing party repays such Expenses. Expenses incurred in enforcing this Section shall be covered by this Section. For this purpose, the court is requested by the parties to award actual costs and attorneys' fees incurred by the substantially prevailing party, it being the intention of the parties that the substantially prevailing party be completely reimbursed for all such costs and fees. The parties request that inquiry by the court as to the fees and costs shall be limited to a review of whether the fees charged and hourly rates for such fees are consistent with the fees and hourly rates routinely charged by the attorneys for the substantially prevailing party.

Section 14.14 Exhibits. Each exhibit, schedule or certificate attached to this Agreement is incorporated into and made a part of this Agreement for all purposes.

Section 14.15 Entire Agreement; Sucessors and Assigns. This Agreement contains the entire agreement by and among the parties and supersedes any prior understandings and agreements among them respecting the subject hereof and shall be binding upon the parties hereto, their successors, heirs, permitted assigns, legal representatives, executors and administrators but shall not be deemed for the benefit of creditors or any other Persons.

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the day and year first above written.

WITNESS:

The "General Partners"

ST. JOE CENTRAL FLORIDA MANAGEMENT, INC., a Florida corporation

/s/ Valerie Lynn House
Name: Valerie Lynn House

By: /s/ Robert M. Rhodes
Name: Robert M. Rhodes
Title: Senior Vice President

/s/ Alison D. Kennedy
Name: Alison D. Kennedy

CNL CORPORATE VENTURE, INC., a Florida corporation

/s/ Robert A. Bourne
Name: Robert A. Bourne

By: /s/ James M. Seneff, Jr.
Name: James M. Seneff, Jr.
Title: Chief Executive Officer

/s/ Jeffrey Decker
Name: Jeffrey Decker

The "Limited Partners"

ST. JOE CENTRAL FLORIDA DEVELOPMENT, INC., a Florida corporation

/s/ Valerie Lynn House
Name: Valerie Lynn House

By: /s/ Robert M. Rhodes
Name: Robert M. Rhodes
Title: Senior Vice President

/s/ Alison D. Kennedy
Name: Alison D. Kennedy

CNL CORPORATE VENTURE I, INC., a Florida corporation

/s/ Robert A. Bourne
Name: Robert A. Bourne

By: /s/ James M. Seneff, Jr.
Name: James M. Seneff, Jr.
Title: Chief Executive Officer

/s/ Jeffrey Decker
Name: Jeffrey Decker

EXHIBIT A

DEVELOPMENT OPPORTUNITIES

PROJECTS TO BE PRESENTED BY CNL VENTURE

(a) Development and ownership of the Downtown Orlando Property currently under contract to First Union and a proposed 352,000 square foot office tower on parcels adjacent to the City of Orlando City Hall to be known as CNL Plaza;

(b) Development and ownership of the Tampa Triangle project in Tampa, Florida; and also

(c) The proposed development and partial ownership of a multi-use project on the former naval training center property and the proposed development of a hotel on property held by Walt Disney World Company or its Affiliates in the Reedy Creek Improvement District.

EXHIBIT B

DEBENTURE AGREEMENT

THIS DEBENTURE AGREEMENT (this "Agreement") is made as of December 3, 1997, among ST. JOE/CNL REALTY GROUP, LTD., a Florida limited partnership (the "Partnership"), ST. JOE CENTRAL FLORIDA MANAGEMENT, INC., a Florida corporation ("St. Joe"), and CNL CORPORATE VENTURE, INC., a Florida corporation ("CNL"). (St. Joe and CNL are sometimes hereinafter referred to collectively as "Holders" and individually as "Holder").

RECITALS

A. Pursuant to the terms and conditions of that certain Agreement of Limited Partnership (the "Partnership Agreement") among the Partnership, the Holders as general partners, and ST. JOE CENTRAL FLORIDA DEVELOPMENT, INC., a Florida corporation, and CNL CORPORATE VENTURE I, INC., a Florida corporation, as limited partners, the Partnership was formed for the purposes described in the Agreement.

B. As set forth in the Agreement, the Holders agreed to provide from time to time as necessary certain funds to the Partnership in order to finance its activities and the activities of its subsidiaries, which financing would be evidenced by certain unsecured, subordinated debentures issued by the Partnership in favor of the Holders (the "Debentures").

C. The parties have entered into this Agreement in order to set forth the terms and conditions of the Debentures to be issued in connection with the financing to be provided by the Holders.

NOW THEREFORE, in consideration of the mutual promises set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. The Commitment; Issuance of Debentures. In accordance with the terms and conditions of the Partnership Agreement and this Agreement, St. Joe and CNL have agreed to make lendings (individually, a "Lending" and collectively, "Lendings") to the Partnership from time to time from a date which is ten (10) days after the date hereof until the Maturity Date (as defined hereinbelow) up to the maximum aggregate principal amount outstanding at any

time of $30,000,000 (the "Maximum Commitment"); provided that in no event shall the amount in principal outstanding at any time from Lendings to the Partnership exceed $25,000,000 by St. Joe (the "St. Joe Funding Obligation") and $5,000,000 by CNL (the "CNL Funding Obligation") (the St. Joe Funding Obligation and the CNL Funding Obligation are sometimes referred to hereinbelow individually as a "Funding Obligation" and collectively as the "Funding Obligations"). Each Lending to be made hereunder shall be made by St. Joe and CNL in proportion to their respective Funding Obligations. In the event a Holder (the "Defaulting Holder") fails to satisfy its Funding Obligation with respect to a Lending (a "Funding Default"), the other Holder may, at its sole option, elect to pay the Defaulting Holder's unpaid Funding Obligation (the "Deficiency Advance") within 20 business days following the date the Funding Obligation was to have been satisfied. Such paying non-defaulting Holder shall automatically acquire a lien upon the Defaulting Holder's Debenture and Defaulted Interest (as such term is defined in the Partnership Agreement) for the amount so paid, plus interest thereon at a rate per annum of (a) the greater of the prime rate of interest in effect on the date of the Deficiency Advance (as published in the Wall Street Journal) plus 3%, or 15%, or (b) the maximum rate permitted by applicable law, whichever is less. The Deficiency Advance, and all accrued but unpaid interest thereon, shall be due and payable by the Defaulting Holder upon demand by the non-defaulting Holder. Notwithstanding anything in this Agreement, the Debentures or the Partnership Agreement to the contrary, each Holder's obligation to make a Lending hereunder is subject to the satisfaction by the other Holder of its Funding Obligation with respect to such Lending. Simultaneously with the execution of this Agreement, the Partnership has executed and issued to the Holders Debentures in the form attached hereto as Exhibit A in order to evidence their respective Funding Obligations.

Nothing in this Section 1 is intended to relieve any Holder from any obligation to provide funds under the Debentures with respect to its Funding Obligation, and nothing in this Section 1 is intended to limit or restrict any remedy or recourse the Partnership or the other Holder may have against a Defaulting Holder, in law, equity or pursuant to other provisions of this Agreement. The remedies set forth in this Section 1 are in addition to any other remedies allowed or available under other provisions of this Agreement or the Partnership Agreement, by law or in equity. Notwithstanding anything in this Agreement or in the Partnership Agreement to the contrary, in the event of a Funding Default, whether or not a Deficiency Advance is made, the non-defaulting Holder shall have the power and authority, without the consent or approval of the Defaulting Holder or any of its Affiliates, including Affiliates which are partners of the Partnership, to cause the Partnership to take such actions as the non-defaulting Holder may deem necessary or desirable to protect and enforce all of the rights

and remedies which the Partnership may have under this Agreement and the Debenture of the Defaulting Holder.

2. Terms of Debentures. The Debentures are designated as "10% Subordinated Debentures Due 2004", and shall mature on December 3, 2004 (the "Maturity Date"). The Partnership shall pay interest on the principal amount outstanding under the Debentures from time to time at the rate of 8% per annum. Additionally, interest on the principal amount outstanding under the Debentures from time to time shall accrue at the rate of 2% per annum (the "Accrued Interest Allocation") until the earlier of the Maturity Date or such date prior to the Maturity Date on which the principal amounts of Debentures are due and payable in full or otherwise paid in full (at which time all accrued, but unpaid interest, including the Accrued Interest Allocation, shall be due and payable in full). The Accrued Interest Allocation shall be compounded monthly. Interest (except for the Accrued Interest Allocation) shall be payable quarterly on January 1, April 1, July 1 and October 1, commencing on the first of such dates following a Lending under the Debentures, until the principal thereof, and all accrued but unpaid interest is paid in full. Interest on the Debentures shall be computed on the basis of a year of 12 30-day months. Principal on the Debentures shall be paid in full on the Maturity Date (or such earlier date as may be provided herein).

Notwithstanding anything in this Agreement to the contrary, payments of principal and interest, as scheduled hereinabove, will be paid to the Holders in proportion to their respective Funding Obligations. All payments due under the Debentures shall be payable by check mailed to the addresses of the Holders as such addresses shall appear on records of the Partnership or, at the request of a Holder, by wire transfer in accordance with the instructions provided by such Holder.

3. Revolving Obligation. The Debentures shall evidence a revolving obligation; accordingly, during the term of the Debentures, the Partnership may borrow up to the Maximum Commitment, repay all or any portion of such principal amount, and reborrow up to such Maximum Commitment subject to the terms and conditions set forth herein. The Partnership shall give the Holders written notice of any requested Lending hereunder. Such notice shall specify the proposed date of the Lending and the amount thereof. Requests by the Partnership for any Lending under the Debentures and this Agreement on any date shall be in the minimum aggregate principal amount of $1,000,000 (or a lesser amount necessary to fully fund a Debenture at the time of such Lending). Each Holder shall make its respective portion of the Lending on the date proposed by the Partnership therefor (which date shall not be earlier than 15 days after the receipt of said request for an Lending) by delivering immediately available funds to the

general deposit account of the Partnership, or in such other manner as the Partnership may request in its notice.

4. Unsecured Obligations. The Debentures shall be unsecured, general obligations of the Partnership. The Debentures shall be subordinate to any and all other existing or future indebtedness or obligations owed by the Partnership or any of its subsidiaries to any other person, whether secured or unsecured (the "Senior Indebtedness"), except for indebtedness owed by the Partnership to any of its partners which indebtedness shall be of equal priority with the indebtedness evidenced by the Debentures. The Debentures shall be non-recourse to the partners of the Partnership. The Holders agree to execute any documents necessary to evidence the subordination of the Debentures to any Senior Indebtedness.

5. Subordination of Debentures. The Partnership and the Holders covenant and agree that all Debentures shall be issued subject to the provisions of this Section; and each person holding any Debenture, whether upon original issue or upon any permitted transfer or assignment thereof, accepts and agrees to be bound by such provisions:

a. Maturity of Senior Indebtedness. Upon the maturity of any Senior Indebtedness, by lapse of time, acceleration, or otherwise, no amount shall be paid by the Partnership, nor shall the Holder of any Debenture take or receive from the Partnership for the account of such Holder, any payment in respect of the principal of or interest, if any, on such Debenture, unless and until such matured Senior Indebtedness, and all interest thereon, shall have been paid in full.

b. Payment Over of Proceeds. Upon any payment by the Partnership, or distribution of assets of the Partnership of any kind or character, whether in cash, property, or securities, to creditors upon any dissolution, winding-up, liquidation, or reorganization of the Partnership, whether voluntary or involuntary or in bankruptcy, insolvency, receivership, or other proceedings, all amounts then outstanding, whether or not then due, upon all Senior Indebtedness shall first be paid in full, or payment thereof provided for in money in accordance with its terms, before any payment is made on account of the principal of or interest on the Debentures, and upon any such dissolution, winding up, liquidation, or reorganization, any payment by the Partnership, or distribution of assets of the Partnership of any kind or character, whether in cash, property, or securities, to which the Holders would be entitled, except for the provisions of this Section, shall be paid by the Partnership or by any receiver, trustee in bankruptcy, liquidating trustee, agent, or other person making such payment or distribution, or by the Holders under this Agreement if received by them directly,

to the holders of Senior Indebtedness or their representative or representatives, or to the trustee or trustees under any indenture pursuant to which any instruments evidencing any Senior Indebtedness may have been issued, as their respective interests may appear to the extent necessary to pay all outstanding Senior Indebtedness in full, in money or money's worth, after giving effect to any concurrent payment or distribution to or for the holders of Senior Indebtedness, before any payment or distribution is made to the Holders.

In the event that, notwithstanding the foregoing, any payment or distribution of assets of the Partnership of any kind or character, whether in cash, property, or securities, prohibited by the foregoing, shall be received by the Holders before all Senior Indebtedness is paid in full, or provision is made for such payment in money in accordance with its terms, such payment or distribution shall be held in trust for the benefit of and shall be paid over or delivered to the holders of Senior Indebtedness or their representative or representatives, or to the trustee or trustees under any indenture pursuant to which any instruments evidencing any Senior Indebtedness may have been issued, as their respective interests may appear, for application to the payment of all Senior Indebtedness remaining unpaid to the extent necessary to pay all Senior Indebtedness in full in money in accordance with its terms, after giving effect to any concurrent payment or distribution to or for the holders of such Senior Indebtedness.

For purposes of this Section, the words "cash, property, or securities" shall not be deemed to include partnership interests of the Partnership as reorganized or readjusted, or securities of the Partnership or any entity provided for by a plan of reorganization or readjustment, the payment of which is subordinated at least to the extent provided in this Section with respect to the Debentures to the payment of all Senior Indebtedness which may at the time be outstanding; provided that (i) the Senior Indebtedness is assumed by the new entity, if any, resulting from such reorganization or readjustment; and (ii) the rights of the holders of the Senior Indebtedness (other than leases) and of leases which are assumed are not, without the consent of such holders, altered by such reorganization or readjustment.

c. Debentures Declared Due. In the event that any of the Debentures are declared due and payable before their stated maturity because of the occurrence of an Event of Default (as defined in Section 7 hereof), the Holders shall be entitled to payment only after there shall first have been paid in full (or such payment shall have been provided for) all Senior Indebtedness outstanding at the time such Debentures are declared due and payable and all interest thereon.

d. Subrogation of Debentures. Subject to the payment in full of all Senior Indebtedness, the rights of the Holders of the Debentures shall be subrogated to the rights of the holders of Senior Indebtedness to receive payments or distributions of cash, property, or securities of the Partnership applicable to the Senior Indebtedness until the principal of and interest on the Debentures shall be paid in full. For purposes of such subrogation, no payments or distributions to the holders of the Senior Indebtedness of any cash, property, or securities to which the Holders would be entitled except for the provisions of this Section, and no payment over pursuant to the provisions of this Section, to or for the benefit of the holders of Senior Indebtedness by Holders shall, as between the Partnership, its creditors other than holders of Senior Indebtedness, and the Holders, be deemed to be a payment by the Partnership to or on account of the Senior Indebtedness. It is understood that the provisions of this Section are and are intended solely for the purpose of defining the relative rights of the Holders, on the one hand, and the holders of the Senior Indebtedness, on the other hand.

Nothing contained in this Section or elsewhere in this Agreement or in the Debentures is intended to or shall impair, as between the Partnership, its creditors other than the holders of Senior Indebtedness, and the Holders, the obligation of the Partnership, which is absolute and unconditional, to pay to the Holders the principal of and interest on the Debentures as and when the same shall become due and payable in accordance with their terms, or is intended to or shall affect the relative rights of the Holders and creditors of the Partnership other than the holders of the Senior Indebtedness, nor shall anything herein or therein prevent any Holder from exercising all remedies otherwise permitted by applicable law upon default under this Agreement, subject to the rights, if any, under this Section of the holders of Senior Indebtedness in respect of cash, property, or securities of the Partnership received upon the exercise of any such remedy.

Upon any payment or distribution of assets of the Partnership referred to in this Section, the Holders shall be entitled to rely upon any order or decree made by any court of competent jurisdiction in which such dissolution, winding-up, liquidation, or reorganization proceedings are pending, or a certificate of the receiver, trustee in bankruptcy, liquidating trustee, agent, or other person making such payment or distribution, delivered to the Holders, for the purpose of ascertaining the persons entitled to participate in such distribution, the holders of the Senior Indebtedness and other indebtedness of the Partnership, the amount thereof or payable thereon, the amount or amounts paid or distributed thereon, and all other facts pertinent thereto or to this Section.

e. Payments on Debentures. Except as otherwise set forth in this Section 5, the mere existence of the Senior Indebtedness shall not interfere with

or postpone the Partnership's obligation to make the payment of any amount of principal or interest due on any of the Debentures.

6. Prepayment of Debentures. The Debentures may be prepaid at the discretion of the Partnership, in whole or in part, in the principal amount of $1,000,000 or multiples thereof, without premium or penalty, by paying the principal amount thereof (or so much thereof as is being prepaid at such time), together with all interest accrued but unpaid for the current period and all prior periods to the date of prepayment (except for the Accrued Interest Allocation which shall be due any payable only in the event of a total prepayment of the Debentures). In the event of a prepayment under the Debentures, such prepayments shall be allocated and distributed to the Holders in proportion to their respective Funding Obligations.

Notice of prepayment shall be given by first-class mail, postage prepaid, mailed not less than five nor more than 60 days prior to the specified prepayment date, to each Holder of Debentures to be prepaid, at its address appearing in the Debenture Register. All notices of prepayment shall state (a) the prepayment date, (b) the total principal amount to be prepaid, and (c) if less than all outstanding Debentures are to be prepaid, the identification (and, in the case of a Debenture to be prepaid in part, the principal amount of such Debenture) of the particular Debenture to be prepaid.

7. Events of Default. The following shall be deemed Events of Default by the Partnership with respect to the Debentures and a breach of this Agreement:

a. Failure to pay any installment of interest upon any of the Debentures as and when the same shall become due and payable, and continuance of such failure for a period of 30 days after written notice of such failure from the Holder of such Debentures; or

b. Failure to pay the principal of any of the Debentures as and when the same shall become due and payable, by declaration or otherwise, and the continuance of such failure for a period of 30 days after written notice of such failure from the Holder of such Debentures; or

c. Failure on the part of the Partnership duly to observe or perform any other of the covenants or agreements on the part of the Partnership in the Debentures or in this Agreement with respect to the Debentures which has continued for a period of 60 days after the date on which written notice of such failure, requiring the Partnership to remedy the same, shall have been given to the Partnership by the Holder of such Debentures; or

d. Failure to (i) pay principal of or interest on any other obligation for indebtedness owed by the Partnership, including, but not limited to, any Senior Indebtedness, obligations with respect to guarantees of the Partnership for indebtedness of another, or obligations secured by a mortgage or security interest granted by the Partnership, or (ii) perform a term or condition of an agreement, document or instrument evidencing, securing or otherwise executed in connection with such indebtedness or obligation, if the effect of nonpayment or nonperformance is to cause, or permit the holder(s) of the indebtedness or obligation to cause the indebtedness or obligation to become due and payable prior to its stated maturity; or

e. Commencement by the Partnership of a voluntary case or other proceeding seeking liquidation, reorganization, or other relief with respect to itself or its debts under any bankruptcy, insolvency, or other similar laws now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian, or other similar official of it or any substantial part of its property, or consent by the Partnership to any such relief or to the appointment of or taking possession by any such official in an involuntary case or other proceeding commenced against it, or the making of a general assignment for the benefit of creditors, or a failure generally to pay its debts as they become due; or

f. Commencement against the Partnership of an involuntary case or other proceeding seeking liquidation, reorganization, or other relief with respect to it or its debts under any bankruptcy, insolvency, or other similar laws now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian, or other similar official of it or any substantial part of its property, and such involuntary case or other proceeding shall remain undismissed and unstayed for a period of 90 consecutive days; or

g. The Partnership sells, leases, assigns, transfers or otherwise disposes of all or a substantial (being defined as 25% or more) part of its assets or properties, tangible or intangible, to any person without the prior written consent of both of the Holders; or

h. The Partnership consolidates with or merges into any other entity, or permits any other entity to merge into it (unless, the Partnership is the surviving entity), or dissolves or takes or omits to take any action which would result in its dissolution, all without the prior written consent of both of the Holders.

Upon the occurrence of any Event of Default, all of the principal and accrued interest then outstanding on all of the Debentures shall automatically

without any action by any Holder thereof, and without demand, notice or legal process of any kind, be declared, and immediately shall become, due and payable in full.

8. Payment of Principal and Interest. The Partnership covenants and agrees that it will duly and punctually pay or cause to be paid the principal of and interest accrued on the Debentures at the places, at the respective times, and in the manner provided herein and in the Debentures.

9. Execution, Delivery, and Dating. The Debentures shall be executed on behalf of the Partnership by both of its general partners. The signatures of any of such general partners upon such certificates may be facsimiles, engraved, stamped, or printed. Each Debenture shall be dated the date of its issuance.

10. Exchange of Debenture Certificates. At the option of a Holder, Debenture certificates may be exchanged for other certificates of any authorized denomination or denominations, of a like aggregate principal amount, upon surrender of the Debentures to be exchanged at the principal office of the Partnership. All Debentures issued upon any exchange of Debentures shall be the valid obligations of the Partnership, evidencing the same debt, and entitled to the same benefits under this Agreement as the Debentures surrendered upon such exchange.

Every Debenture certificate presented or surrendered for exchange shall (if so required by the Partnership) be duly endorsed, or be accompanied by a written instrument of transfer in form satisfactory to the Partnership duly executed by the Holder thereof.

11. Mutilated, Destroyed, Lost or Stolen Certificates. If any mutilated Debenture certificate is surrendered to the Partnership, or the Partnership receives evidence to its satisfaction of the destruction, loss, or theft of any Debenture certificate and there is delivered to the Partnership such security or indemnity as may be required by the Partnership to save it harmless, then the Partnership shall execute and deliver, in exchange for any such mutilated certificate or in lieu of any such destroyed, lost, or stolen certificate, a new certificate of like tenor and principal amount.

In case any such mutilated, destroyed, lost, or stolen Debenture has become or is about to become due and payable, the Partnership, in its discretion, may, instead of issuing a new Debenture, pay such Debenture.

Upon the issuance of any new certificate under this Section, the Partnership may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses connected therewith.

Every new certificate issued pursuant to this Section in lieu of any destroyed, lost, or stolen Debenture shall constitute a substituted contractual obligation of the Partnership, whether or not the destroyed, lost, or stolen certificate shall be at any time enforceable by anyone, and shall be entitled to all the benefits of this Agreement equally and proportionately with any and all other certificates duly issued hereunder.

The provisions of this Section are exclusive and shall preclude (to the extent lawful) all other rights and remedies with respect to the replacement or payment of mutilated, destroyed, lost, or stolen certificates.

12. Satisfaction and Discharge of Agreement. This Agreement shall cease to be of further effect when the Debentures have (a) matured (or have become due and payable in full prior to their stated maturity as a result of an Event of Default or otherwise), or (b) been retired or cancelled, and the Partnership has paid or caused to be paid all sums outstanding, due and payable thereunder and hereunder.

13. Restrictions on Transfer. Without the express written consent of the all of the general partners of the Partnership, no Holder shall, directly or indirectly, offer, assign, transfer, grant or sell a participation in, pledge or otherwise dispose of any of its interest in this Agreement or any Debenture (each, a "transfer") to any person or entity whatsoever. Each certificate evidencing the ownership of Debentures shall be imprinted with a legend stating that they have not been registered under the Securities Act of 1933, as amended, and may set forth the restrictions on transfer contained in or contemplated by this Agreement. All restrictions on transfer shall apply to any permitted transferee.

14. Amendments. This Agreement may be amended or superseded in whole or in part by a subsequent agreement, in writing, executed by the Partnership and the Holders at the time of such amendment.

15. Provisions Binding on Partnership's Successors. All the covenants, stipulations, promises and agreements in this Agreement by the Partnership shall bind its successors and assigns whether so expressed or not.

16. Official Acts by Successor Entity. Any act or proceeding by any provision of this Agreement authorized or required to be done or performed by any board, committee or partner of the Partnership shall and may be done and performed with like force and effect by the like board, committee, partner or officer of any entity that shall at the time be the lawful sole successor of the Partnership.

17. Addresses for Notices. Any notice or demand which by any provision of this Agreement is required or permitted to be given or served may be given or served by being personally delivered or delivered by facsimile transmission, or by being mailed by prepaid registered or certified mail to the respective mailing addresses of each Holder and of the Partnership's principal office, all as herein provided:

To the Partnership:	St. Joe/CNL Realty Group, Ltd. c/o CNL Corporate Venture, Inc., Managing Partner 400 East South Street, Suite 500 Orlando, Florida 32801 Facsimile: (407) 648-8920 Attention: Lynn E. Rose, Chief Financial Officer
To St. Joe:	St. Joe Central Florida Development, Inc. 1650 Prudential Drive, Suite 400 Jacksonville, Florida 32207 Facsimile: (904) 396-4042 Attention: Robert M. Rhodes Senior Vice President and General Counsel
To CNL:	CNL Corporate Venture, Inc. 400 East South Street, Suite 500 Orlando, Florida 32801 Facsimile: (407) 648-8920 Attention: Lynn E. Rose, Chief Financial Officer

Any party may change the address at which it shall receive notices by notifying all other parties of such change in writing in accordance with this provision.

18. Governing Law. This Agreement and each Debenture shall be deemed to be a contract made under the laws of the State of Florida, and for all purposes shall be construed in accordance with the laws of the State of Florida, exclusive of conflict of law principles.

19. Legal Holidays. In any case where the date of maturity of interest on or principal of the Debentures will be in the City of Orlando, Florida, a legal holiday or a day on which banking institutions are authorized by law or executive order to close ("Legal Holidays"), then payment of such interest on or principal of the Debentures need not be made on such date but may be made on the next succeeding day not a Legal Holiday with the same force and effect as if made on the date of maturity and no interest shall accrue for the period from and after such date.

20. Benefits of Agreement. Nothing in this Agreement or in the Debentures, express or implied, shall give to any person, other than the parties hereto and their permitted successors and assigns hereunder, any benefit or any legal or equitable right, remedy or claim under this Agreement.

21. Headings. The titles and headings of the Sections of this Agreement have been inserted for convenience of reference only, are not to be considered a part hereof, and shall in no way modify or restrict any of the terms or provisions hereof.

22. Execution in Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be an original, but such counterparts shall together constitute but one and the same instrument.

[The remainder of this page intentionally left blank.]

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first above written.

Witnesses:

The "Partnership"

ST. JOE/CNL REALTY GROUP, LTD., a Florida limited partnership

By: ST. JOE CENTRAL FLORIDA MANAGEMENT, INC., a Florida corporation, as general partner

By: ------------------------------
Name: -------------------------
Title: -------------------------

- ------------------------------
Name: -----------------------

- ------------------------------
Name: -----------------------

By: CNL CORPORATE VENTURE, INC., a Florida corporation, as general partner

By: -----------------------------
Name: -------------------------
Title: -------------------------

- ------------------------------
Name: -----------------------

- ------------------------------
Name: -----------------------

The "Holders"

ST. JOE CENTRAL FLORIDA
MANAGEMENT, INC., a Florida
corporation

By: ---------------------------------

- ------------------------------

Name: ----------------------- Name: ------------------------------

Title: ------------------------------

- ------------------------------

Name: -----------------------

CNL CORPORATE VENTURE, INC.,
a Florida corporation

By: ---------------------------------

- -----------------------------

Name: ---------------------- Name: ------------------------------

Title: ------------------------------

- -----------------------------

Name: ----------------------

EXHIBIT A

No. __ $_________

ST. JOE/CNL REALTY GROUP, LTD.
10% Subordinated Debentures Due 2004

ST. JOE/CNL REALTY GROUP, LTD., a Florida limited partnership (the "Partnership"), for value received, hereby promises to pay to ____________________, a Florida corporation (the "Holder"), or registered assigns, the principal sum of _______________________________ Dollars ($________) on December 3, 2004 (the "Maturity Date"), and to pay interest, other than the Accrued Interest Allocation (as defined below), on said principal sum, or so much thereof as is outstanding from time to time, from the date hereof quarterly on January 1, April 1, July 1 and October 1 (each, an "Interest Payment Date") in each year commencing on the first of such dates following an advance hereunder, at the rate of 8% per annum, until the principal amount hereof, and all accrued but unpaid interest thereon, has been paid in full. Additionally, notwithstanding anything herein to the contrary, interest in the amount of 2% per annum, compounded monthly (the "Accrued Interest Allocation"), shall be accrued and paid at the earlier of the Maturity Date or such date prior to the Maturity Date on which the principal amounts of this Debenture is due and payable in full or otherwise paid in full (at which time all accrued, but unpaid interest, including the Accrued Interest Allocation, shall be due and payable in full).

Payment of the principal of this Debenture shall on be made in full on the Maturity Date unless otherwise required in accordance with the terms and conditions of the Agreement. Payments of the principal of and interest on this Debenture will be made in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts and will be paid by check mailed to the address of the Holder as such address shall appear on records of the Partnership or, at the request of the Holder, by wire transfer in accordance with the instructions provided by such Holder.

The provisions of this Debenture relating to other matters are set forth on the reverse hereof, and such provisions shall for all purposes have the same effect as though fully set forth in this place. This Debenture is issued in accordance with the Debenture Agreement dated as of December 3, 1997 (the "Agreement"), between the Partnership and the Holder, and is subject in all respect to the terms and conditions set forth therein, which provisions are hereby incorporated herein by reference to the same extent as though set forth herein in full. In the event of any conflict or inconsistency between the terms of this Debenture and the terms of the Debenture Agreement, the terms of the Debenture Agreement shall supersede and control to the extent of such conflict or inconsistency.

IN WITNESS WHEREOF, the Partnership has caused this Debenture to be duly executed by its officers thereunto duly authorized.

Witnesses:

The "Partnership"

ST. JOE/CNL REALTY GROUP, LTD., a Florida limited partnership

By: ST. JOE CENTRAL FLORIDA MANAGEMENT, INC., a Florida corporation, as general partner

By: ---
Name: ---
Title: --

- ---
Name: ---

- ---
Name: ---

By: CNL CORPORATE VENTURE, INC., a Florida corporation, as general partner

By: ---
Name: ---
Title: --

- ---
Name: ---

- ---
Name: ---

THE DEBENTURES EVIDENCED HEREBY HAVE BEEN ISSUED WITHOUT REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT") OR ANY STATE SECURITIES LAWS PURSUANT TO EXEMPTIONS FROM REGISTRATION, AND MAY NOT BE SOLD, PLEDGED, HYPOTHECATED OR OTHERWISE TRANSFERRED (EACH A "TRANSFER") WITHOUT SUCH REGISTRATIONS UNLESS ONE OR MORE VALID EXEMPTIONS FROM REGISTRATION ARE AVAILABLE AND THE Partnership HAS RECEIVED AN OPINION OF, OR SATISFACTORY TO, ITS LEGAL COUNSEL THAT SUCH TRANSFER WOULD NOT VIOLATE FEDERAL AND STATE SECURITIES LAWS.

ST. JOE/CNL REALTY GROUP, LTD.

10% Subordinated Debentures Due 2004

This Debenture is one of a duly authorized issue of Debentures of the Partnership, designated as its 10% Subordinated Debentures Due 2004 (herein called the "Debentures"), limited to the aggregate principal amount of $30,000,000, all issued or to be issued under and pursuant to the Agreement.

In case an Event of Default, as defined in the Agreement, shall have occurred and be continuing, the principal of all Debentures may be declared, and upon such declaration shall become due and payable, in the manner, with the effect, and subject to the conditions provided in the Agreement.

The Partnership shall be entitled to receive advances under the Debentures from time to time during the term of the Debentures up to the aggregate principal amount of $30,000,000 (the "Maximum Amount") on the terms and conditions set forth in the Agreement. The Debentures shall evidence a revolving obligation; accordingly, during the term of the Debentures, the Partnership may borrow up to the Maximum Amount, repay all or any portion of such principal amount, and reborrow up to such Maximum Amount in accordance with the terms and conditions in the Agreement.

The indebtedness evidenced by the Debentures is, to the extent and in the manner provided in the Agreement, expressly subordinate and subject in right of payment to the prior payment of certain obligations of the Partnership as specified in the Agreement and this Debenture is issued subject to the provisions of the Agreement with respect to such subordination. Each holder of this Debenture, by accepting the same, agrees to and shall be bound by such provisions.

Subject to the provisions of the Agreement, the Debentures may be prepaid at the discretion of the Partnership, in whole or in part, in the principal amount of $1,000,000 or multiples thereof, without premium or penalty, by paying the principal amount thereof (or so much thereof as is being prepaid at such time) together with accrued interest to the date of prepayment (except with respect to the Accrued Interest Allocation which shall be payable only in the event of a total prepayment of the Debentures). Notice of prepayment shall be given and Debentures shall be prepaid as provided in the Agreement.

Interest on the Debentures shall be computed on the basis of a year of twelve 30-day months.

At the office of the Partnership in Orlando, Florida, and in the manner and subject to the limitations provided in the Agreement, but without payment of any service charge, Debentures may be exchanged for a like aggregate principal amount of Debentures of other authorized denominations.

The Partnership and any paying agent may deem and treat the Holder hereof as the absolute owner of this Debenture (whether or not this Debenture shall be overdue and notwithstanding any notation of ownership or other writing hereon made by anyone other than the Partnership), for the purpose of receiving payment hereof, or on account hereof, and for all other purposes, and neither the Partnership nor any paying agent shall be affected by any notice to the contrary. All payments made to or upon the order of such the Holder shall, to the extent of the sum or sums paid, satisfy and discharge liability for monies payable on this Debenture.

All terms used in this Debenture which are defined in the Agreement shall have the meanings assigned to them in the Agreement unless otherwise specified herein.

EXHIBIT A

No. __ $_________

ST. JOE/CNL REALTY GROUP, LTD.
10% Subordinated Debentures Due 2004

ST. JOE/CNL REALTY GROUP, LTD., a Florida limited partnership (the "Partnership"), for value received, hereby promises to pay to ____________________, a Florida corporation (the "Holder"), or registered assigns, the principal sum of _______________________________ Dollars ($________) on December 3, 2004 (the "Maturity Date"), and to pay interest, other than the Accrued Interest Allocation (as defined below), on said principal sum, or so much thereof as is outstanding from time to time, from the date hereof quarterly on January 1, April 1, July 1 and October 1 (each, an "Interest Payment Date") in each year commencing on the first of such dates following an advance hereunder, at the rate of 8% per annum, until the principal amount hereof, and all accrued but unpaid interest thereon, has been paid in full. Additionally, notwithstanding anything herein to the contrary, interest in the amount of 2% per annum, compounded monthly (the "Accrued Interest Allocation"), shall be accrued and paid at the earlier of the Maturity Date or such date prior to the Maturity Date on which the principal amounts of this Debenture is due and payable in full or otherwise paid in full (at which time all accrued, but unpaid interest, including the Accrued Interest Allocation, shall be due and payable in full).

Payment of the principal of this Debenture shall on be made in full on the Maturity Date unless otherwise required in accordance with the terms and conditions of the Agreement. Payments of the principal of and interest on this Debenture will be made in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts and will be paid by check mailed to the address of the Holder as such address shall appear on records of the Partnership or, at the request of the Holder, by wire transfer in accordance with the instructions provided by such Holder.

The provisions of this Debenture relating to other matters are set forth on the reverse hereof, and such provisions shall for all purposes have the same effect as though fully set forth in this place. This Debenture is issued in accordance with the Debenture Agreement dated as of December 3, 1997 (the "Agreement"), between the Partnership and the Holder, and is subject in all respect to the terms and conditions set forth therein, which provisions are hereby incorporated herein by reference to the same extent as though set forth herein in full. In the event of any conflict or inconsistency between the terms of this Debenture and the terms of the Debenture Agreement, the terms of the Debenture Agreement shall supersede and control to the extent of such conflict or inconsistency.

IN WITNESS WHEREOF, the Partnership has caused this Debenture to be duly executed by its officers thereunto duly authorized.

Witnesses:

The "Partnership"

ST. JOE/CNL REALTY GROUP, LTD., a Florida limited partnership

By: ST. JOE CENTRAL FLORIDA MANAGEMENT, INC., a Florida corporation, as general partner

By: ---

Name: --

Title: --

- ---------------------------------------
Name: ---------------------------------

- ---------------------------------------
Name: ---------------------------------

By: CNL CORPORATE VENTURE, INC., a Florida corporation, as general partner

By: ---

Name: --

Title: --

- --------------------------------------
Name: --------------------------------

- --------------------------------------
Name: --------------------------------

THE DEBENTURES EVIDENCED HEREBY HAVE BEEN ISSUED WITHOUT REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT") OR ANY STATE SECURITIES LAWS PURSUANT TO EXEMPTIONS FROM REGISTRATION, AND MAY NOT BE SOLD, PLEDGED, HYPOTHECATED OR OTHERWISE TRANSFERRED (EACH A "TRANSFER") WITHOUT SUCH REGISTRATIONS UNLESS ONE OR MORE VALID EXEMPTIONS FROM REGISTRATION ARE AVAILABLE AND THE Partnership HAS RECEIVED AN OPINION OF, OR SATISFACTORY TO, ITS LEGAL COUNSEL THAT SUCH TRANSFER WOULD NOT VIOLATE FEDERAL AND STATE SECURITIES LAWS.

ST. JOE/CNL REALTY GROUP, LTD.

10% Subordinated Debentures Due 2004

This Debenture is one of a duly authorized issue of Debentures of the Partnership, designated as its 10% Subordinated Debentures Due 2004 (herein called the "Debentures"), limited to the aggregate principal amount of $30,000,000, all issued or to be issued under and pursuant to the Agreement.

In case an Event of Default, as defined in the Agreement, shall have occurred and be continuing, the principal of all Debentures may be declared, and upon such declaration shall become due and payable, in the manner, with the effect, and subject to the conditions provided in the Agreement.

The Partnership shall be entitled to receive advances under the Debentures from time to time during the term of the Debentures up to the aggregate principal amount of $30,000,000 (the "Maximum Amount") on the terms and conditions set forth in the Agreement. The Debentures shall evidence a revolving obligation; accordingly, during the term of the Debentures, the Partnership may borrow up to the Maximum Amount, repay all or any portion of such principal amount, and reborrow up to such Maximum Amount in accordance with the terms and conditions in the Agreement.

The indebtedness evidenced by the Debentures is, to the extent and in the manner provided in the Agreement, expressly subordinate and subject in right of payment to the prior payment of certain obligations of the Partnership as specified in the Agreement and this Debenture is issued subject to the provisions of the Agreement with respect to such subordination. Each holder of this Debenture, by accepting the same, agrees to and shall be bound by such provisions.

Subject to the provisions of the Agreement, the Debentures may be prepaid at the discretion of the Partnership, in whole or in part, in the principal amount of $1,000,000 or multiples thereof, without premium or penalty, by paying the principal amount thereof (or so much thereof as is being prepaid at such time) together with accrued interest to the date of prepayment (except with respect to the Accrued Interest Allocation which shall be payable only in the event of a total prepayment of the Debentures). Notice of prepayment shall be given and Debentures shall be prepaid as provided in the Agreement.

Interest on the Debentures shall be computed on the basis of a year of twelve 30-day months.

At the office of the Partnership in Orlando, Florida, and in the manner and subject to the limitations provided in the Agreement, but without payment of any service charge, Debentures may be exchanged for a like aggregate principal amount of Debentures of other authorized denominations.

The Partnership and any paying agent may deem and treat the Holder hereof as the absolute owner of this Debenture (whether or not this Debenture shall be overdue and notwithstanding any notation of ownership or other writing hereon made by anyone other than the Partnership), for the purpose of receiving payment hereof, or on account hereof, and for all other purposes, and neither the Partnership nor any paying agent shall be affected by any notice to the contrary. All payments made to or upon the order of such the Holder shall, to the extent of the sum or sums paid, satisfy and discharge liability for monies payable on this Debenture.

All terms used in this Debenture which are defined in the Agreement shall have the meanings assigned to them in the Agreement unless otherwise specified herein.

Exhibit 5.01

SB 333-###)

Securities and Exchange Commission
450 Fifth Street, N.W.
Washington D.C. 20549

Re: St. Joe Corporation Registration Statement on Form S-3

Dear Sirs:

I am General Counsel of St. Joe Corporation, a Florida corporation (the "Company"). I refer you to the Registration Statement on Form S-3 (Reg. No. 333-) (the "Registration Statement") filed by the Company on December 16, 1997 with the Securities and Exchange Commission under the Securities Act of 1933, as amended, for the registration of the sale of 4,600,000 shares of the Company's common stock, no par value (the "Common Stock") by the Alfred I. duPont Testamentary Trust in an underwritten public offering.

I have examined originals or copies, certified or otherwise identified to my satisfaction, of such documents, corporate records and other instruments as I have deemed necessary or appropriate in connection with this opinion.

In this examination, I have assumed the genuineness of all signatures, the authenticity of all documents submitted to me as original documents and the conformity to original documents of all documents submitted to me a copies. Based upon the foregoing, I am of the opinion that the shares of Common Stock to be sold in the offering are duly authorized, validly issued, fully paid and non-assessable.

No opinion is expressed herein as to the laws of any jurisdiction other than the laws of the United States of America and the State of Florida.

I hereby consent to the filing of this opinion as an exhibit to the Registration Statement.

Very truly yours,

/s/ ROBERT M. RHODES
Robert M. Rhodes
Senior Vice President
and General counsel

EXHIBIT 10.01

EMPLOYMENT AGREEMENT

This Employment Agreement (the "Agreement") is made this 7th day of January, 1997, by and between ST. JOE CORPORATION, a Florida corporation (the "Corporation"), and PETER RUMMELL (the "Employee").

WHEREAS, the Corporation is a Florida corporation engaged in the business of owning, developing, managing and selling real estate, silver culture, transportation and farming; and

WHEREAS, the Corporation desires to employ the Employee upon the terms and conditions hereinafter set forth and the Employee desires to accept employment on those terms and conditions;

NOW, THEREFORE, in consideration of the mutual covenants stated below, Corporation and Employee agree as follows:

1. EMPLOYMENT - Corporation hereby employs Employee as Chairman of the Board and Chief Executive Officer of the Corporation, to perform such duties as, from time to time, may be determined and/or assigned to him by the Board of Directors of the Corporation.

2. TERM - The term of this Agreement shall commence on January 7, 1997 and shall continue for five (5) years, unless earlier terminated pursuant to Section 9 or 10 hereof.

3. COMPENSATION - Corporation agrees to compensate Employee as follows:

a) Salary - For all services rendered by Employee during the term of this Agreement, an annual salary of Six Hundred Thousand Dollars ($600,000.00), payable in equal monthly installments.

b) Salary Adjustments - Employee's compensation shall be re-evaluated not less than annually by the Board of Directors of the Corporation and may be increased (but not decreased) at such time.

c) Benefits - The Corporation shall also make available to Employee such other benefits and perquisites as are currently offered to executives of the Corporation. Employee will be eligible to participate in the Corporation's Salaried Employees Pension Plan, Salaried Employees Benefit Plan and Employee Salary Deferral Plan in accordance with the current terms and conditions of those plans.

d) Short Term Incentive - On or before December 31, 1997, Employee will present to the Board of Directors of the Corporation a business plan for the Corporation. If the business plan is accepted and approved by the Board of Directors of the Corporation on or before December 31, 1997, then the Corporation will pay Employee a bonus of Two Hundred Fifty Thousand Dollars ($250,000.00) on or before February 15, 1998. During the second through the fifth years of this Agreement, the Board of Directors will design a short term incentive plan for Employee. Such short term incentive plan will include goals based on achievement by the Corporation of elements of the business plan proposed by Employee and accepted by the Corporation and/or the meeting of financial objectives as set by the Board of Directors of the Corporation. Employee's short term incentive for each of the second through the fifth years of this Agreement as determined by the Board of Directors will have a potential award range equal up to 100% of Employee's annual salary for that year.

e) Long Term Incentive - As of the date of this Agreement, the Corporation will grant to Employee a nonstatutory stock option award for One Million Two Hundred thousand (1,200,000) shares in the Corporation's common stock at the closing price on the day preceding the date of this Agreement (whch is $64.50 per share). The nonstatutory stock options will vest in Employee at 20% per year effective on the anniversary dates of the date of this Agreement. Once vested, Employee may exercise sald stock options within ten years from the grant of the nonstatutory stock options (i,e.,

ten years from the date of this Agreement). In the event of a change in control of the Corporation as defined in Section 3(g) below, or a termination of Employee's employment without cause or upon Employee's death (subject to Section 9(c) herein), the vesting of the nonstatutory stock options will accelerate and Employee will be the owner and holder of such stock options without restrictions. In the event of the involuntary termination of Employee's employment for cause as set forth in Section 9(a) herein or the Employee's voluntary termination of his employment, all of the nonstatutory stock options that had not vested in Employees at that time will lapse and Employee will have no rights in same. All of the option shares will be registered under the Securities Act of 1933 on or before the date when the first installment of the option vests. In the event of the declaration of a partial liquidation distribution due to the prior sale of certain assets of St. Joe Forest Products Co. that are related to its paper mill business, the prior sale of certain assets of St. Joe Container Co. that are related to its container business and the prior sale of the stock of St. Joe Communications, Inc., the strike price of said options will be reset equitably based upon (i) the average of the closing prices on the last five (5) trading days on which the Corporation's stock trades with the right to receive such partial liquidation distribution and (ii) the average of the closing prices on the first five (5) trading days on which the Corporation's stock trades without the right to receive such partial liquidation distribution and (ii) the average of the closing prices on the first five (5) trading days on which the Corporation's stock trades without the right to receive such partial liquidation distribution. In the event of the declaration of a partial liquidation distribution due to the subsequent sale of a significant portion of the assets or the stock of a subsidiary of the Corporation other than St. Joe Forest Products Co., St. Joe Container Co. and St. Joe Communications, Inc., the strike price of said options will also be reset equitably based upon (i) the average of the closing prices on the last five (5) trading days on which the Corporation's stock trades with the right to receive any such partial liquidation distribution and (ii) the average of the closing prices on the first five (5) trading days on which the

Corporation's stock trades without the right to receive any such partial liquidation distribution. To illustrate the foregoing, assume hypothetically (i) that the exercise price of Employee's options is $64.50 per share, (ii) that the average of the closing prices on the last five (5) trading days on which the Corporation's stock trades with the right to receive the partial liquidation distribution is $69.50 per share and (iii) that the average of the closing prices on the first five (5) trading days on which the Corporation's stock trades without the right to receive the partial liquidation distribution is $57.00 per share. The exercise price would be adjusted by determining the difference between the average of the closing prices on the first five (5) trading days on which the Corporation's stock trades without the right to receive the partial liquidation distribution ($57.00) and the average of the closing prices on the last five (5) trading days on which the Corporation's stock trades with the right to receive the partial liquidation distribution ($69.50) which in this hypothetical is $12.50, and then subtracting said sum from the exercise price ($64.50 - $12.50 = $52.00). As a result, Employee would hold options covering 1,200,000 shares with an exercise price of $52.00 per share.

1) The parties hereto acknowledge and agree that the Corporation does not presently have in place a stock option plan, but the Corporation agrees to promptly implement same in order to fulfill the terms of this Agreement subject to shareholder approval. The nonstatutory stock options to be issued by the Corporation to Employee hereunder shall be evidenced by agreements in such form as the Board of Directors of the Corporation shall approve, which agreements comply with and be subject to the terms and conditions of this Agreement. Each of the parties hereto agree that they will cooperate and assist each other in the preparation and implementation of the stock option plan in accordance with all laws, rules and regulations and that same will be accomplished as soon as reasonably practicable and within the necessary time period.

2) In the event of a capital adjustment resulting from a stock dividend, stock split, reorganization, merger, consolidation, spinoff or a combination or exchange of shares, the number shares of stock subject to the nonstatutory stock options issued to Employee shall be adjusted consistent with such capital adjustment. The price of any share under options shall be adjusted so that there will be no change in the aggregate purchase price payable under exercise of any such option. The granting of the nonstatutory stock options shall not effect in any way the right or power of the Corporation to make adjustments, reorganizations, reclassifications, or changes of its capital or business structure, or to merge consolidate, dissolve, liquidate, or sell or transfer all or any part of its business or assets.

f) Award of Restricted Stock - As of the date of this Agreement, the Corporation will grant to Employee restricted common stock on the Corporation equal in value (based on the closing prices on the day preceding the date of this Agreement) to the difference between the value of 140,000 shares of Disney common stock (which is $69.00 per share) and $5,320,000.00 (the "value of Disney stock option"). For example, if Disney stock is valued at $69.00 per share as of the day preceding the date of this Agreement, then the Corporation will grant to Employee restricted common stock in the Corporation at a total value of $4,340,000.00 (140,000 shares X $69.00 per share = $9,660,000.00; $9,660,000.00 less $5,320,000.00 = $4,340,000.00). The restricted stock will be for the number of the Corporation's shares at the closing market value as of the day preceding the date of this Agreement which will be equal to the value of the Disney stock options as defined above ($4,340,000.00 + $64.50 = 67,287 shares of the Corporation's restricted common stock). Unrestricted title to the restricted stock will vest in Employee at 20% per year. In the event of a change in control of the Corporation as defined in Section 3(g) below or a termination of Employee's employment without cause

or upon Employee's death, disability or adjudication of incompetency or incapacity, the vesting of the restricted stock will accelerate and Employee will be the owner and holder of such stock without restrictions. In the event of- the involuntary termination of Employee's employment for cause as set forth in Section 9(a) herein or the Employee's voluntary termination of his employment, all of the restricted stock which had not vested in Employee at that time will be returned to the Corporation and Employee will have no rights in same. All of the restricted shares will be registered under the Securities Act of 1933 on or before the date when the first installment of the shares vests.

1) The parties hereto acknowledge and agree that the Corporation does not presently have in place a restricted stock plan, but the Corporation agrees to promptly Implement same In order to fulfill the terms of this Agreement subject to shareholder approval. The restricted stock to be issued by the Corporation to Employee hereunder shall be evidenced by agreements in such form as the Board of Directors of the Corporation shall approve, which agreements shall comply with and be subject to the terms and conditions of this Agreement. Each of the parties hereto agree that they will cooperate and assist each other in the preparation and implementation of the restricted stock plan in accordance with all laws, rules and regulations and that the same will be accomplished as soon as reasonably practicable and within the necessary time period.

g) Definition of Change in Control - Control of the Corporation now resides in the voting stock held by the combined ownership of the Alfred I. duPont Testamentary Trust and the Nemours Foundation. The term "change in control" means that:

(i) 30% or more of the outstanding voting stock of the Corporation is acquired by any person or group other than Alfred I. duPont Testamentary Trust and the Nemours Foundation, except that this paragraph (i) shall not apply as long as the Alfred I. duPont Testamentary Trust or the Nemours Foundation.

of any combination of both, owns more voting stock than such person or group; or

(ii) Stockholders of the Corporation other than the Alfred I. DuPont Testamentary Trust and the Nemours Foundation vote in a contested election for directors of the Corporation and through exercise of their votes result in the replacement of 50% or more of the Corporation's directors (the mere change of 50% or more of the members of the Corporation's Board of Directors will not trigger a change in control unless same occurs as a result of a contested election); or

(iii) The Corporation is a party to a merger or similar transaction as a result of which the Corporation's stockholders own 50% or less of the surviving entity's voting securities after such merger or similar transaction.

It is agreed that no "change in control" occurs in any event as long as the combined ownership of the Alfred I. DuPont Testamentary Trust and the Nemours Foundation exceed 50% of the outstanding voting stock of the Corporation.

4. EXPENSES OF EMPLOYEE - The Corporation shall pay, or shall reimburse Employee for reasonable expenses in connection with the business of the corporation subject to and in accordance with the Corporation's policies and procedures established from time to time by the Corporation.

5. WORKING FACILITIES - The Corporation shall provide Employee with an office at its corporate headquarters at 1650 Prudential Drive, Jacksonville, Florida, secretarial services, and such other facilities and other services as are considered customary and consistent with Employee's position and adequate for the proper performance of his duties.

6. DUTIES OF EMPLOYEE - Employee agrees that he shall:

a) Devote his full professional time and attention to the furtherance of the Corporation's business, specifically including, but not limited to, serving as chief executive officer and Chairman of the Board of Directors of the Corporation.

b) Comply with the policies, standards and regulations of the Corporation as established from time to time by its Board of Directors and with applicable standards of industry ethics.

c) Promptly reveal to the Board of Directors of the Corporation such matters coming to his attention as pertain to the material business or interests of the Employee and the Corporation and are appropriate for consideration by the Corporation's Board of Directors including but not limited to opportunities, inventions, improvements, discoveries, processes, programs or systems, developed or discovered by Employee during his employment with the Corporation and same shall be the sole and absolute property of the Corporation.

d) Seek the approval of the Board of Directors of the Corporation prior to serving on the Board of Directors of other corporations and prior to Employee engaging in any other trade or business (except for incidental personal investments) during the term of this Agreement.

e) Perform those duties assigned to Employee by the Board of Directors.

7. VACATION AND SICK LEAVE - In addition to holidays recognized by the Corporation, Employee shall be entitled each year to a paid vacation and sick leave in accordance with the Corporation's policy. No unused vacation or sick leave may be carried over from year to year.

8. RELOCATION -

a) It is the intention of the Corporation to make Employee whole by reimbursing Employee for all reasonable costs associated with his relocation from California to the

Jacksonville, Florida area. Such costs will include house hunting trips to the Jacksonville area with Employee's spouse, visits to family in California prior to the permanent relocation of Employee and his spouse, real-estate commissions and closing costs related to the sale of Employee's California residence (except that the Corporation will not be liable for any real estate commission if Employee's California residence is purchased by the Corporation), the physical movement of household goods from California to the Jacksonville, Florida area, the removal and reinstallation of audio visual and electronic equipment, storage of household goods for up to one (1) year, a temporary living allowance of $5,000.00 per month for up to three (3) months, and closing costs related to the purchase of a home in the Jacksonville, Florida area. The Corporation will pay invoices for the above described relocation expenses or reimburse Employee for same.

b) In the event that Employee's California residence is placed on the market at a reasonable price and the house is not sold within 90 days after being placed on the market for sale, Employee may elect either (l) to sell the house to the Corporation for an amount equal to the price at which the house should sell within 180 days as determined by Independent appraisers or (ii) to obtain an interest free bridge loan from the Corporation for up to one year for an amount up to the price at which the house should sell within 180 days as determined by independent appraisers.

1) In order to determine the price at which the house should sell within 180 days, each of Employee and the Corporation shall select an independent real estate appraiser who will appraise Employee's California residence and give their written professional opinion of the price at which the house should sell within 180 days. Each appraisal shall be obtained within thirty (30) days from the date Employee gives the Corporation written notice of his intent to sell the house to the Corporation or to obtain an interest free bridge loan from the Corporation and the appraisals shall be shared with the other party. If the

appraisals do not vary by more than 5%, then the average of the two appraisals shall be utilized as the price at which the house should sell within 180 days. If the two appraisals vary by more than 5%, the two appraisers shall then promptly select a third real estate appraiser who shall appraise Employee's California residence within twenty days thereafter. The third appraiser will then be averaged with the other appraisal which is closest to it and said average of the two appraisals shall be utilized as the price at which the house should sell within 180 days.

2) In the event Employee elects to obtain an Interest free bridge loan from the Corporation for an amount up to the price at which the house should sell within 180 days as determined by Independent appraisers, Employee must repay said loan at the earlier of five days after the date of the closing of the sale of Employee's California residence, or one year from the date the Corporation made the interest free bridge loan to Employee.

c) As soon as reasonably practicable after each calendar year in which reimbursement of non-deductible relocation costs is made under this Section 8, Employee shall be entitled to receive from the Corporation an additional payment (the "Gross-Up Payment"). The amount of the Gross-Up Payment shall be equal to all federal and state taxes Imposed on (i) such reimbursement of non-deductible relocation costs and (ii) the Gross-Up Payment. The intent of this Section 8(c) is to hold Employee harmless, on an after-tax basis, from the tax impact of all reimbursements of non-deductible relocation costs.

9. INVOLUNTARY TERMINATION -

a) The employment of Employment with the Corporation may be determined by the Board of Directors of the Corporation upon the occurrence of any one or more of the following events;

1) At any time by the mutual consent of the parties as set forth in writing signed by both parties; or

2) In the event Employee shall willfully and materially fail or refuse to comply with the policies, standards and regulations of the Corporation from time to time established by the Board of Directors, and applicable to all its officers which conduct continues after thirty (30) days written notice of same from the Corporation's Board of Directors; or,

3) In the event Employee shall willfully and materially fail or refuse to faithfully or diligently perform the provisions of this Agreement or the usual and customary duties of his employment which conduct continues after thirty (30) days written notice of same from the Corporation's Board of Directors; or

4) In the event Employee, in the reasonable judgment of the Board of Directors, shall be guilty of fraud, dishonesty, embezzlement or other similar acts of willful misconduct; or

5) In the event Employee engages in gross misconduct including but not limited to moral turpitude, unethical or unlawful conduct, or any other act abhorrent to the community which a reasonable person would consider materially damaging to the Corporation.

Upon any involuntary termination pursuant to this Section 9(a) which shall be considered as for cause, compensation of Employee and any other rights Employee may have under this Agreement shall cease upon the termination date of his employment, and no further payments or benefits shall be paid or payable to Employee by the Corporation for any period thereafter, except to the extent that Employee shall have accrued benefits under any retirement plan adopted by the Corporation for the benefit of its employees.

b) The employment of Employee with the Corporation may also be terminated by the Board of Directors of the Corporation in the event Employee is adjudicated

incompetent or incapacitated, or becomes disabled. For the purposes of this Agreement, the term "disabled" is defined as being unable to render continuous, full time service to the Corporation in the capacity described herein for a period of more that six (6) months. Upon any involuntary termination pursuant to this Section 9(b), the parties hereto agree that (i) the Corporation will not be liable to pay Employee his annual salary and the Corporation will not be liable to pay Employee for any short term incentives that have not been earned as of the date of Employee's adjudication of incompetency or incapacity or as of the date of Employee's disability as defined herein; (ii) for the remaining term of this Agreement, Employee will remain eligible for benefits as set forth in Section 3(c) above including but not limited to disability benefits in accordance with the Corporation's policy in effect from time to time; (iii) the nonstatutory stock options which were awarded to Employee under Section 3(e) above that have not vested within one (1) year from the date of any involuntary termination pursuant to this Section 9(b) will lapse and Employee will have no rights in same; (iv) the nonstatutory stock options which were awarded to Employee under Section 3(e) above that are scheduled to vest within one (1) year from the date of any involuntary termination pursuant to this Section 9(b) will vest in full; and (v) the restricted stock which was awarded to Employee under Section 3(f) above will remain the property of Employee and the vesting of the restricted stock will accelerate and Employee will be the owner and holder of such stock without restrictions.

c) The employment of Employee with the Corporation will also be terminated upon the death of Employee. Upon any involuntary termination pursuant to this Section 9(c), the parties hereto agree that (i) the Corporation will not be liable to pay Employee his annual salary and the Corporation will not be liable to pay Employee for any short term incentives that have not been earned as of the date of Employee's death; (ii) the eligibility of Employee and his dependents for benefits as set forth in Section 3(c) above will also

terminate; (iii) the nonstatutory stock options which were awarded to Employee under Section 3(e) above that have not vested as of Employee's death will vest in full; provided, however, that the time for exercising the nonstatutory stock options (both the options already vested prior to Employee's death and the options which vest at Employee's death) will be reduced from ten (10) years from the grant of the nonstatutory stock options to two (2) years from the Employee's date of death; and (iv) the restricted stock which was awarded to Employee under Section 3(f) above will remain the property of Employee's estate and the vesting of the restricted stock will accelerate and Employee's estate will be the owner and holder of such stock without restrictions.

10. RESIGNATION FOR GOOD REASONS AFTER CHANGE IN CONTROL - In the event of a change in control as defined in Section 3(g) above, Employee may resign for good reason. If Employee resigns for good reason, such resignation will be treated as if Employee's employment had been terminated by the Corporation without cause and Employee will be entitled to receive his annual salary for the balance of this Agreement subject to the restrictive covenants set forth in Section 11 below. "Good Reason" means that (a) Employee's title, position, reporting relationship, or responsibilities have been diminished, or (b) Employee's annual salary has been reduced below the rate in effect immediately prior to the change in control or Employee's opportunity to earn short-term incentive awards under Section 3(d) is reduced below 100% of Employee's annual salary, or (c) Employee has been required to relocate from the Jacksonville, Florida area.

11. RESTRICTIVE COVENANTS -

a) In the event Employee resigns for Good Reason as defined in Section 10 above, than for a period of one (1) year thereafter, Employee shall not, directly or indirectly, within the business areas of interest of the Corporation as such areas now exist or as they may exist at the time of this Agreement terminates (the "Restricted Area"),

enter into, engage in, participate in, become financially interested in, be employed by or consult with any business conducted in competition with the business of the Corporation, as such business now exists or as it may exist in the future, either as an individual on his own account or as an independent contractor, consultant, partner or joint venturer, or as an employee or agent of another person (including any corporation or other entity), or as an officer, director, or shareholder of the corporation or other entity or otherwise.

b) During the term of employment provided for in this Agreement and for a period of one year thereafter in the event Employee resigns for Good Reason as defined in Section 10 above, Employee shall not directly or indirectly, as an individual on his own account or as an independent contractor, consultant, partner or joint venturer, or as an employee or agent of another person (including any corporation or other entity), or as an officer, director or shareholder of the corporation or other entity, or otherwise, (i) solicit any of the employees of the Corporation to terminate their employment; or (ii) contact or otherwise solicit accounts from any customers of the Corporation with whom the Corporation is doing or did business during the period of Employee's employment hereunder, whether located within or without the Restricted Territory; or (iii) divulge to any person, firm or corporation any information received by him during the course of his employment with regard to personal affairs, financial affairs, methods, processes, customer lists or other affairs of the Corporation considered confidential or proprietary in nature except as required by Law.

c) The period of time in which Employee is prohibited from engaging in such business practices pursuant to the provisions of subparagraph (a) and (b), respectively, shall be extended by the length of time during which Employee is in breach of such covenants.

d) The restrictive covenants set forth in subparagraphs (a) and (b) above are

essential elements of this Agreement, and, but for Employee's agreement to comply with such covenants, the Corporation would not have entered into this Agreement. Such covenants by Employee shall be construed as agreements independent of any other provision contained in this Agreement, and the existence of any claim or cause of action of Employee against the Corporation, whether predicated on this Agreement or otherwise, shall not constitute a defense to the enforcement by the Corporation of such covenants. If any portion of the covenants set forth in subparagraphs (a) and (b) above is held to be unreasonable, arbitrary or against public policy, then such portion of such subparagraphs shall be divisible both as to time and geographical area, and each month of the specified period shall be considered to be a separate period of time, and each state, county, city, town, municipality and the like, shall be considered to be a separate geographical area, so that the lesser period of time or geographical area shall remain effective as long as the same is not unreasonable, arbitrary or against public policy and may be enforced against Employee.

e) Damages at law shall be an insufficient remedy to the Corporation in the event that Employee violates the terms of subparagraphs (a) and (b) above, and the Corporation shall be entitled, upon application to a court of competent jurisdiction, to obtain injunctive relief to enforce the provisions of said subparagraphs, which injunctive relief shall be in addition to any other rights and remedies available to the Corporation.

12. INVALID PROVISIONS. The invalidity or unenforceability of a particular provision of this Agreement shall not affect the other provisions hereof, and this Agreement shall be construed in all respects as if the invalid or unenforceable provisions were omitted.

13. MODIFICATION. No change or modification of this Agreement shall be valid unless in writing and signed by both Employee and the Corporation.

14. CONSTRUCTION. This Agreement shall be construed and regulated under and

in accordance with the laws of the State of Florida and, except as otherwise provided herein, shall inure to the benefit of and be binding upon the parties hereto, their heirs, personal representatives, successors and assigns. All disputes, controversies and causes of action of every kind and nature between the parties hereto arising out of or in connection with or pertaining to this Agreement must be brought, settled and litigated in the Courts located in Jacksonville, Duval County, Florida. The term "Corporation" as used herein shall also refer to any successor to the Corporation's business which has agreed to assume the Corporation's obligations under this Agreement. This Agreement may be executed in counterparts, each of which shall be considered an original.

15. CORPORATE RECORDS. All Corporate opportunities, records, and customer histories collected and used by Employee in connection with his employment, and all books, manuals, lists, financial and other records and written memoranda of the business of the Corporation are, and shall remain, the sole and permanent property of the Corporation.

16. WAIVER OF BREACH. The waiver by the Corporation or Employee of enforcement of any term or provision of this Agreement with respect to the other shall not operate or be construed as a waiver of any subsequent breach by Employee or the Corporation.

17. ASSIGNMENT. Except as provided herein, the rights, duties, privileges and obligations of Employee hereunder shall not be assignable and shall not inure to the benefit of his heirs, personal representatives or administrators.

18. ATTORNEYS' FEES. In the event of a dispute arising out of this Agreement, any party receiving any monetary or injunctive remedy, whether at law or in equity, which is final and not subject to appeal shall be entitled to recover its reasonable attorneys' fees and costs incurred with respect to obtaining such remedy from the other party.

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

Signed, sealed and delivered In the presence of:	CORPORATION:
	ST. JOE CORPORATION
/s/ Mary B. Futch	By: /s/ W.L. Thornton
/s/ Loyce J. Padrick	W.L. Thornton, its Chairman
	EMPLOYEE:
/s/	/s/ Peter Rummell
/s/	PETER RUMMELL

EXHIBIT 10.02

ST JOE CORPORATION
1650 Prudential Drive, Suite 400
Jacksonville, Florida 32201-1380

April, 1997

Mr. Charles A. Ledsinger, Jr.
210 West Cherry Circle
Memphis, TN 38117

Dear Chuck:

St. Joe Corporation (the "Company") is pleased to offer you employment on the following terms.

1. Position. You will serve in a full-time capacity as Senior Vice President and Chief Financial Officer of St. Joe Corporation and its wholly owned subsidiaries. You will report directly to the Chief Executive Officer. Your primary duties will be overall management of Company's financial affairs including financial planning and forecasting, accounting, information services, investor relations, treasury, strategic planning, mergers, acquisitions and divestitures.

2. Salary. You will be paid a salary at the annual rate of $350,000.00 (the "Base Salary"), payable in accordance with the Company's standard payroll practices for salaried employees. This salary will be subject to reevaluation on each January 1, commencing January 1, 1998, It may be increased but not reduced during your employment, pursuant to the Company's employee compensation policies in effect from time to time.

3. Bonus. You will be eligible to participate in the Company's annual discretionary bonus plan, which is based on overall Company performance and individual performance for the calendar year. Your initial participation will be in the plan for calendar year 1997, with an award range of 0% to 60% of your Base Salary with a target of 50% of your base salary. This award range will not be reduced during your employment with the Company. We will provide you with a one time front-end payment of $125,000.00 (gross) as compensation for the loss of value of unvested "in the money" options granted to you by Harrah's. This payment will not be included in the gross-up tax payment provided to you in Paragraph 7. Therefore, you will be responsible for any and all taxes on this front-end payment.

4. Stock Options. Subject to the approval of the Company's Board of Directors Compensation Committee, you will be granted a nonstatutory option to purchase 80,000 shares of the Company's Common Stock. The exercise price per share will be equal to the fair market value per share as of closing on April 28, 1997. You will vest 20% of the option after 12 months of service, and the balance will vest in equal annual installments over the next 48 months of service, as described in the applicable stock option agreement. In the event of a Change in Control or termination of your employment for any reason other than cause or disability as defined in Paragraphs 9, 11, and 12, or your resignation, you will vest in the entire option. The option will have a 10-year term. In all respects not described in this letter, the option will be subject to the terms and conditions of the Company's 1997 Stock Incentive Plan (the "Plan") and the applicable stock option agreement.

5. Benefits. You and your family will be eligible for all benefit programs and perquisites that are offered from time to time to similarly situated officers of the Company, including pension, 401(K), life, health, and disability insurance programs. You will also receive a $1,000.00/month gross car allowance in addiction to your base salary. We are in the process

of creating a supplemental executive retirement plan (SERP) and an executive financial counseling plan which you will be eligible to participate in.

6. Expense Reimbursement. You will be eligible for reimbursement of necessary and reasonable business expenses subject to Company policy upon their completion and approval.

7. Relocation Benefits. Your relocation package will include packing and shipment of your office and household goods from Memphis to Jacksonville and storage for up to 150 days, reimbursement of all reasonable and customary expenses associated with the sale of your primary residence in Memphis and the purchase of a primary residence in Jacksonville, and temporary housing (not including meals and incidentals) in a Company apartment in Jacksonville through July 31, 1997 This date may be extended by the Company. You may sell your current residence in Memphis directly or participate in the Company's third-party purchase program. You will be reimbursed for airfare expenses for any commuting to Memphis from May 1, 1997 to July 31, 1997. This may include up to 2 round trips for your family from Memphis to Jacksonville. You will be entitled to receive from the Company a gross-up payment equal to all federal and state taxes imposed on the reimbursement of nondeductible relocation costs and on the gross-up payment itself. The intent of the preceding sentence is to hold you harmless, in an after-tax basis, from the tax impact of all reimbursements of nondeductible relocation costs.

8. Period of Employment. Your employment with the Company will be "at will," meaning that either you or the Company will be entitled to terminate your employment at any time and for any reason, with or without cause, upon 30 days' written notice. Any contrary representations which may have been made to you arc superseded by this offer. Except for other specific provisions of this Agreement relating to termination, this is the full and

complete Agreement between you and the Company on this term. The "at will" nature of your employment may only be changed in an express written agreement signed by you and a duly authorized officer of the Company.

9. Severance Pay. Notwithstanding Paragraph 8, in the event that the Company terminates your employment without your consent for any reason other than cause or disability, you will receive severance pay in a lump sum in an amount equal to 150% of your Base Salary at the rate in effect at the time of your termination, plus 50% of the amount of any bonus awarded you the prior year. However, if the termination of your employment under the preceding sentence occurs within 12 months after a Change in Control as defined in Paragraph 12, the amount of your severance pay will be 200% of your Base Salary at the rate in effect at the time of your termination, plus 75% of the amount of any bonus awarded you the prior year.

   If termination of your employment is subject to this paragraph, the Company will provide you and your family health insurance coverage, including, if applicable, COBRA reimbursement provided in Paragraph 5, and will provide you disability insurance coverage under the applicable Company plans for a period of 12 months following termination or until you start other full time employment, whichever is earlier.

   For purposes of this Agreement, "cause" means gross negligence, misconduct, nonfeasance, a material breach of this Agreement, conviction following final disposition of any available appeal of a felony, or pleading guilty or no contest to a felony.

10. Termination Upon Death. In the event of your death during your employment, this Agreement shall terminate and the Company shall only be obligated to pay your estate or legal representative the Base Salary provided for herein to the extent earned by you prior to such event.

However, the Company may pay your estate or legal representative a bonus which you may have earned prior to your death. Any rights in stock options for which you were eligible prior to your death shall vest according to Company policy.

11. Disability. If you are unable to perform the services required of you as a result of any disability and such disability continues for a period of 120 or more consecutive days or an aggregate of 180 or more days during any 12-month period during your employment, the Company shall have the right, at its option, to terminate your employment. Unless and until so terminated, during any period of disability during which you are unable to perform the services required of you, your salary shall be payable to the extent of, and subject to, Company's policies and practices then in effect with regard to sick leave and disability benefits.

12. Definition of "Change in Control." For purposes of this Agreement, the term "Change in Control" means that:

   a) 30% or more of the outstanding voting stock of the Company is acquired by any person or group other than the Alfred I. DuPont Testamentary Trust and the Nemours Foundation, except that this Paragraph (a) will not apply as long as the Alfred I. DuPont Testamentary Trust or the Nemours Foundation or any combination of both, owns more voting stock than such person or group; or

   b) Shareholders of the Company other than the Alfred I. DuPont Testamentary Trust and the Nemours Foundation vote in a contested election for directors of the Company and through exercise of their votes cause the replacement of 50% or more of the Company's directors with directors who were not nominated by a majority of the directors who were in office before such contested election; or

c) The Company is a party to a merger or similar transaction as a result of which the Company's shareholders own 50% or less of the surviving entity's voting securities after such merger or similar transaction.

It is agreed that no Change in Control occurs as long as the combined ownership of the Alfred I. DuPont Testamentary Trust and the Nemours Foundation exceeds 50% of the outstanding voting stock of the Company. A transaction will not constitute a Change in Control if its sole purpose is to change the state of the Company's incorporation or to create a holding company that will be owned in substantially the same proportions by the persons who held the Company's securities immediately before such transaction.

13. Special Termination Provision. In recognition of your commencement of employment before the Company's Stock Incentive Plan is in place and that existence of this Plan and your stock option award is a material factor in your decision to accept employment with the Company, if the Plan and your stock option award are not in effect and fully approved by all required Company and other entities and Company shareholders by June 15, 1997, you may, no later than July 15, 1997, at your sole discretion, terminate your employment with the Company. Upon such termination, the Company will pay you the prorated remainder of your full Base Salary for 1997 as provided in Paragraph 2. The Company also will pay necessary and reasonable expenses to move your office furniture and goods and will maintain health, dental, life, and disability insurance for you and those members of your family then covered by Company programs until January 1, 1998, or until you start other full-time employment, including self employment, whichever is earlier. You and the Company agree that this paragraph is your sole and exclusive remedy if the Company does not establish a Stock Incentive Plan and grant you the option described in Paragraph 4 before the date established in this paragraph.

14. Insurance and Indemnification. The Company will indemnify you for your actions as a Company employee or officer pursuant to Company policy.

15. Outside Activities. While employed by the Company, you will not engage in any other employment, or business activity for compensation without the written consent of the Company. While employed by the Company, you also will not compete with or assist any person or organization in competing with the Company, in preparing to compete with the Company, or in hiring any employees of the Company.

16. Withholding Taxes. All forms of compensation referred to in this Agreement are subject to reduction to reflect applicable withhold and payroll taxes.

17. Entire Agreement. This Agreement contains all of the terms of your employment with the Company and supersedes any prior understandings or agreements, whether oral or written, between you and the Company.

18. Amendment and Governing Law. This Agreement may only be amended or modified by an express written agreement signed by you and a duly authorized officer of the Company. The terms of this Agreement and the resolution of any disputes will be governed by Florida law.

We hope that you find the foregoing terms acceptable. You may indicate your agreement with these terms and accept this offer by signing and dating the enclosed duplicate original of this letter and resuming it to me. As required by law, your employment with the Company is also contingent upon your providing legal proof of your identity and authorization to work in the United States. This offer, if not accepted, will expire at the close of business on April 28 1997.

We look forward to having you join us on or about May 5, 1997.

If you have any questions' please call me at 904/858-5212.

Very truly yours,

ST. JOE CORPORATION

By: /s/ Michael F. Bayer

Michael F. Bayer

Vice President
Human Resources and Administration

I have read and accept this employment offer:

/s/ Charles A. Ledsinger, Jr.
- -------------------------------------
Signature of Charles A. Ledsinger, Jr.

Dated: April 24, 1997

EXHIBIT 10.03

ST. JOE CORPORATION
1650 Prudential Drive, Suite 400
Jacksonville, Florida 32201-1380

November 3, 1997

Mr. Robert M. Rhodes
1203 Kenilworth Road
Tallahassee, FL 32312

PERSONAL & CONFIDENTIAL

Dear Bob:

St. Joe Corporation (the "Company") is pleased to offer you employment on the following terms.

1. Position. You will serve in a full-time capacity as Senior Vice President and General Counsel for St. Joe and its wholly owned subsidiaries. You will report directly to the Chief Executive Officer. Your duties will be those as assigned by the Chief Executive Officer.

2. Salary. You will be paid a salary at the annual rate of $275,000 (the "Base Salary"), payable in accordance with the Company's standard payroll practices for salaried employees. This salary will be subject to reevaluation on each January 1, commencing January 1, 1998. It may be increased but not reduced during your employment, pursuant to the Company's employee compensation policies in effect from time to time. You will also receive a car allowance of $1,000 per month (gross) in addition to your base salary. This allowance constitutes the full and complete reimbursement of all car expenses by the Company. This allowance will not be included as wages in the calculation of any benefits or compensation plans.

3. Bonus. You will be eligible to participate in the Company's annual discretionary bonus plan, which is based on overall Company performance, Division performance and individual performance for the calendar year with an award range of 0% to 60% of your Base Salary. This award range will not be reduced during your employment with the Company. If you commence your employment with the company on or before March 15, 1997, your 1997 award will not be pro-rated to reflect a partial year of service and your 1997 bonus will not be less than $100,000.

4. Stock Options. Subject to the approval of the Company's Board of Directors Compensation Committee, you will be granted a nonstatutory option to purchase 50,000 shares of the Company's Common Stock. The exercise price per share will be equal to the closing price on the date previous to the date the Committee grants the option. You will vest 20% of the option after 12 months of service, and the balance will vest in equal annual installments over the next 48 months of service, as described in the applicable stock option agreement. The option will have a 10-year term. In all respects not described in this letter, the option will be subject to the terms and conditions of the Company's 1997 Stock Incentive Plan (the "Plan") and the applicable stock option agreement.

5. Benefits. You and your family will be eligible for all benefit programs and perquisites that are offered from time to time to similarly situated officers of the Company.

    Regarding health insurance, it is the Company's intent as soon as practicable to expand coverage to at least $1 million per person over a lifetime and to include your wife, Robin, in the Company program, subject to the per-existing condition provisions of the program. The company will reimburse you for COBRA coverage for Robin until she is brought into the Company plan.

6. Expense Reimbursement. You will be eligible for reimbursement of necessary and reasonable business expenses subject to Company policy. The Company will maintain your membership in the Governor's Club in Tallahassee.

7. Relocation Benefits. Your relocation package will include packing and shipment of your office and household goods from Tallahassee to Jacksonville and storage for up to 180 days, reimbursement of all reasonable and customary expenses associated with the sale of your primary residence in Tallahassee and the purchase of a primary residence in Jacksonville, and temporary housing (not including meals and incidentals) in a Company apartment in Jacksonville through July 1, 1998. This date may be extended by the Company. You may sell your residence in Tallahassee directly or participate in the Company's third-party purchase program. You will be entitled to receive from the

Company a gross-up payment equal to all federal and state taxes imposed on the reimbursement of nondeductible relocation costs and on the gross-up payment itself. The intent of the preceding sentence is to hold you harmless, in an after-tax basis, from the tax impact of all reimbursements of nondeductible relocation costs.

8. Period of Employment. Your employment with the Company will be "at will," meaning that either you or the Company will be entitled to terminate your employment at any time and for any reason, with or without cause, upon 30 days' written notice. Any contrary representations which may have been made to you are superseded by this offer. Except for other specific provisions of this Agreement relating to termination, this is the full and complete Agreement between you and the Company on this term. The "at will" nature of your employment may only be changed in an express written agreement signed by you and a duly authorized officer of the Company.

9. Severance Pay. Notwithstanding Paragraph 8, in the event that the Company terminates your employment without your consent for any reason other than cause or disability, you will receive severance pay in a lump sum in an amount equal to 150% of your Base Salary at the rate in effect at the time of your termination, plus 50% of the amount of any bonus awarded you the prior year; less any severance payments under the Company's standard severance program, provided; however, if you receive or are entitled to receive payment under a severance agreement with the Company that provides payments or

benefits under a Change in Control then no payments shall be made to you under this Paragraph 9.

If termination of your employment is subject to this paragraph, the Company will provide you and your family health insurance coverage, including, if applicable, COBRA reimbursement provided in Paragraph 5, and will provide you disability insurance coverage under the applicable Company plans for a period of 12 months following termination or until you start other full time employment, whichever is earlier.

For purposes of this Agreement, "cause" means gross negligence, misconduct, non-feasance, a material breach of this Agreement, conviction following final disposition of any available appeal of a felony, or pleading guilty or no contest to a felony.

10. Termination Upon Death. In the event of your death during your employment, this Agreement shall terminate and the Company shall only be obligated to pay your estate or legal representative the Base Salary provided for herein to the extent earned by you prior to such event.

    However, the Company may pay your estate or legal representative a bonus which you may have earned prior to your death. Any rights in stock options for which you were eligible prior to your death shall vest according to Company policy.

11. Disability. If you are unable to perform the services required of you as a result of any disability and such disability continues for a period of 120 or more consecutive days or an aggregate of 180 or more days during any 12-month period during your employment, the Company shall have the right, at its option, to terminate your employment. Unless and until so terminated, during any period of disability during which you are unable to perform the services required of you, your salary shall be payable to the extent of, and subject to, Company's policies and practices then in effect with regard to sick leave and disability benefits.

12. Insurance and Indemnification. The Company will indemnify you for your actions as a Company employee or officer pursuant to Company policy and, prior to commencement of your service, will confirm it has in place adequate insurance coverage acceptable to you for your actions as a Company employee or officer.

13. Outside Activities. While employed by the Company, you will not engage in any other employment, or business activity for compensation without the written consent of the Company. While employed by the Company, you also will not compete with or assist any person or organization in competing with the Company, in preparing to compete with the Company, or in hiring any employees of the Company.

14. Withholding Taxes. All forms of compensation referred to in this Agreement are subject to reduction to reflect applicable withhold and payroll taxes.

15. Entire Agreement. This Agreement contains all of the terms of your employment with the Company and supersedes any prior understandings or agreements (including your prior Employment Agreement dated February 10, 1997), whether oral or written, between you and the Company.

16. Amendment and Governing Law. This Agreement may only be amended or modified by an express written agreement signed by you and a duly authorized officer of the Company. The terms of this Agreement and the resolution of any disputes will be governed by Florida law.

We hope that you find the foregoing terms acceptable. You may indicate your agreement with these terms and accept this offer by signing and dating the enclosed duplicate original of this letter and returning it to me. As required by law, your employment with the Company is also contingent upon your providing legal proof of your identity and authorization to work in the United States. This offer, if not accepted, will expire at the close of business on Friday, October 31, 1997.

If you have any questions, please call me at 904/858-5212.

Very truly yours,

ST. JOE CORPORATION

By: /s/ Michael F. Bayer

Michael F. Bayer
Vice President
Human Resources and Administration

I have read and accept this employment offer:

/s/ Robert M. Rhodes
- -----------------------------
Signature of Robert M. Rhodes

Dated: 11/5 , 1997

EXHIBIT 10.04

ST. JOE CORPORATION
1650 Prudential Drive, Suite 400
Jacksonville, Florida 32201-1380

September 15, 1997

Mr. David D. Fitch
8462 Brook Road
McLean, VA 22102

Dear David:

St. Joe Corporation (the "Company") is pleased to offer you employment on the following terms.

1. Position. You will serve in a full-time capacity as Senior Vice President and General Manager - Commercial and Industrial Development for St. Joe and its wholly owned subsidiaries. You will report directly to the Chief Executive Officer. Your duties will be those assigned by the Chief Executive Officer.

2. Salary. You will be paid a salary at the annual rate of $225,000 (the "Base Salary"), payable ill accordance with the Company's standard payroll practices for salaried employees. This salary will be subject to reevaluation on each January 1, commencing January 1, 1998. It may be increased but not reduced during your employment, pursuant to the Company's employee compensation policies in effect from time to time. You will also receive a car allowance of $1000 per month (gross) in addition to your base salary. This allowance constitutes the full and complete reimbursement of all car expenses by the Company. This allowance will not be included as wages in the calculation of any benefits or compensation plans. You will also receive a one-time cash payment of

$50,000 (gross) upon your date of hire. You will be responsible for all taxes on this payment.

3. Bonus. You will be eligible to participate in the Company's annual discretionary bonus plan, which is based on overall Company performance, Division performance and individual performance for the calendar year with an award range of 0% to 60% of your Base Salary. This award range will not be reduced during your employment with the Company. Your initial participation will be in the plan for calendar year 1997 with a pro-rated range of 0% to 45% of your Base Salary.

4. Stock Options. Subject to the approval of the Company's Board of Directors Compensation Committee, you will be granted a nonstatutory option to purchase 40,000 shares of the Company's Common Stock. The exercise price per share will be equal to the closing price on the date previous to the date the Committee grants the option. You will vest 20% of the option after 12 months of service, and the balance will vest in equal annual installments over the next 48 months of service, as described in the applicable stock option agreement. The option will have a 10-year term. In all respects not described in this letter, the option will be subject to the terms and conditions of the Company's 1997 Stock Incentive Plan (the "Plan") and the applicable stock option agreement.

5. Benefits. You and your family will be eligible for all benefit programs and perquisites that are offered from time to time to similarly situated officers of the Company.

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

7. Relocation Benefits. Your relocation package will include packing and shipment of your office and household goods from McLean, VA to Jacksonville and storage for up to 90 days, reimbursement of all reasonable and customary expenses associated with the sale of your primary residence in Washington and the purchase of a primary residence in Jacksonville. This includes up to two mortgage points to "buy down" your mortgage and up to one point in origination fees. In the event that you purchase a home in Jacksonville prior to the sale of your home in McLean, VA, the Company will provide you with an interest free "bridge loan" equivalent to the down payment on the purchase of your new home. This loan is to be reimbursed upon the sale of your home in Washington. We will reimburse you for up to fifteen round trip airfares from Jacksonville to Washington until your family relocates. We will also reimburse you for up to 9 round trip coach airfares from McLean to Jacksonville for your family until they relocate. You will receive temporary housing (not including meals and incidentals) in a Company apartment in Jacksonville through January 31, 1998. This date may be extended by the Company.

You will be entitled to receive from the Company a gross-up payment equal to all federal and state taxes imposed on the reimbursement of nondeductible relocation costs and on the gross-up payment itself. The intent of the preceding sentence is to hold you harmless, in an after-tax basis, from the tax impact of all reimbursements of nondeductible relocation costs.

8. Period of Employment. Your employment with the Company will be "at will," meaning that either you or the Company will be entitled to terminate your employment at any time and for any reason, with or without cause, upon 30 days' written notice. Any contrary representations which may have been made to you are superseded by this offer. Except for other specific provisions of this Agreement relating to termination, this is the full and complete Agreement between you and the Company on this term. The "at will" nature of your employment may only be changed in an express written agreement signed by you and a duly authorized officer of the Company.

9. Severance Pay. Notwithstanding Paragraph 8, in the event that the Company terminates your employment without your consent for any reason other than cause or disability, you will receive severance pay in a lump sum in an amount equal to 150% of your Base Salary at the rate in effect at the time of your termination, plus 50% of the amount of any bonus awarded you the prior year; less any severance payments under the Company's standard severance program, provided; however, if you receive or are entitled to receive

payment under a severance agreement with the Company that provides payments or benefits under a Change in Control then no payments shall be made to you under this Paragraph 9.

If termination of your employment is subject to this paragraph, the Company will provide you and your family health insurance coverage, including, if applicable, COBRA reimbursement provided in Paragraph 5, and will provide you disability insurance coverage under the applicable Company plans for a period of 12 months following termination or until you start other full time employment, whichever is earlier.

For purposes of this Agreement, "cause" means gross negligence, misconduct, non-feasance, a material breach of this Agreement, conviction following final disposition of any available appeal of a felony, or pleading guilty or no contest to a felony.

10. Termination Upon Death. In the event of your death during your employment, this Agreement shall terminate and the Company shall only be obligated to pay your estate or legal representative the Base Salary provided for herein to the extent earned by you prior to such event.

However, the Company may pay your estate or legal representative a bonus which you may have earned prior to your death. Any rights in stock options for which you were

eligible prior to your death shall vest according to Company policy.

11. Disability. If you are unable to perform the services required of you as a result of any disability and such disability continues for a period of 120 or more consecutive days or an aggregate of 180 or more days during any 12-month period during your employment, the Company shall have the right, at its option, to terminate your employment. Unless and until so terminated, during any period of disability during which you are unable to perform the services required of you, your salary shall be payable to the extent of, and subject to, Company's policies and practices then in effect with regard to sick leave and disability benefits.

12. Insurance and Indemnification. The Company will indemnify you for your actions as a Company employee or officer pursuant to Company policy and, prior to commencement of your service, will confirm it has in place adequate insurance coverage acceptable to you for your actions as a Company employee or officer.

13. Outside Activities. While employed by the Company, you will not engage in any other employment, or business activity for compensation without the written consent of the Company. While employed by the Company, you also will not compete with or assist any person or organization in competing with the Company in preparing to compete with the Company, or in hiring any employees of the Company.

14. Withholding Taxes. All forms of compensation referred to in this Agreement arc subject to reduction to reflect applicable withhold and payroll taxes.

15. Entire Agreement. This Agreement contains all of the terms of your employment with the Company and supersedes any prior understandings or agreements, whether oral or written, between you and the Company.

16. Amendment and Governing Law. This Agreement may only be amended or modified by an express written agreement signed by you and a duly authorized officer of the Company. The terms of this Agreement and the resolution of any disputes will be governed by Florida law.

We hope that you find the foregoing terms acceptable. You may indicate your agreement with these terms and accept this offer by signing and dating the enclosed duplicate original of this letter and returning it to me. As required by law, your employment with the Company is also contingent upon your providing legal proof of your identity and authorization to work in the United Slates. This offer, if not accepted, will expire at the close of business on Friday, September 19, 1997.

We look forward to having you join us on or about September 22, 1997.

If you have any questions, please call me at 904/858-5212.

Very truly yours,

ST. JOE CORPORATION

By:/s/ Michael F. Bayer

Michael F. Bayer
Vice President
Human Resources and Administration

I have read and accept this employment offer:

/s/ David D. Fitch
- ---------------------------
Signature of David D. Fitch

Dated: September 19, 1997

EXHIBIT 10.05

ST. JOE CORPORATION
1650 Prudential Drive, Suite 400
Jacksonville, Florida 32201-1380

February 21, 1997

Mr. J. Malcolm Jones, Jr.
3065 Front Street
Jacksonville, FL 32257

Dear Malcolm:

St. Joe Corporation (the "Company") is pleased to offer you employment on the following terms.

1. Position. You will serve in a full-time capacity as Senior Vice President - Forestry Operations and its wholly owned subsidiaries. You will report directly to the Chief Executive Officer. Your primary duties will be general management of St. Joe Land & Development, Talisman Sugar Corporation and The Apalachicola Northern Railroad.

2. Salary. You will be paid a salary at the annual rate of $170,000.00 (the "Base Salary"), payable in accordance with the Company's standard payroll practices for salaried employees. This salary will be subject to reevaluation on each January 1, commencing January 1, 1998. It may be increased but not reduced during your employment, pursuant to the Company's employee compensation policies in effect from time to time.

3. Bonus. You will be eligible to participate in the Company's annual discretionary bonus plan, which is based on overall Company performance and individual performance for the calendar year. Your initial participation will be in the plan for calendar year 1997, with an award range of 0% to 60% of your Base Salary. This award range will not be reduced during your employment with the Company.

4. Stock Options. Subject to the approval of the Company's Board of Directors Compensation Committee, you will be granted a nonstatutory option to purchase 25,000 shares of the Company's Common Stock. The exercise price per share will be equal to the fair market value per share on the date the Committee grants the option or your first day of employment, whichever is later. You will vest 20% of the option after 12 months of service, and the balance

will vest in equal annual installments over the next 48 months of service, as described in the applicable stock option agreement. In the event of a Change in Control or termination of your employment for any reason other than cause or disability as defined in Paragraphs 9, 11, and 12, or your resignation, you will vest in the entire option. The option will have a 10-year term. In all respects not described in this letter, the option will be subject to the terms and conditions of the Company's 1997 Stock Incentive Plan (the "Plan") and the applicable stock option agreement. The Plan is in the process of being implemented and will be subject to the approval of the Company's shareholders.

5. Benefits. You and your family will be eligible for all benefit programs and perquisites that are offered from time to time to similarly situated officers of the Company, including pension, 401(k), life, health, and disability insurance programs. You will also receive a $1,000/month (gross) car allowance in addition to your base salary. This allowance constitutes the full and complete reimbursement of all car expenses by the Company.

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

7. Period of Employment. Your employment with the Company will be "at will," meaning that either you or the Company will be entitled to terminate your employment at any time and for any reason, with or without cause, upon 30 days' written notice. Any contrary representations which may have been made to you are superseded by this offer. Except for other specific provisions of this Agreement relating to termination, this is the full and complete Agreement between you and the Company on this term. The "at will" nature of your employment may only be changed in an express written agreement signed by you and a duly authorized officer of the Company.

8. Severance Pay. Notwithstanding Paragraph 8, in the event that the Company terminates your employment without your consent for any reason other than cause or disability, you will receive severance pay in a lump sum in an amount equal to 100% of your Base Salary at the rate in effect at the time of your termination, plus 50% of the amount of any bonus awarded you the prior year. However, if the termination of your employment under the preceding sentence occurs within 12 months after a Change in Control as defined in Paragraph 12, the amount of your severance pay will be 100% of your Base Salary at the rate in effect at the time of your termination, plus 75% of the amount of any bonus awarded you the prior year.

If termination of your employment is subject to this paragraph, the Company will provide you and your family health insurance coverage, including, if applicable, COBRA reimbursement provided in Paragraph 5, and will provide you disability insurance coverage under the applicable Company plans for a period of 12 months following termination or until you start other full time employment, whichever is earlier.

For purposes of this Agreement, "cause" means gross negligence, misconduct, non-feasance, a material breach of this Agreement, conviction following final disposition of any available appeal of a felony, or pleading guilty or no contest to a felony.

9. Termination Upon Death. In the event of your death during your employment, this Agreement shall terminate and the Company shall only be obligated to pay your estate or legal representative the Base Salary provided for herein to the extent earned by you prior to such event.

However, the Company may pay your estate or legal representative a bonus which you may have earned prior to your death. Any rights in stock options for which you were eligible prior to your death shall vest according to Company policy.

10. Disability. If you are unable to perform the services required of you as a result of any disability and such disability continues for a period of 120 or more consecutive days or an aggregate of 180 or more days during any 12-month period during your employment, the Company shall have the right, at its option, to terminate your employment. Unless and until so terminated, during any period of disability during which you are unable to perform the services required of you, your salary shall be payable to the extent of, and subject to, Company's policies and practices then in effect with regard to sick leave and disability benefits.

11. Definition of "Change in Control." For purposes of this Agreement, the term "Change in Control" means that:

(a) 30% or more of the outstanding voting stock of the Company is acquired by any person or group other than the Alfred I. DuPont Testamentary Trust and the Nemours Foundation, except that this Paragraph (a) will not apply as long as the Alfred I. DuPont Testamentary Trust or the Nemours Foundation or any combination of both, owns more voting stock than such person or group; or
(b) Shareholders of the Company other than the Alfred I. DuPont Testamentary Trust and the Nemours Foundation vote in a contested election for directors of the Company and through exercise of their votes cause the replacement of 50% or more of the Company's directors with directors who are not nominated by a majority of the directors who were in office before such contested election; or
(c) The Company is a party to a merger or similar transaction as a result of which the Company's shareholders own 50% or less of the surviving entity's voting securities after such merger or similar transaction.

It is agreed that no Change in Control occurs as long as the combined ownership of the Alfred I DuPont Testamentary Trust and the Nemours Foundation exceeds 50% of the outstanding voting stock of the Company. A transaction will not constitute a Change in Control if its sole purpose is to change the state of the Company's incorporation or to create a holding company that will be

owned in substantially the same proportions by the persons who held the Company's securities immediately before such transaction.

12. Special Termination Provision. In recognition of your commencement of employment before the Company's Stock Incentive Plan is in place and that existence of this Plan and your stock option award is a material factor in your decision to continue employment with the Company, if the Plan and your stock option award are not in effect and fully approved by all required Company and other entities and Company shareholders by June 15, 1997, you may, no later than July 15, 1997, at your sole discretion, terminate your employment with the Company. Upon such termination, the Company will pay you the prorated remainder of your Base Salary for 1997 as provided in Paragraph 2, plus the minimum bonus for 1997, as provided in Paragraph 3. The Company also will maintain health, life and disability insurance for you and those members of your family then covered by Company programs until January 1, 1998, or until you start other full-time employment, including self employment, whichever is earlier. You and the Company agree that this paragraph is your sole and exclusive remedy if the Company does not establish a Stock Incentive Plan and grant you the option described in Paragraph 4 before the date established in this paragraph.

13. Insurance and Indemnification. The Company will indemnify you for your actions as a Company employee or officer pursuant to Company policy and, prior to commencement of your service, will confirm it has in place adequate insurance coverage acceptable to you for your actions as a Company employee or officer.

14. Outside Activities. While employed by the Company, you will not engage in any other employment, or business activity for compensation without the written consent of the Company. While employed by the Company, you also will not compete with or assist any person or organization in competing with the Company, in preparing to compete with the Company, or in hiring any employees of the Company.

15. Withholding Taxes. All forms of compensation referred to in this Agreement are subject to reduction to reflect applicable withhold and payroll taxes.

16. Entire Agreement. This Agreement contains all of the terms of your employment with the Company and supersedes any prior understandings or agreements, whether oral or written, between you and the Company.

17. Amendment and Governing Law. This Agreement may only be amended or modified by an express written agreement signed by you and a duly authorized officer of the Company. The terms of this Agreement and the resolution of any disputes will be governed by Florida law.

We hope that you find the foregoing terms acceptable. You may indicate your agreement with these terms and accept this offer by signing and dating the enclosed duplicate original of

this letter and returning it to me. This offer, if not accepted, will expire at the close of business on February 28, 1997.

If you have any questions, please call me at (904) 858-5212.

Very truly yours,

ST. JOE CORPORATION

By: /s/ Michael F. Bayer

Michael F. Bayer
Vice President
Human Resources and Administration

I have read and accept this employment offer:

/s/ J. Malcolm Jones, Jr.
- ----------------------------------
Signature of J. Malcolm Jones, Jr.

Dated: February 26, 1997

EXHIBIT 10.06

ST. JOE CORPORATION
1650 Prudential Drive, Suite 400
Jacksonville, Florida 32201-1380

February 1, 1997

Michael F. Bayer
5442 Split Pine Court
Orlando, FL 32819

Dear Michael:

St. Joe Corporation (the "Company") is pleased to offer you employment on the following terms.

1. Position. You will serve in a full-time capacity as Vice President-Human Resources and Administration of the Company and its wholly owned subsidiaries. You will report directly to the Chief Executive Officer. Your primary duties will be management of the human resources and administrative affairs of the Company.

2. Salary. You will be paid a salary at the annual rate of $167,500.00 (the "Base Salary"), payable in accordance with the Company's standard payroll practices for salaries employees. This salary will be subject to reevaluation on each January 1, commencing January 1, 1998. It may be increased but not reduced during your employment, pursuant to the Company's employee compensation policies in effect from time to time.

3. Bonus. You will be eligible to participate in the Company's annual discretionary bonus plan, which is based on overall Company performance and individual performance for the calendar year. Your initial participation will be in the plan for calendar year 1997, with an award range of 0% to 60% of your Base Salary. This award range will not be reduced during your employment with the Company.

4. Stock Options. Subject to the approval of the Company's Board of Directors Compensation Committee, you will be granted a nonstatutory option to purchase 25,000 shares of the Company's Common Stock. The exercise price per share will be equal to the fair market value per share on the date the Committee grants the option on your first day of employment, whichever is later. You will vest 20% of the option after 12 months of service, and the balance will vest in equal annual installments over the next 48 months of service, as described in the applicable stock option agreement. In the event of a Change in Control or termination of your employment for any reason other than cause or disability as defined in Paragraphs 9, 11, and 12, or your resignation, you will vest in the entire option. The option will have a 10-year term. In all respects not described in this letter, the option will be subject to the terms and conditions of the Company's 1997 Stock

Incentive Plan (the "Plan") and the applicable stock option agrement. The Plan is in the process of being implemented and will be subject to the approval of the Company's shareholders.

5. Benefits. You and your family will be eligible for all benefit programs and perquisites that are offered from time to time to similarly situated officers of the Company, including life, health, dental, and disability insurance programs.

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

7. Relocation Benefits. Your relocation package will include packing and shipment of your office and household goods from Orlando to Jacksonville and storage for up to 120 days, reimbursement of all reasonable and customary expenses associated with the sale of your primary residence in Orlando and the purchase of a primary residence in Jacksonville, and temporary housing (not including meals and incidentals) in a Company apartment in Jacksonville through August 1, 1997. This date may be extended by the Company. In the event that you purchase a home in Jacksonville prior to the sale of your home in Orlando, the Company will reimburse you for the actual cost of your monthly mortgage payment for your home in Orlando for a maximum of four months after purchase of your Jacksonville home. You will be entitled to receive from the Company a gross-up payment equal to all federal and state taxes imposed on the reimbursement of nondeductible relocation costs and on the gross-up payment itself. The intent of the preceding sentence is to hold you harmless, in an after-tax basis, from the tax impact of all reimbursements of nondeductible relocation costs.

8. Period of Employment. Your employment with the Company will be "at will," meaning that either you or the Company will be entitled to terminate your employment at any time and for any reason, with or without cause, upon 30 days' written notice. Any contrary representations which may have been made to you are superseded by this offer. Except for other specific provisions of this Agreement relating to termination, this is the full and complete Agreement between you and the Company on this term. The "at will" nature of your employment may only be changed in an express written agreement signed by you and a duly authorized officer of the Company.

9. Severance Pay. Notwithstanding Paragraph 8, in the event that the Company terminates your employment without your consent for any reason other than cause or disability, you will receive severance pay in a lump sum in an amount equal to 100% of your Base Salary at the rate in effect at the time of your termination, plus 50% of the amount of any bonus awarded you the prior year. However, if the termination of your employment under the preceding sentence occurs within 12 months after a Change in Control as defined in Paragraph 12, the amount of your severance pay will be 100% of your Base Salary at the rate in effect at the time of your termination, plus 75% of the amount of any

bonus awarded you the prior year.

If termination of your employment is subject to this paragraph, the Company will provide you if applicable, COBRA reimbursement provided in Paragraph 5, and will provide you disability insurance coverage under the applicable Company plans for a period of 12 months following termination or until you start other full time employment, whichever is earlier.

For purposes of this Agreement, "cause" means gross negligence, misconduct, non-feasance, a material breach of this Agreement, conviction following final disposition of any available appeal of a felony, or pleading guilty or no contest to a felony.

10. Termination Upon Death. If the event of your death during your employment, this Agreement shall terminate and the Company shall only be obligated to pay your estate or legal representative the Base Salary provided herein to the extent earned by your prior to such event.

However, the Company may pay your estate or legal representative a bonus which you may have earned prior to your death. Any rights in stock options for which you were eligible prior to your death shall vest according to Company policy.

11. Disability. If you are unable to perform the services required of you as a result of any disability and such disability continues for a period of 120 or more consecutive days or an aggregate of 180 or more days during any 12-month period during your employment, the Company shall have the right, at its option, to terminate your employment. Unless and until so terminated, during any period of disability during which you are unable to perform the services required of you, your salary shall be payable to the extent of, and subject to, Company's policies and practices then in effect with regard to sick leave and disability benefits.

12. Definition of "Change in Control." For purposes of this Agreement, the term "Change in Control" means that:

(a) 30% or more of the outstanding voting stock of the Company is acquired by any person or group other than the Aflred I. DuPont Testamentary Trust and the Nemours Foundation, except that this Paragraph (a) will not apply as long as the Alfred I. DuPont Testamentary Trust or the Nemours Foundation or any combination of both, owns more voting stock than such person or group; or

(b) Shareholders of the Company other than the Alfred I. DuPont Testamentary Trust and the Nemours Foundation vote in a contested election for directors of the Company and through exercise of their votes cause the replacement of 50% or more of the Company's directors with directors who were not nominated by a majority of the directors who were in office before such contested election; or

(c) The Company is a party to a merger or similar transaction as a result of which the Company's shareholders own 50% or less of the surviving entity's voting securities after such merger or similar transaction.

It is agreed that no Change in Control occurs as long as the combined ownership of the Alfred I. DuPont Testamentary Trust and the Nemours Foundation exceeds 50% of the outstanding voting stock of the Company. A transaction will not constitute a Change in Control if its sole purpose is to change the state of the Company's incorporation or to create a holding company that will be owned in substantially the same proportions by the persons who held the Company's securities immediately before such transaction.

13. Special Termination Provision. In recognition of your commencement of employment before the Company's Stock Incentive Plan is in place and that existence of this Plan and your stock option award is a material factor in your decision to accept employment with the Company, if the Plan and your stock option award are not in effect and fully approved by all required Company and other entities and Company shareholders by June 15, 1997, you may, no later than July 15, 1997, at your sole discretion, terminate your employment with the Company. Upon such termination, the Company will pay you the prorated remainder of your full Base Salary for 1997 as provided in Paragraph 2, plus the minimum bonus for 1997, as provided in Paragraph 3. The Company also will pay necessary and reasonable expenses to move your office furniture and goods and will maintain health, dental, life, and disability insurance for you and those members of your family then covered by Company programs until January 1, 1998, or until you start other full-time employment, including self employment, whichever is earlier. You and the Company agree that this paragraph is your sole and exclusive remedy if the Company does not establish a Stock Incentive Plan and grant you the option described in Paragraph 4 before the date established in this paragraph.

14. Insurance and Indemnification. The Company will indemnify you for your actions as a Company employee or officer pursuant to Company policy and, prior to commencement of your service, will confirm it has in place adequate insurance coverage acceptable to you for your actions as a Company employee or officer.

15. Outside Activities. While employed by the Company, you will not engage in any other employment, or business activity for compensation without the written consent of the Company. While employed by the Company, you also will not compete with or assist any person or organization in competing with the Company, in preparing to compete with the Company, or in hiring any employees of the Company.

16. Withholding Taxes. All forms of compensation referred to in this Agreement are subject to reduction to reflect applicable withhold and payroll taxes.

17. Entire Agreement. This Agreement contains all of the terms of your employment with the Company and supersedes any prior understandings or agreements, whether oral or written, between you and the Company.

18. Amendment and Governing Law. This Agreement may only be amended or modified by an express written agreement signed by you and a duly authorized officer of the Company. The terms of this Agreement and the resolution of any disputes will be governed by Florida law.

We hope that you find the foregoing terms acceptable. You may indicate your agreement with these terms and accept this offer by signing and dating the enclosed duplicate original of this letter and returning it to me. As required by law, your employment with the Company is also contingent upon your providing legal proof of your identity and authorization to work in the United States. This offer, if not accepted, will expire at the close of business on February 14, 1997.

We look forward to having you join us on or about February 3, 1997.

If you have any questions, please call me at 904/358-5212.

Very truly yours,

ST. JOE CORPORATION

By:/s/ Peter S. Rummell

Peter S. Rummell
Chief Executive Officer

I have read and accept this employment offer:

/s/ Michael F. Bayer
- ---
Signature of Michael F. Bayer

Dated: February 1, 1997

EXHIBIT 10.07

SEVERANCE AGREEMENT

THIS AGREEMENT is entered into as of 1997, by and between (the "Employee") and ST. JOE CORPORATION, a Florida corporation (the "Company").

1. TERM OF AGREEMENT.

This Agreement shall remain in effect from the date hereof until:

a) The date when the Company has met all of its obligations under this Agreement following a termination of the Employee's employment with the Company for a reason described in Section 5.

2. DEFINITION OF CHANGE IN CONTROL,

For all purposes under this Agreement, "Change In Control" shall mean the occurrence of any of the following events after the date of this Agreement:

a) The consummation of a merger or consolidation of the Company with or into another entity or any other corporate reorganization, if 50% or more of the combined voting power, directly or indirectly, of the continuing or surviving entity's securities outstanding immediately after such merger, consolidation or other reorganization is owned by persons who are not stockholders of the Company immediately prior to such merger, consolidation or other reorganization;

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

c) A change in the composition of the Board, as a result of which fewer than two-thirds of the incumbent directors are directors who either (i) had been directors of the Company on the date 24 months prior to the date of the event that may constitute a Change in Control (the "original directors") or (ii) were elected, or nominated for election, to the Board with the affirmative votes of at least a majority of the aggregate of the original directors who were still in office at the time of the election or nomination and the directors whose election or nomination was previously so approved;

d) The liquidation or dissolution of the Company; or

e) Any transaction as a result of which any person is the "beneficial owner" (as defined in Rule 13d-3 under the Securities Exchange Act of 1934, as amended), directly or indirectly, of securities of the Company

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

A transaction shall not constitute a Change in Control if its sole purpose is to change the state of the Company's incorporation or to create a holding company that will be owned in substantially the same proportions by the persons who held the Company's securities immediately before such transaction.

3. DEFINITION OF GOOD REASON.

For all purposes under this Agreement, "Good Reason" shall mean that the Employee:

a) Has experienced a demotion in title with the Company from that in effect immediately prior to the Change in Control which demotion results in a substantial and material reduction in responsibilities with the Company from those in effect immediately prior to the Change in Control;

b) Has incurred a reduction in his total compensation as an employee of the Company (consisting of base salary and maximum bonus potential);

c) Has been notified that his principal place of work as an employee of the Company will be relocated outside the Jacksonville, Florida area; or

d) Is employed by a successor to the Company that has failed to comply with Section 10(a).

4. DEFINITION OF CONTINUATION PERIOD.

For all purposes under this Agreement, "Continuation Period" shall mean the period commencing on the date when the termination of the Employee's employment under Section 5 is effective and ending on the earlier of:

a) The later of (i) the date 36 months after the date when the employment termination was effective or (ii) ________; or

b) The date of the Employee's death.

5. ENTITLEMENT TO SEVERANCE PAY AND BENEFITS.

The Employee shall be entitled to receive the severance pay described in Section 6 and the benefits in sections 7 and 8 from the Company if, and only if, one of the following events occurs:

a) Within the period which is the last six months of the first year after the occurrence of a Change in Control, the Employee voluntarily resigns the Employee's employment for any reason;

b) Within the first 36 month period after the occurrence of a Change in Control, the Employee voluntarily resigns the Employee's employment for Good Reason; or

c) Within the first 36 month period after the occurrence of a Change in Control, the Company terminates the Employee's employment for any reason.

The determination of whether the Employee's employment has terminated shall be made without regard to whether the Employee continues to provide services to the Company as a member of its Board of Directors or otherwise in the capacity of an independent contractor. A transfer of the Employee's employment from the Company to a successor of the company shall not be considered a termination of employment, if such successor complies with the requirements of Section 10(a).

6. AMOUNT OF SEVERANCE PAY.

Within five business days after the termination of the Employee's employment under Section 5, the Company shall pay the Employee a lump sum equal to the product of three times the sum of:

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

b) The greater of (i) the Employee's annual bonus for the most recent year completed prior to the date when the termination of the Employee's employment with the Company is effective or (ii) the amount of the Employee's maximum bonus potential then in effect, provided, however, that

if the employee has earned a bonus for any three completed years prior to the date when termination of the Employee's employment with the Company is effective, then this paragraph (B) shall be the average of the three most recent completed years for which a bonus was earned.

7. SUPPLEMENTAL PENSION BENEFIT.

a) PAYMENT OF BENEFIT. In the event of an employment termination described in section 5, in lieu of accruing additional pension benefits under the Company's Salaried Employees Pension Plan and any other funded or unfunded defined-benefit pension plans now or hereafter maintained by the Company (collectively, the "Pension Plans") during the Continuation Period, the Employee shall be entitled to receive an unfunded supplemental pension benefit under this Agreement (the "Supplemental Benefit"). The Supplemental Benefit shall be calculated under Subsection (b) below and shall be paid in a lump sum within five business days after a termination of the Employee's employment under Section 5.

b) CALCULATION OF BENEFIT. The Supplemental Benefit shall be the actuarial equivalent of a monthly pension benefit equal to the difference between:

(i) The amount of the hypothetical monthly pension benefit that would be payable to the employee as a single-life annuity under the Pension Plans had the Employee (A) continued to be employed as an employee of the Company during the Continuation Period and (B) received compensation equal to the amount described in Section 6(b) during the Continuation Period; minus

(ii) the amount of the actual monthly pension benefit payable to the Employee as a single-life annuity under the Pension Plans.

For purposes of this subsection (b), actuarial equivalence shall be determined by applying the actuarial assumptions then set forth in the Company's principal funded pension plan for salaried employees used to determine lump sum payments.

8. STOCK, BONUS, GROUP INSURANCE AND OUTPLACEMENT SERVICES.

a) STOCK OPTIONS AND STOCK SUBJECT TO REPURCHASE. In the event of a Change in Control, (i) all stock options granted to the Employee by the Company before or after the date of this Agreement shall immediately become exercisable in full (regardless of whether such stock options previously were vested) and (ii) any right of the Company to repurchase shares of its Common Stock from employee shall immediately lapse in full. Following a termination of the Employee's

employment under Section 5, the Employee shall remain entitled to exercise each stock option granted to the Employee by the Company before or after the date of this Agreement until the earlier of (i) the first anniversary of the employment termination date or (ii) the date when such option would have expired by its terms if the Employee's employment had not terminated. If the Company and the other party to the transaction constituting a Change in Control agree that the transaction is to be treated as a "pooling of interests" for financial reporting purposes, and if the transaction in fact is so treated, then the acceleration of exercisability and/or the extended exercise period will not occur to the extent that the surviving entity's independent public accountants determine in good faith that the acceleration would preclude the use of "pooling of interests" accounting.

b) BONUS. In the event of an employment termination described in Section 5, the Company shall pay the Employee a bonus for the year in which such termination occurs. Such bonus shall not be less than the greater of (i) the Employee's annual bonus for the most recent year completed prior to the date when the termination of the Employee's employment with the Company is effective or (ii) the amount of the Employee's maximum bonus potential then in effect, in either case prorated to reflect the portion of such year during which the Employee was employed by the Company.

c) GROUP INSURANCE. During the Continuation Period, the Employee (and, where applicable, the Employee's dependents) shall be entitled to continue participation in the group insurance plans maintained by the Company, including life, disability and health insurance programs, at the Company's expense. Where applicable, the Employee's salary for purposes of such plans shall be determined at the greater of (i) the annual rate in effect on the date when the termination of the Employee's employment with the company is effective or (ii) the annual rate in effect on the date of the Change in Control. To the extent that the Company finds it impossible to cover the Employee under its group insurance policies during the Continuation Period, the Company shall provide the Employee with individual policies which offer at least the same level of coverage and which impose not more than the same costs on the Employee. The foregoing notwithstanding, in the event that the Employee becomes eligible for comparable group insurance coverage in connection with new employment, the coverage provided by the Company under this Subsection (c) shall terminate immediately. Any group health continuation coverage that the Company is required to offer under the Consolidate Omnibus Budget Reconciliation Act of 1986 shall commence when coverage under this Subsection (c) terminates.

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d) OUTPLACEMENT SERVICES. If one of the events described in Section 5 has occurred, the Employee shall be entitled to senior-executive level outplacement services at the Company's expense. Such services shall be provided by a firm selected by the Employee from a list compiled by the Company.

9. EXCISE TAXES.

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

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

Excise Tax is payable (including the reasons therefor) and that the Employee has substantial authority not to report any Excise Tax on the Employee's federal income tax return. If a gross-Up payment is determined to be payable, it shall be paid to the Employee within five days after the Determination is delivered to the Company or the Employee. Any determination by the Accounting Firm shall be binding upon the Company and the Employee, absent manifest error.

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

d) LIMITATION ON PARACHUTE PAYMENTS. Any other provision of this Section 9 notwithstanding, if the Excise Tax could be avoided by reducing the Total Payments by $50,000 or less, then the Total Payments shall be reduced to the extent necessary to avoid the Excise Tax and no Gross-Up Payment shall be made. If the Accounting Firm determines that the total Payments are to be reduced under the preceding sentence, then the Company shall promptly give the Employee notice to that effect and a copy of the detailed calculation thereof. The Employee may then elect, in the Employee's sole discretion, which and how much of the total Payments are to be eliminated or reduced (as long as after such election no Excise Tax

will be payable) and shall advise the Company in writing of the Employee's election within 10 days of receipt of notice. If no such election is made by the Employee within such 10 day period, then the Company may elect which and how much of the total Payments are to be eliminated or reduced (as long as after such election no Excise Tax will be payable) and shall notify the Employee promptly of such election.

10. SUCCESSORS.

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

b) EMPLOYEE'S SUCCESSORS. This Agreement and all rights of the Employee hereunder shall inure to the benefit of, and be enforceable by, the Employee's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees.

11. MISCELLANEOUS PROVISIONS.

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

b) WAIVER. No provision of this Agreement shall be modified, waived or discharged unless the modification, waiver or discharge is agreed to in writing and signed by the Employee and by an authorized officer of the Company (other than the Employee). No waiver by either party of any breach of, or of compliance with, any condition or provision of this

Agreement by the other party shall be considered a waiver of any other condition or provision or of the same condition or provision at another time.

c) OTHER AGREEMENTS; AMENDMENTS. This Agreement does not supersede the Employment Agreement dated , 1997, between the Employee and the company, except to the extent that the severance pay and benefits provided in Sections 6, 7 and 8 of this Agreement (and the related definitions) are greater than the severance pay and benefits provided by such Employment Agreement. In no event shall the Employee be entitled to severance pay both under this Agreement and under such Employment Agreement following a termination of employment. This Agreement does not supersede any stock option or restricted stock agreement between the Employee and the Company, except to the extent that Section 8(a) of this Agreement provides for earlier exercisability or vesting or a longer post-termination exercise period than such stock option or restricted stock agreement. This Agreement may be amended only in writing, by an instrument executed by both parties.

d) NO SETOFF; WITHHOLDING TAXES. There shall be no right of setoff or counterclaim, with respect to any claim, debt or obligation, against payments to the Employee under this Agreement. Except as provided in Section 9, all payments made under this Agreement shall be subject to reduction to reflect taxes required to be withheld by law. The payments received under this Agreement shall be in lieu of, and not in addition to, any payments received in connection with any Employment Agreement by and between the Employee and the Company under any Company's general severance plan covering all its employees and should any payment be made under such Employment Agreement or severance plan, the amounts payable hereunder shall be reduced by such payments.

(e) CHOICE OF LAW. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of Florida, except their choice-of-law provisions.

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

g) ARBITRATION. Except as otherwise provided in Section 9, any controversy or claim arising out of or relating to this Agreement, or the breach thereof, shall be settled by arbitration in Jacksonville, Florida,

in accordance with the Commercial Arbitration Rules of the American Arbitration Association. Arbitration shall be the exclusive remedy for resolving disputes arising under this Agreement. Discovery shall be permitted to the same extent as in a proceeding under the Federal Rules of Civil Procedure. Judgment on the award rendered by the arbitrator may be entered in any court having jurisdiction thereof. All fees and expenses of the arbitrator and such Association shall be paid as determined by the arbitrator

h) LEGAL FEES. In the event of any controversy or claim arising out of or relating to this Agreement, or the breach thereof, the company shall pay the reasonable fees and costs of the Employee's attorneys attributable to such controversy or claim, provided that the Employee prevails on at least one material issue arising in such controversy or claim.

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

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

EMPLOYEE	ST. JOE CORPORATION
By -----------------------------	By ------------------------------ Michael F. Bayer
Title --------------------------	Title VP - HR and Administration ----------------------------
Date ---------------------------	Date ----------------------------- , 1997

EXHIBIT 23.01

CONSENT OF INDEPENDENT ACCOUNTANTS

We consent to the use of our report included herein and to the reference to our firm under the heading "Experts" in the Prospectus.

KPMG Peat Marwick LLP

Jacksonville, Florida
December 16, 1997