Table of Contents

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

Form 10-K

(Mark One)

☑	**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934** **For the fiscal year ended December 31, 2008**
	or
o	**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934** **For the transition period from to**

Commission File No. 1-10466

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

Florida *(State or other jurisdiction of incorporation or organization)*	**59-0432511** *(I.R.S. Employer Identification No.)*
245 Riverside Avenue, Suite 500 **Jacksonville, Florida** *(Address of principal executive offices)*	**32202** *(Zip Code)*

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

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

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, no par value	New York Stock Exchange

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. YES ☑ NO o

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. YES o NO ☑

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

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

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

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

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

The aggregate market value of the registrant's Common Stock held by non-affiliates based on the closing price on June 30, 2008, was approximately $3.1 billion.

As of February 19, 2009, there were 122,737,098 shares of Common Stock, no par value, issued and 92,496,283 shares outstanding, with 30,240,815 shares of treasury stock.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's definitive Proxy Statement for the Annual Meeting of our Shareholders to be held on May 12, 2009 (the "proxy statement") are incorporated by reference in Part III of this Report. Other documents incorporated by reference in this Report are listed in the Exhibit Index.

Table of Contents

* Portions of the Proxy Statement for the Annual Meeting of our Shareholders to be held on May 12, 2009, are incorporated by reference in Part III of this Form 10-K.

PART I

Item 1. *Business*

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

JOE was incorporated in 1936 and is now one of the largest real estate development companies in Florida. We own approximately 586,000 acres concentrated primarily in Northwest Florida. Most of this land was acquired decades ago and, as a result, has a very low cost basis. Approximately 406,000 acres, or 70 percent of our total land holdings, are within 15 miles of the coast of the Gulf of Mexico.

We are engaged in town and resort development, commercial and industrial development and rural land sales. We also have significant interests in timber. Our four operating segments are:

- Residential Real Estate
- Commercial Real Estate
- Rural Land Sales
- Forestry

We believe we have one of the largest inventories of private land suitable for development in Florida. We seek to create value in our land by securing higher and better land-use entitlements, facilitating infrastructure improvements, developing community amenities, undertaking strategic and expert land planning and development, parceling our land holdings in creative ways and performing land restoration and enhancement. We believe we are one of the few real estate development companies to have assembled the range of real estate, financial, marketing and regulatory expertise necessary to take a large-scale approach to real estate development.

Market Conditions and the Economy

For over three years, the United States has experienced a dramatic slowdown in most of its residential real estate markets. Florida, as one of the fastest growing states during the preceding real estate boom, has been particularly hard-hit, with high levels of inventories of resale homes, a large number of foreclosures and steep declines in home values. In 2008, the problems in the real estate industry contributed to a liquidity crisis among financial institutions resulting in unprecedented government intervention, a dramatic drop in the stock market and the onset of a severe economic recession. The financial markets remain unsettled and economic conditions continue to deteriorate, exerting additional negative pressure on real estate demand and consumer confidence, thereby prolonging the possibility of any real estate recovery.

These market conditions continued to negatively impact sales of our residential and commercial products during 2008. We took the following steps to help manage these conditions:

- We raised approximately $580 million of net proceeds in an equity offering in February 2008 and paid off substantially all of our outstanding debt.
- During 2008, we sold 107,677 acres of non-strategic rural land, which generated approximately 61% of our total revenues.
- We significantly reduced capital expenditures for our real estate developments to approximately $35 million in 2008, down from approximately $247 million in 2007.
- We implemented a leaner operating structure, with 194 employees at February 1, 2009, compared to 337 employees at February 1, 2008.

- We continued to focus on business-to-business relationships with strategic partners and customers who are interested in purchasing entitled land, can provide development capital for projects and may help accelerate development activity in our markets.
- We increased our efforts to stimulate regional economic development and to identify and manage key regional inducers, primarily in Northwest Florida.

Relocation of the Panama City-Bay County International Airport

We also continued to monitor the significant progress achieved in 2008 on the relocation of the Panama City-Bay County International Airport. The new airport is being built on a 4,000-acre site in western Bay County that we donated to the Panama City/Bay County Airport and Industrial District (the "Airport Authority"). Construction of the airport began in late 2007 and almost half of the site infrastructure work, including 75 percent of the primary runway, is now complete. Funding for the budgeted construction costs of the airport has been obtained. The Airport Authority continues to project a May 2010 opening date for the new airport.

The new airport is located in the West Bay Area Sector Plan ("West Bay"), one of the largest planned mixed-use developments in the United States. We own all of the land in West Bay surrounding the airport (approximately 71,000 acres, including approximately 41,000 acres dedicated to preservation). Our West Bay land has entitlements for over four million square feet of commercial and industrial space and over 5,800 residential units.

Land-Use Entitlements

We have a broad range of land-use entitlements in hand or in various stages of the approval process for residential communities in Northwest Florida and other selected regions of the state, as well as commercial entitlements. As of December 31, 2008, we had approximately 45,000 residential units and 13.8 million commercial square feet in the entitlements pipeline, in addition to 592 acres zoned for commercial uses. The following tables describe our residential and commercial projects with land-use entitlements that are in development, pre-development planning or the entitlements process. These entitlements are on approximately 50,000 acres.

Table 1
Summary of Land-Use Entitlements(1)
Active JOE Residential and Mixed-Use Projects
December 31, 2008

Project	Class.(2)	County	Project Acres	Project Units(3)	Residential Units Closed Since Inception	Residential Units Under Contract as of 12/31/08	Total Residential Units Remaining	Remaining Commercial Entitlements (Sq. Ft.)(4)
In Development:(5)								
Artisan Park(6)	PR	Osceola	175	616	577	—	39	—
Hawks Landing	PR	Bay	88	168	131	—	37	—
Landings at Wetappo	RR	Gulf	113	24	7	—	17	—
RiverCamps on Crooked Creek	RS	Bay	1,491	408	188	—	220	—
RiverSide at Chipola	RR	Calhoun	120	10	2	—	8	—
RiverTown	PR	St. Johns	4,170	4,500	30	—	4,470	500,000
SouthWood	PR	Leon	3,370	4,770	2,535	—	2,235	4,577,360
St. Johns Golf & Country Club	PR	St. Johns	880	799	798	—	1	—
SummerCamp Beach	RS	Franklin	762	499	81	—	418	25,000
Victoria Park	PR	Volusia	1,859	4,200	1,451	40	2,709	43,643
WaterColor	RS	Walton	499	1,140	886	—	254	47,600
WaterSound	RS	Walton	2,425	1,432	24	—	1,408	457,380
WaterSound Beach	RS	Walton	256	511	445	—	66	29,000
WaterSound West Beach	RS	Walton	62	199	37	—	162	—

Project	Class.(2)	County	Project Acres	Project Units(3)	Residential Units Closed Since Inception	Residential Units Under Contract as of 12/31/08	Total Residential Units Remaining	Remaining Commercial Entitlements (Sq. Ft.)(4)
Wild Heron(7)	RS	Bay	17	28	2	—	26	—
WindMark Beach	RS	Gulf	2,020	1,662	139	—	1,523	75,000
Subtotal			18,307	20,966	7,333	40	13,593	5,754,983
In Pre-Development:(5)								
Avenue A	PR	Gulf	6	96	—	—	96	—
Bayview Estates	PR	Gulf	31	45	—	—	45	—
Bayview Multifamily	PR	Gulf	20	300	—	—	300	—
Beacon Hill	RR	Gulf	3	12	—	—	12	—
Beckrich NE	PR	Bay	15	70	—	—	70	—
Boggy Creek	PR	Bay	630	526	—	—	526	—
Bonfire Beach	RS	Bay	550	750	—	—	750	70,000
Breakfast Point, Phase 1	PR/RS	Bay	115	320	—	—	320	—
Carrabelle East	PR	Franklin	200	600	—	—	600	—
College Station	PR	Bay	567	800	—	—	800	—
Cutter Ridge	PR	Franklin	10	25	—	—	25	—
DeerPoint Cedar Grove	PR	Bay	668	950	—	—	950	—
East Lake Creek	PR	Bay	81	313	—	—	313	—
East Lake Powell	RS	Bay	181	360	—	—	360	30,000
Howards Creek	RR	Gulf	8	33	—	—	33	—
Laguna Beach West	PR	Bay	59	382	—	—	382	—
Long Avenue	PR	Gulf	10	30	—	—	30	—
Palmetto Bayou	PR	Bay	58	217	—	—	217	90,000
ParkSide	PR	Bay	48	480	—	—	480	—
Pier Park NE	PR	Bay	57	460	—	—	460	190,000
Pier Park Timeshare	RS	Bay	13	125	—	—	125	—
PineWood	PR	Bay	104	264	—	—	264	—
Port St. Joe Draper, Phase 1	PR	Gulf	639	1,200	—	—	1,200	—
Port St. Joe Draper, Phase 2	PR	Gulf	981	2,125	—	—	2,125	150,000
Port St. Joe Town Center	RS	Gulf	180	624	—	—	624	500,000
Powell Adams	RS	Bay	56	2,520	—	—	2,520	—
Sabal Island	RS	Gulf	45	18	—	—	18	—
SevenShores	RS	Manatee	192	278	—	—	278	20,400
South Walton Multifamily	PR	Walton	40	212	—	—	212	—
St. James Island Granite Point	RS	Franklin	1,000	2,000	—	—	2,000	—
Star Avenue North	PR	Bay	271	1,248	—	—	1,248	380,000
The Cove	RR	Gulf	64	107	—	—	107	—
Timber Island(8)	RS	Franklin	49	407	—	—	407	14,500
Topsail	PR	Walton	115	627	—	—	627	300,000
Wavecrest	RS	Bay	7	95	—	—	95	—
WestBay Corners SE	PR	Bay	100	524	—	—	524	50,000
WestBay Corners SW	PR	Bay	64	160	—	—	160	—
WestBay DSAP	PR/RS	Bay	15,089	5,628	—	—	5,628	4,430,000
WestBay Landing(9)	RS	Bay	950	214	—	—	214	—
Subtotal			23,276	25,145	—	—	25,145	6,224,900
Total			41,583	46,111	7,333	40	38,738	11,979,883

(1) A project is deemed land-use entitled when all major discretionary governmental land-use approvals have been received. Some of these projects may require additional permits for development and/or build-out; they also may be subject to legal challenge.

(2) Current JOE land classifications for its residential developments or the residential portion of its mixed-use projects:

- PR — Primary residential
- RS — Resort and seasonal residential
- RR — Rural residential

(3) Project units represent the maximum number of units entitled or currently expected at full build-out. The actual number of units or square feet to be constructed at full build-out may be lower than the number entitled or currently expected.

(4) Represents the remaining square feet with land-use entitlements as designated in a development order or expected given the existing property land use or zoning and present plans. The actual number of square feet to be constructed at full build-out may be lower than the number entitled. Commercial entitlements include retail, office and industrial uses. Industrial uses total 6,128,381 square feet including SouthWood, RiverTown and the West Bay DSAP.

(5) A project is "in development" when construction on the project has commenced and sales and/or marketing have commenced or will commence in the foreseeable future. A project in "pre-development" has land-use entitlements but is still under internal evaluation or requires one or more additional permits prior to the commencement of construction. For certain projects in pre-development, some horizontal construction may have occurred, but no sales and/or marketing activities are expected in the foreseeable future.

(6) Artisan Park is 74 percent owned by JOE.

(7) Homesites acquired by JOE within the Wild Heron community.

(8) Timber Island entitlements include seven residential units and 400 units for hotel or other transient uses (including units held with fractional ownership such as private residence clubs).

(9) West Bay Landing is a sub-project within WestBay DSAP.

Proposed JOE Residential and Mixed-Use Projects
In the Land-Use Entitlement Process in Florida(1)
December 31, 2008

Project	Class.(2)	County	Project Acres	Estimated Project Units(3)	Estimated Commercial Entitlements (Sq. Ft.)(4)
Breakfast Point, Phase 2	PR/RS	Bay	1,299	2,780	635,000
SouthSide	PR	Leon	1,625	2,800	1,150,000
St. James Island McIntyre	RR	Franklin	1,704	340	—
St. James Island RiverCamps	RS	Franklin	2,500	500	—
Total			7,128	6,420	1,785,000

(1) A project is deemed to be in the land-use entitlement process when customary steps necessary for the preparation and submittal of an application, such as conducting pre-application meetings or similar discussions with governmental officials, have commenced and/or an application has been filed. All projects listed have significant entitlement steps remaining that could affect their timing, scale and viability. There can be no assurance that these entitlements will ultimately be received.

(2) Current JOE land classifications for its residential developments or the residential portion of its mixed-use projects:

- PR — Primary residential
- RS — Resort and seasonal residential
- RR — Rural residential

(3) The actual number of units to be constructed at full build-out may be lower than the number ultimately entitled.

(4) Represents the estimated number of entitlements that are being sought. The actual number of entitlements approved may be less. Once entitled, the actual number of square feet to be constructed at full build-out may be lower than the actual number eventually entitled. Commercial entitlements include retail, office and industrial uses.

Summary of Additional Commercial Land-Use Entitlements(1)
(Commercial Projects Not Included in the Tables Above)
December 31, 2008

Project	County	Project Acres	Acres Sold Since Inception	Acres Under Contract As of 12/31/08	Total Acres Remaining
Airport Commerce	Leon	45	10	—	35
Alf Coleman Retail	Bay	25	23	—	2
Beach Commerce	Bay	157	151	—	6
Beach Commerce II	Bay	112	13	—	99
Beckrich Office Park	Bay	17	12	—	5
Beckrich Retail	Bay	44	41	—	3
Cedar Grove Commerce	Bay	51	5	—	46
Franklin Industrial	Franklin	7	—	—	7
Glades Retail	Bay	14	—	—	14
Gulf Boulevard	Bay	78	27	—	51
Hammock Creek Commerce	Gadsden	165	27	—	138
Mill Creek Commerce	Bay	37	—	—	37
Nautilus Court	Bay	11	7	—	4
Port St. Joe Commerce II	Gulf	39	9	—	30
Port St. Joe Commerce III	Gulf	50	—	—	50
Powell Hills Retail	Bay	44	—	—	44
South Walton Commerce	Walton	38	17	—	21
Total		934	342	—	592

(1) A project is deemed land-use entitled when all major discretionary governmental land-use approvals have been received. Some of these projects may require additional permits for development and/or build-out; they also may be subject to legal challenge. Includes significant JOE projects that are either operating, under development or in the pre-development stage.

Residential Real Estate

Our residential real estate segment develops large-scale, mixed-use resort, seasonal and primary residential communities primarily on our existing land. We own large tracts of land in Northwest Florida, including large tracts near Tallahassee and Panama City, and significant Gulf of Mexico beach frontage and other waterfront properties, which we believe are suited for resort, seasonal and primary communities.

In the past, we devoted significant resources to the conceptual design, planning, permitting and construction process for each of our new communities. We are continuing this process for certain key projects currently under development, and we intend to maintain this process for certain select communities going forward. We now, however, primarily seek to either partner with third parties for the development of new communities or sell entitled land to third-party developers or investors. Customers for our developed home-sites have included both individual purchasers and national, regional and local homebuilders. Going forward, we may also sell undeveloped land with significant residential entitlements directly to third-party developers or investors.

The following is a description of some of our major communities in Florida:

WaterColor is situated on approximately 499 acres on the beaches of the Gulf of Mexico in south Walton County. The community includes approximately 1,140 residential units, as well as the WaterColor Inn and Resort, the recipient of many notable awards. The WaterColor Inn and Resort is operated by Noble House Hotels & Resorts, a boutique hotel ownership and management company with 14 properties throughout the

United States. Other WaterColor amenities include a beach club, spa, tennis center, an award-winning upscale restaurant, retail and commercial space and neighborhood parks.

WaterSound Beach is located approximately five miles east of WaterColor. Situated on approximately 256 acres, WaterSound Beach includes over one mile of beachfront on the Gulf of Mexico. Amenities include the WaterSound Beach Club, a private, beachfront facility featuring a 7,000-square-foot free-form pool and a restaurant. This community is currently planned to include approximately 511 units.

WaterSound West Beach is located approximately one-half mile west of WaterSound Beach on the beach-side of County Road 30A. This community has been designed for 199 units with amenities that include private beach access through the adjacent Deer Lake State Park and a community pool and clubhouse facility.

WaterSound is situated on approximately 2,425 acres and is planned for a mixed-use resort community. Located approximately three miles from WaterSound Beach in Walton County, WaterSound includes a Davis Love III-designed, six-hole golf course, as well as a community pool and clubhouse facility. WaterSound plans include 1,432 residential units and approximately 450,000 square feet of commercial space.

RiverCamps on Crooked Creek is situated on approximately 1,491 acres in western Bay County bounded by West Bay, the Intracoastal Waterway and Crooked Creek. The community is planned for 408 high-quality homes in a low-density, rustic setting with access to various outdoor activities such as fishing, boating and hiking. The community, which is located less than two miles from the new airport, includes the RiverHouse, a waterfront amenity featuring a pool, fitness center, meeting and dining areas and temporary docking facilities.

WindMark Beach is a beachfront resort community situated on approximately 2,020 acres in Gulf County near the town of Port St. Joe. Plans for WindMark Beach include approximately 1,662 residential units and 75,000 square feet of commercial space. In 2008, we substantially completed construction of the waterfront Village Center that includes a restaurant, a community pool and clubhouse facility, an amphitheater and approximately 42,000 square feet of commercial space. The community is planned to include approximately 14 miles of walkways and boardwalks, including a 3.5-mile boardwalk along the beach.

SummerCamp Beach is situated on the Gulf of Mexico on approximately 762 acres in Franklin County. The community includes the SummerCamp Beach Club, a private beachfront facility with a pool, restaurant, boardwalks and canoe and kayak rentals. Plans for SummerCamp Beach include approximately 499 units.

SouthWood is situated on approximately 3,370 acres in southeast Tallahassee. Planned for approximately 4,770 residential units, SouthWood includes an 18-hole golf course and club, and a traditional town center with restaurants, recreational facilities, retail shops and offices. Over 35% of the land in this community is designated for open space, including a 123-acre central park.

RiverTown, situated on approximately 4,170 acres in St. Johns County south of Jacksonville, is currently planned for 4,500 housing units and 500,000 square feet of commercial space. RiverTown is designed to have unique neighborhoods offering homebuyers a wide variety of price points and lifestyles. The centerpiece of the community will be a 58-acre park along the St. Johns River.

Victoria Park is situated on approximately 1,859 acres in Volusia County near Interstate 4 in the historic college town of Deland between Daytona Beach and Orlando. Plans for Victoria Park include approximately 4,200 single and multi-family units built among parks, lakes and conservation areas. Victoria Park includes an award-winning 18-hole golf course.

Artisan Park, located in Celebration, near Orlando, was developed through a joint venture in which we own 74%. Artisan Park is situated on approximately 175 acres which we acquired in 2002. Artisan Park includes approximately 267 single-family units, 47 townhomes, and 302 condominium units as well as parks, trails and a community clubhouse with a pool.

Commercial Real Estate

Our commercial real estate segment develops and sells real estate for commercial purposes. We focus on commercial development in Northwest Florida because of our large land holdings along roadways and near or within business districts in the region. We provide development opportunities for national and regional retailers, as well as multi-family rental projects. We offer land for commercial and light industrial uses within large and small-scale commerce parks. We also develop commercial parcels within or near existing residential development projects.

Like our residential projects, we seek to minimize our capital expenditures for commercial development by either partnering with third parties for the development of certain new commercial projects or selling entitled land to third-party developers or investors.

Rural Land Sales

Our rural land sales segment markets and sells rural land from our holdings in Northwest Florida. Although the majority of the land sold in this segment is undeveloped timberland, some parcels include the benefits of limited development activity including improved roads, ponds and fencing.

We sell parcels of varying sizes ranging from a single acre or less to tens of thousands of acres. The pricing of these parcels varies significantly based on size, location, terrain, timber quality and other local factors.

The vast majority of the holdings marketed by our rural land sales segment will continue to be managed as timberland until sold. The revenues and income from our timberland operations are reflected in the results of our forestry segment.

Forestry

Our forestry segment focuses on the management and harvesting of our extensive timber holdings. We grow, harvest and sell timber and wood fiber. Our principal forestry product is softwood pulpwood. We also grow and sell softwood and hardwood sawtimber. On December 31, 2008, our standing pine inventory totaled approximately 21.9 million tons and our hardwood inventory totaled approximately 7.5 million tons.

We have a pulpwood supply agreement with Smurfit-Stone Container Corporation that requires us to deliver approximately 700,000 tons of pulpwood annually through June 30, 2012. Although Smurfit-Stone recently filed for bankruptcy protection, the supply agreement remains in effect at this time.

We actively manage portions of our timberlands to produce adequate amounts of timber to meet our pulpwood supply agreement obligation. We also harvest and sell additional timber to regional sawmills that produce products other than pulpwood. Our timberlands are harvested by local independent contractors under agreements that are generally renewed annually. In addition, our forestry operation is focused on selective harvesting, thinning and site preparation of timberlands that may later be sold or developed by us. We were also recently engaged by a property owner to manage its conservation lands. We intend to market conservation land management services to other interested parties in the future.

Competition

The real estate development business is highly competitive and fragmented. With respect to our residential real estate business, our prospective customers generally have a variety of choices of new and existing homes and homesites near our developments when considering a purchase. As a result of the housing crisis over the past several years, the number of resale homes on the market have dramatically increased, further increasing competition for the sale of our residential products.

We compete with numerous developers of varying sizes, ranging from local to national in scope, some of which may have greater financial resources than we have. We attempt to differentiate our products primarily on the basis of community design, quality, uniqueness, amenities, location and developer reputation.

Supplemental Information

Information regarding the revenues, earnings and total assets of each of our operating segments can be found in Note 20 to our Consolidated Financial Statements included in this Report. Substantially all of our revenues are generated from domestic customers. All of our assets are located in the United States.

Employees

As of February 1, 2009, we had 194 employees, down from 337 employees on February 1, 2008. This decrease represents an approximately 42% reduction in total headcount as a result of the restructuring plan we announced in the fourth quarter of 2007. Our employees work in the following segments:

Residential real estate	76
Commercial real estate	5
Rural land sales	13
Forestry	23
Corporate and other	77
Total	194

Website Access to Reports

We make available, free of charge, access to our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and all amendments to those reports as soon as reasonably practicable after such reports are electronically filed with or furnished to the Securities and Exchange Commission ("SEC"), through our website at www.JOE.com. Please note that the information on our website is not incorporated by reference in this Report.

Certifications

In 2008, we submitted to the New York Stock Exchange (NYSE) the Certification of our Chief Executive Officer required by Section 303A.12(a) of the NYSE Listed Company Manual, relating to our compliance with the NYSE's corporate governance listing standards. There were no qualifications to the certification. We have also filed as Exhibits 31.1 and 31.2 to this Annual Report on Form 10-K the Chief Executive Officer and Chief Financial Officer certifications required to be filed with the SEC pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

Item 1A. ***Risk Factors***

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

A continued downturn in the demand for residential real estate, combined with the increase in the supply of real estate available for sale and declining prices, will continue to adversely impact our business.

The United States housing market is suffering the worst downturn since the Great Depression. Florida, one of the hardest hit states, has experienced a substantial, continuing decline in demand in most of its residential real estate markets. The collapse of the housing market has contributed to the current recession in the national economy, which exerts further downward pressure on housing demand. Significantly tighter lending standards for borrowers are also having a significant negative effect on demand. As a result, the supply of existing homes for sale has risen nationwide, with dramatic increases in Florida. A record number of homes in foreclosure and forced sales by homeowners under distressed economic conditions are significantly contributing to the high levels of inventories of homes and homesites available for sale. The collapse of real estate market demand and high levels of inventories are causing prices for residential real estate to significantly decline.

These adverse market conditions have negatively affected our residential and commercial real estate products. Revenues from our residential and commercial real estate segments have drastically declined in the past several years, which has had an adverse affect on our financial condition and results of operations. Our lack of revenues reflects not only fewer sales, but also declining prices for our real estate products.

We do not know how long the downturn in the real estate market will last or when real estate markets will return to more normal conditions. Rising unemployment, lack of consumer confidence and other adverse conditions in the current economic recession could significantly delay a recovery in real estate markets. Our business will continue to suffer until market conditions improve. If market conditions were to continue to worsen, the demand for our residential real estate products could further decline, negatively impacting our earnings, cash flow and liquidity.

A prolonged recession in the national economy, or a further downturn in national or regional economic conditions, especially in Florida, could continue to adversely impact our business.

The collapse of the housing market, together with the crisis in the credit markets, have resulted in a recession in the national economy with rising unemployment, shrinking gross domestic product and drastically reduced consumer spending. At such times, potential customers often defer or avoid real estate purchases due to the substantial costs involved. Furthermore, a significant percentage of our planned residential units are resort and seasonal products, purchases of which are even more sensitive to adverse economic conditions. Our real estate sales, revenues, financial condition and results of operations have suffered as a result.

Our business is especially sensitive to economic conditions in Florida, where all of our developments are located, and the Southeast region of the United States, which in the past has produced a high percentage of customers for the resort and seasonal products in our Northwest Florida communities. Florida and the Southeast both are experiencing recessionary conditions.

There is no consensus as to when the recession will end, and Florida, as one of the hardest hit states, could take longer to recover than the rest of the nation. A prolonged recession will continue to have a material adverse effect on our business, results of operations and financial condition. Our business could decline even more if economic conditions deteriorate further.

Our business is concentrated in Northwest Florida. As a result, our long-term financial results are largely dependent on the economic growth of Northwest Florida.

The economic growth of Northwest Florida, where the majority of our land is located, is an important factor in creating demand for our products and services. Two important factors in the economic growth of the region are (1) the completion of significant infrastructure improvements and (2) the creation of new jobs.

Infrastructure improvements, including the relocation of the Panama City-Bay County International Airport

One fundamental factor in the economic growth of Northwest Florida is the need for state and local governments, in combination with the private sector, to plan and complete significant infrastructure improvements in the region, such as new roads, a new airport, medical facilities and schools. The future economic growth of Northwest Florida and our financial results may be adversely affected if its infrastructure is not improved. There can be no assurance that new improvements will occur or that existing projects will be completed. Although the Federal government is currently planning to spend billions of dollars of federal funds on infrastructure projects as part of a recently enacted economic stimulus package, we are not certain how much, if any, of these funds will be dedicated to projects in Northwest Florida.

The most significant infrastructure improvement currently underway in Northwest Florida is the relocation of the Panama City-Bay County International Airport to a green-field site in western Bay County. Almost half of the site infrastructure work, including 75 percent of the primary runway, is now complete, and the Airport Authority continues to project a May 2010 opening date. One legal challenge to the airport remains outstanding, and we cannot guarantee that this lawsuit or any future legal challenges to the new airport will be successfully resolved. We also cannot guarantee that the construction of the airport will not encounter other difficulties, such as financing issues, construction difficulties or cost overruns, that may delay or prevent the completion of the new airport. We believe that the relocation of the airport is critically important to the overall economic development of Northwest Florida, and if the airport is not completed, our business prospects would be materially adversely affected.

Attracting significant new employers that can create new, high-quality jobs

Attracting significant new employers that can create new, high-quality jobs is a key factor in the economic growth of Northwest Florida. Northwest Florida has traditionally lagged behind the rest of Florida in economic growth, and as a result its residents have a lower per capita income than residents in other parts of the state. In order to improve the economy of the region, state and local governments, along with the private sector, must seek to attract large employers capable of paying high salaries to large numbers of new employees. State governments, particularly in the Southeast, and local governments within Florida compete intensely for such new jobs. There can be no assurance that efforts to attract significant new employers to locate facilities in Northwest Florida will be successful. The future economic growth of Northwest Florida and our financial results may be adversely affected if such job growth is not achieved.

If the new Panama City-Bay County International Airport is completed and opened for operations but is not successful, we may not realize the economic benefits that we are anticipating from the new airport.

We believe that the relocation of the Panama City-Bay County International Airport is critically important to the overall economic development of Northwest Florida. We anticipate that the airport will provide a catalyst for value creation in the property we own surrounding the airport, as well as our other properties throughout Northwest Florida. In order for the new airport to reach its full potential, we believe the following issues need to be resolved:

- A low-cost airline could increase the number of vacation and business travelers to the region. However, the airline industry is in turmoil, battling rising costs (including fuel and labor costs) and economic conditions. In this environment, it may be difficult to convince a low-cost airline to start service to a new airport.
- Additional federal, state and local approvals are needed to extend the airport’s main runway. The current main runway is permitted for 8,400 feet. A 10,000 feet runway is needed to accommodate certain large passenger jets and large aviation-dependent economic development projects. The State of Florida appropriated the funds necessary for the runway extension in 2008, but the required approvals have not yet been obtained for the extension. There can be no assurance that the required approvals will be granted, or that they will be obtained in a timely manner or without legal challenge.
- The airport must successfully compete with the other airports in the region. There can be no assurance that the region can support all of the existing airports.

Changes in the demographics affecting projected population growth in Florida, particularly Northwest Florida, including a decrease in the migration of Baby Boomers, could adversely affect our business.

Florida has experienced strong population growth since World War II, including during the real estate boom in the first half of this decade. In recent years, however, the rate of net migration into Florida has drastically declined. For example, Florida’s net in-migration for the 2005-06 fiscal year was 362,200, but net in-migration is projected to be only 4,234 for the 2008-09 fiscal year. Florida has not experienced a comparable drop in net in-migration since the recession of the mid-1970’s. This sharp decrease could reflect a number of factors affecting Florida including difficult economic conditions, rising foreclosures, restrictive credit, the occurrence of hurricanes and increased costs of living. Also, because of the housing collapse across the nation, people interested in moving to Florida may have delayed or cancelled their plans due to difficulties selling their existing homes.

The success of our primary communities will be dependent on strong in-migration population expansion in our regions of development, primarily Northwest Florida. We also believe that Baby Boomers seeking retirement or vacation homes in Florida will remain important target customers for our real estate products in the future. Florida's population growth could be negatively affected in the future by factors such as adverse economic conditions, the occurrence of hurricanes and the high cost of real estate, insurance and property taxes. Furthermore, those persons considering moving to Florida may not view Northwest Florida as an attractive place to live or own a second home and may choose to live in another region of the state. In addition, as an alternative to Florida, other states such as Georgia, North and South Carolina and Tennessee are increasingly becoming retirement destinations and are attracting retiring Baby Boomers and the workforce population who may have otherwise considered moving to Florida. If Florida, especially Northwest Florida, experiences an extended period of slow growth, or even net out-migration, our business, results of operations and financial condition would suffer.

If the market values of our homesites, our remaining inventory of completed homes and other developed real estate assets were to drop below the book value of those properties, we would be required to write-down the book value of those properties, which would have an adverse affect on our balance sheet and our earnings.

Unlike most other real estate developers, we have owned the majority of our land for many years, having acquired most of our land in the 1930's and 1940's. Consequently, we have a very low cost basis in the majority of our lands. In certain instances, however, we have acquired properties at market values for project development. Also, many of our projects have expensive amenities, such as pools, golf courses and clubs, or feature elaborate commercial areas requiring significant capital expenditures. Many of these costs are capitalized as part of the book value of the project land. Adverse market conditions, in certain circumstances, may require the book value of real estate assets to be decreased, often referred to as a "write-down" or "impairment." A write-down of an asset would decrease the value of the asset on our balance sheet and would reduce our earnings for the period in which the write-down is recorded.

During 2008, we recorded total asset impairment costs of $60.5 million, $41.3 million of which primarily related to the write-down of capitalized costs at certain projects and the impairment of completed homes in several of our communities due to current market conditions. If market conditions were to continue to deteriorate, and the market values for our homesites, remaining homes held in inventory and other project land were to fall below the book value of these assets, we could be required to take additional write-downs of the book value of those assets.

The occurrence of hurricanes and other natural disasters in Florida could adversely affect our business.

Because of its location between the Gulf of Mexico and the Atlantic Ocean, Florida is particularly susceptible to the occurrence of hurricanes. Depending on where any particular hurricane makes landfall, our developments in Florida, especially our coastal properties in Northwest Florida, could experience significant, if not catastrophic, damage. Such damage could materially delay sales in affected communities or could lessen demand for products in those communities. Importantly, regardless of actual damage to a development, the occurrence of hurricanes in Florida and the southeastern United States could negatively impact demand for our real estate products because of consumer perceptions of hurricane risks. For example, the southeastern United States experienced a record-setting hurricane season in 2005. In particular, Hurricane Katrina, which struck New Orleans and the Mississippi Gulf Coast, caused severe devastation to those areas and received prolonged national media attention. Although our properties were not significantly impacted, we believe that the 2005 hurricane season had an immediate negative impact on sales of our resort residential products. Another severe hurricane or hurricane season in the future could have a similar negative effect on our real estate sales.

In addition to hurricanes, the occurrence of other natural disasters in Florida, such as tornadoes, floods, fires, unusually heavy or prolonged rain and droughts, could have a material adverse effect on our ability to develop and sell properties or realize income from our projects. The occurrence of natural disasters could also have a long-term negative effect on the attractiveness of Florida as a location for resort, seasonal and/or primary residences.

Increases in property insurance premiums and the decreasing availability of property insurance in Florida could reduce customer demand for homes and homesites in our developments.

Property insurance companies doing business in Florida have reacted to recent hurricanes by significantly increasing premiums, requiring higher deductibles, reducing limits, restricting coverages, imposing exclusions, refusing to insure certain property owners, and in some instances, ceasing insurance operations in the state. For example, in 2008 State Farm Florida Insurance Company, the largest private insurer in Florida, decided to stop issuing new homeowner insurance policies in Florida and in February 2009 announced that it is terminating its homeowner insurance business in Florida altogether. It is uncertain what effect this action will have on property insurance availability and rates in the state. This trend of decreasing availability of insurance and rising insurance rates could continue if there are severe hurricanes in the future.

Furthermore, since the 2005 hurricane season, Florida's state-owned property insurance company, Citizens Property Insurance Corp., has significantly increased the number of its outstanding policies, causing its potential claims exposure to exceed $400 billion. If there were to be a catastrophic hurricane or series of hurricanes to hit Florida, the exposure of the state government to property insurance claims could place extreme stress on state finances and may ultimately cause taxes in Florida to significantly increase. The state may decide to limit the availability of state-sponsored property insurance in the future.

The high and increasing costs of property insurance premiums in Florida, as well as the decrease in private property insurers, could deter potential customers from purchasing a home or homesite in one of our developments, which could have a material adverse effect on our financial condition and results of operations.

Increases in real estate property taxes could reduce customer demand for homes and homesites in our developments.

Florida experienced dramatic increases in property values during the record-setting real estate activity in the first half of this decade. As a result, local governments have been, and may continue aggressively re-assessing the value of homes and real estate for property tax purposes. These larger assessments increase the total real estate property taxes due from property owners annually. The Florida legislature recently attempted to address rising property taxes, but the legislation enacted brought only minimal relief.

The current high costs of real estate property taxes in Florida, and future increases in property taxes, could deter potential customers from purchasing a lot or home in one of our developments, which could have a material adverse effect on our financial condition and results of operations.

Mortgage financing issues, including lack of supply of mortgage loans, tightened lending requirements and possible future increases in interest rates, could reduce demand for our products.

Many purchasers of our real estate products obtain mortgage loans to finance a substantial portion of the purchase price, or they may need to obtain mortgage loans to finance the construction costs of homes to be built on homesites purchased from us. Also, our homebuilder customers depend on retail purchasers who rely on mortgage financing. Many mortgage lenders and investors in mortgage loans have recently experienced severe financial difficulties arising from losses incurred on sub-prime and other loans originated before the downturn in the real estate market. Despite unprecedented efforts by the Federal government to stabilize the nation's banks, banking operations remain unsettled and the future of certain financial institutions remains uncertain. Due to these problems, the supply of mortgage products has been constrained, and the eligibility requirements for borrowers have been significantly tightened. These problems in the mortgage lending industry could adversely affect potential purchasers of our products, including our homebuilder customers, thus having a negative effect on demand for our products.

Despite the current problems in the mortgage lending industry, interest rates for home mortgage loans have generally remained low. Mortgage interest rates could increase in the future, however, which could adversely affect the demand for residential real estate. In addition, any changes in the federal income tax laws which would remove or limit the deduction for interest on home mortgage loans could have an adverse impact on demand for our residential products. In addition to residential real estate, increased interest rates and restrictions in the availability of credit could also negatively impact sales of our commercial properties or other land we offer for sale. If interest rates increase and the ability or willingness of prospective buyers to finance real estate purchases is adversely affected, our sales, revenues, financial condition and results of operations may be negatively affected.

If we are not able to raise sufficient cash to enhance and maintain our operations and to develop our real estate holdings, our financial condition and results of operations could be negatively impacted.

We operate in a capital intensive industry and require significant cash to maintain our competitive position. Although we have significantly reduced capital expenditures and operating expenses during the current real estate downturn, we will need significant cash in the future to enhance and maintain our operations and to develop our real estate holdings. We obtain funds for our capital expenditures and operating expenses through cash flow from operations, property sales and financings. Failure to obtain sufficient cash, if and when needed, may limit our development activities which could reduce our revenues and results of operations. During 2008 and 2007, we relied on rural land sales as a significant source of revenues due to the continuing downturn in our residential and commercial real estate markets. We expect to continue to rely on rural land sales as a significant source of revenue in the future. However, there can be no assurance that such sales could be completed at prices acceptable to us.

If our cash flow proves to be insufficient, due to the continuing real estate downturn, unanticipated expenses or otherwise, we may need to obtain additional financing from third-party lenders in order to support our plan of operations. Additional funding, whether obtained through public or private debt or equity financing, or from strategic alliances, may not be available when needed or may not be available on terms acceptable to us, if at all.

We have a $100 million senior revolving credit facility with adjustable interest rates that we can draw upon to provide cash for operations and/or capital expenditures. Increases in interest rates can make it more expensive for us to use this credit facility or obtain funds from other sources that we need to operate our business.

If our net worth declines, we could default on our revolving credit facility which could have a material adverse effect on our financial condition and results of operations.

We have a $100 million revolving credit facility available to provide a source of funds for operations, capital expenditures and other general corporate purposes. While we have not yet needed to borrow any funds under this facility, it is important to have in place as a ready source of financing, especially in the current difficult economic conditions. The credit facility contains financial covenants that we must meet on a quarterly basis. These restrictive covenants require, among other things, that our tangible net worth not be less than $900 million. Compliance with this covenant will be challenging if we continue to experience significant operating losses, asset impairments, pension plan losses and other reductions in our net worth.

If we do not comply with the minimum tangible net worth covenant, we could have an event of default under our credit facility. There can be no assurance that the bank will be willing to amend the facility to provide for more lenient terms prior to any such default, or that it will not charge significant fees in connection with any such amendment. If we had borrowings under the facility at the time of a default, the bank could immediately accelerate all outstanding amounts and file a mortgage on the majority of our properties to secure the repayment of the debt. Even if we had no outstanding borrowings under the facility at the time of a default, the bank may choose to terminate the facility or seek to negotiate additional or more severe restrictive covenants or increased pricing and fees. We could be required to seek an alternative funding source, which may not be available at all or available on acceptable terms. Any of these events could have a material adverse effect on our financial condition and results of operations.

We are dependent upon national, regional and local homebuilders as customers, but our ability to attract homebuilder customers and their ability or willingness to satisfy their purchase commitments may be uncertain considering the current real estate downturn.

We no longer build homes in our developments, so we are highly dependent upon our relationships with national, regional and local homebuilders to be the primary customers for our homesites and to provide construction services at our residential developments. Due to the collapse of real estate markets across the nation, including our markets, homebuilders are struggling to survive and are significantly less willing to purchase homesites and invest capital in speculative construction. The homebuilder customers that have already committed to purchase homesites from us could decide to reduce, delay or cancel their existing commitments to purchase homesites in our developments. One survey in January 2009 indicated a record low level of confidence among homebuilders, considering that prices and sales are likely to slide further as banks remain reluctant to lend, a high number of foreclosed homes are returning to the market and job losses discourage buyers. Homebuilders also may not view our developments as desirable locations for homebuilding operations. Any of these events could have an adverse effect on our results of operations.

Our business model is dependent on transactions with strategic partners. We may not be able to successfully (1) attract desirable strategic partners; (2) complete agreements with strategic partners; and/or (3) manage relationships with strategic partners going forward, any of which could adversely affect our business.

We have increased our focus on executing our development and value creation strategies through joint ventures and strategic relationships. We are actively seeking strategic partners for alliances or joint venture relationships as part of our overall strategy for particular developments or regions. These joint venture partners may bring development experience, industry expertise, financial resources, financing capabilities, brand recognition and credibility or other competitive assets. We cannot assure you, however, that we will have sufficient resources, experience and/or skills to locate desirable partners. We also may not be able to attract partners that want to conduct business in Northwest Florida, our primary area of focus, and that have the assets, reputation or other characteristics that would optimize our development opportunities.

Once a partner has been identified, actually reaching an agreement on a transaction may be difficult to complete and may take a considerable amount of time considering that negotiations require careful balancing of the parties' various objectives, assets, skills and interests. A formal partnership with a joint venture partner may also involve special risks such as:

- we may not have voting control over the joint venture;
- the venture partner may take actions contrary to our instructions or requests, or contrary to our policies or objectives with respect to the real estate investments;
- the venture partner could experience financial difficulties; and
- actions by a venture partner may subject property owned by the joint venture to liabilities greater than those contemplated by the joint venture agreement or have other adverse consequences.

Joint ventures have a high failure rate. A key complicating factor is that strategic partners may have economic or business interests or goals that are inconsistent with ours or that are influenced by factors unrelated to our business. These competing interests lead to the difficult challenges of successfully managing the relationship and communication between strategic partners and monitoring the execution of the partnership plan. We cannot assure you that we will have sufficient resources, experience and/or skills to effectively manage our ongoing relationships with our strategic partners. We may also be subject to adverse business consequences if the market reputation of a strategic partner deteriorates. If we cannot successfully execute transactions with strategic partners, our business could be adversely affected.

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

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

Approval to develop real property in Florida entails an extensive entitlements process involving multiple and overlapping regulatory jurisdictions and often requiring discretionary action by local government. This process is often political, uncertain and may require significant exactions in order to secure approvals. Real estate projects in Florida must generally comply with the provisions of the Local Government Comprehensive Planning and Land Development Regulation Act (the "Growth Management Act") and local land development regulations. In addition, development projects that exceed certain specified regulatory thresholds require approval of a comprehensive Development of Regional Impact, or DRI, application. Compliance with the Growth Management Act, local land development regulations and the DRI process is usually lengthy and costly and can be expected to materially affect our real estate development activities.

The Growth Management Act requires local governments to adopt comprehensive plans guiding and controlling future real property development in their respective jurisdictions and to evaluate, assess and keep those plans current. Included in all comprehensive plans is a future land use map which sets forth allowable land use development rights. Since most of our land has an "agricultural" land use, we are required to seek an amendment to the future land use map to develop residential, commercial and mixed use projects. Approval of these comprehensive plan map amendments is highly discretionary.

All development orders and development permits must be consistent with the comprehensive plan. Each plan must address such topics as future land use and capital improvements and make adequate provision for a multitude of public services including transportation, schools, solid waste disposal, sanitation, sewerage, potable water supply, drainage, affordable housing, open space and parks. The local governments' comprehensive plans must also establish "levels of service" with respect to certain specified public facilities, including roads and schools, and services to residents. In many areas, infrastructure funding has not kept pace with growth, causing facilities to operate below established levels of service. Local governments are prohibited from issuing development orders or permits if the development will reduce the level of service for public facilities below the level of service established in the local government's comprehensive plan, unless the developer either sufficiently improves the services up front to meet the required level or provides financial assurances that the additional services will be provided as the project progresses. In addition, local governments that fail to keep their plans current may be prohibited by law from amending their plans to allow for new development.

The DRI review process includes an evaluation of a project's impact on the environment, infrastructure and government services, and requires the involvement of numerous state and local environmental, zoning and community development agencies. Local government approval of any DRI is subject to appeal to the Governor and Cabinet by the Florida Department of Community Affairs, and adverse decisions by the Governor or Cabinet are subject to judicial appeal. The DRI approval process is usually lengthy and costly, and conditions, standards or requirements may be imposed on a developer that may materially increase the cost of a project.

In addition to the existing complex regulatory environment in Florida, anti-growth advocates continue to seek greater constraints on development activity as Florida's population continues to increase. One example is an effort underway known as "Hometown Democracy," a petition for approval of a constitutional amendment that would require all land use amendments to be subject to a vote of local citizens before adoption by the local government.

As currently proposed, this law would mean that a land use plan amendment, which a local government would otherwise approve, could be struck down by a vote of local citizens. The proponents of this petition were not able to obtain the number of signatures required to get the petition on the ballot for the November 2008 general election, but it is possible that they will be able to do so in a future election.

Changes in the Growth Management Act or the DRI review process or the interpretation thereof, new enforcement of these laws or the enactment of new laws regarding the development of real property could lead to new or greater liabilities that could materially adversely affect our business, profitability or financial condition.

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

Our properties are subject to federal, state and local environmental regulations and restrictions that may impose significant limitations on our development ability. In most cases, approval to develop requires multiple permits which involve a long, uncertain and costly regulatory process. Most of our land holdings contain jurisdictional wetlands, some of which may be unsuitable for development or prohibited from development by law. Development approval most often requires mitigation for impacts to wetlands that require land to be conserved at a disproportionate ratio versus the actual wetlands impacted and approved for development. Much of our property is undeveloped land located in areas where development may have to avoid, minimize or mitigate for impacts to the natural habitats of various protected wildlife or plant species. Much of our property is in coastal areas that usually have a more restrictive permitting burden and must address issues such as coastal high hazard, hurricane evacuation, floodplains and dune protection.

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

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

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

Some of our past and present real property, particularly properties used in connection with our previous transportation and papermill operations, were involved in the storage, use or disposal of hazardous substances that have contaminated and may in the future contaminate the environment. We may bear liability for this contamination and for the costs of cleaning up a site at which we have disposed of or to which we have transported hazardous substances. The presence of hazardous substances on a property may also adversely affect our ability to sell or develop the property or to borrow funds using the property as collateral.

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

If Wells Fargo & Company's Wachovia Bank subsidiary (or any successor bank) were to fail and be liquidated, we could be required to accelerate the payment of the deferred taxes on our installment sale transactions. Our business, cash flows and financial condition may be adversely affected if this significant tax event were to occur.

During 2007 and 2008, we sold approximately 132,055 acres of timberland in installment sale transactions for approximately $183.3 million which was paid in the form of 15-year installment notes receivable. These installment notes are fully backed by letters of credit issued by Wachovia Bank, N.A. (subsequently acquired by Wells Fargo & Company) which are secured by bank deposits in the amount of the purchase price. The approximate aggregate taxable gain from these transactions was $160.5 million, but the installment sale structure allows us to defer paying taxes on these gains for 15 years. Meanwhile, we generated cash from these sales (sometimes referred to as "monetizing" the sales) by contributing the installment notes and bank letters of credit to special purpose entities organized by us, and these special purpose entities in turn issued to various institutional investors notes payable backed by the installment notes and bank letters of credit, and in some cases by a second letter of credit issued for the account of the special purpose entity. The special purpose entities have approximately $163.5 million of these notes payable outstanding. These notes are payable solely out of the assets of the special purpose entities (which consist of the installment notes and the letters of credit). The investors in the special purpose entities have no recourse against us for payment of the notes. The special purpose entities' financial position and results of operations are not consolidated in our financial statements.

Banks and other financial institutions experienced a high level of instability in 2008, resulting in numerous bank and financial institution failures, hastily structured mergers and acquisitions, and an unprecedented direct infusion of billions of dollars of capital by the federal government into banks and financial institutions. During this crisis, Wells Fargo acquired Wachovia Corporation and its subsidiary, Wachovia Bank, N.A., the holder of the deposits and the issuer of the letter of credit obligations in our installment sale transactions. The banking industry remains troubled, and the federal government has announced a second round of bailout measures for the nation's banks. Wells Fargo, as one of the largest banks in the United States, would presumably receive the support of the federal government if needed to prevent a failure of its banking subsidiaries. There can be no assurance, however, that Wells Fargo's Wachovia Bank subsidiary (or any successor bank) will not fail during this difficult time or that it would receive government assistance sufficient to prevent a bank failure.

If Wells Fargo's Wachovia Bank subsidiary (or any successor bank) were to fail and be liquidated, the installment notes receivable, the letters of credit and the notes issued by the special purpose entities to the institutional investors could be virtually worthless or satisfied at a significant discount. As a result, the taxes deferred under the installment sale structure would be accelerated. This adverse tax event could result in an immediate need for a significant amount of cash that may not be readily available from our cash reserves, our revolving line of credit or other third-party financing sources. Any such cash outlay, even if available, could divert needed resources away from our business or cause us to liquidate assets on unfavorable terms or prices. Our business and financial condition may be adversely affected if these significant tax events were to occur. In the event of a liquidation of Wells Fargo's Wachovia Bank subsidiary (or any successor bank), we could also be required to write-off the remaining retained interest recorded on our balance sheet in connection with the installment sale transactions, which would have an adverse effect on our results of operations.

If drilling for oil or natural gas is permitted off the coast of Northwest Florida, our business may be adversely affected.

Since 1982 drilling for oil and natural gas has been banned in federal territorial waters. This federal moratorium, along with action by the state of Florida, has prevented the construction of unsightly drilling platforms off the coast of Florida and has preserved the natural beauty of the state's coastline and beaches. This natural coastal beauty is an important positive factor in Florida's tourist-based economy and contributes significantly to the value of our properties in Northwest Florida.

Due to an unprecedented spike in oil prices in 2008, there was political pressure on federal and state leaders to overturn the offshore drilling ban. As a result, the presidential and congressional bans on offshore drilling in most U.S. waters ended last year. President Obama's new administration is currently reviewing all pending regulations and its position on this issue has not been finalized. Meanwhile, Florida's governor has expressed support for allowing oil and natural gas drilling off the Florida coastline under certain circumstances. If drilling platforms are permitted to be built off the coast of Northwest Florida close enough to be seen from land, potential purchasers may find our coastal properties to be less attractive, which may have an adverse effect on our business.

We are exposed to risks associated with real estate development.

Our real estate development activities entail risks that include:

- construction delays or cost overruns, which may increase project development costs;
- an inability to obtain required governmental permits and authorizations;
- an inability to secure tenants necessary to support commercial projects; and
- compliance with building codes and other local regulations.

Significant competition could have an adverse effect on our business.

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

- attract purchasers and sell residential and commercial real estate;
- sell undeveloped rural land;
- attract and retain experienced real estate development personnel; and
- obtain construction materials and labor.

Our real estate operations are cyclical.

The real estate industry is cyclical and can experience downturns based on consumer perceptions of real estate markets and other cyclical factors, which factors may work in conjunction with or either wholly unrelated to general economic conditions. Furthermore, our business is affected by seasonal fluctuations in customers interested in purchasing real estate, with the spring and summer months traditionally being the most active time of year for customer traffic and sales. Also, our supply of homesites available for purchase fluctuates from time to time. As a result, our real estate operations are cyclical, which may cause our quarterly revenues and operating results to fluctuate significantly from quarter to quarter and to differ from the expectations of public market analysts and investors. If this occurs, our stock's trading price could also fluctuate significantly.

Changes in our income tax estimates could affect our profitability.

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

Item 1B. *Unresolved Staff Comments*

We have no unresolved comments from the SEC regarding our periodic or current reports.

Item 2. *Properties*

We lease our principal executive offices located in Jacksonville, Florida.

We own approximately 586,000 acres, the majority of which are located in Northwest Florida. Most of our raw land assets are managed as timberlands until designated for development. At December 31, 2008, approximately 296,000 acres were encumbered under a wood fiber supply agreement with Smurfit-Stone

Container Corporation which expires on June 30, 2012, subject to the outcome of Smurfit-Stone's bankruptcy proceedings. Also, our lender has the right to record mortgages on approximately 553,000 acres of our land if there is an event of default under our revolving credit facility.

For more information on our real estate assets, see Item 1. Business.

Item 3. ***Legal Proceedings***

We are involved in routine litigation on a number of matters and are subject to claims which arise in the normal course of business, none of which, in the opinion of management, is expected to have a material adverse effect on our consolidated financial position, results of operations or liquidity.

Item 4. ***Submission of Matters to a Vote of Security Holders***

None.

PART II

Item 5. ***Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities***

On February 19, 2009, we had approximately 1,266 registered holders of record of our common stock. Our common stock is listed on the New York Stock Exchange ("NYSE") under the symbol "JOE."

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

	Common Stock Price		Dividends
	High	Low	Declared
2008			
Fourth Quarter	$ 39.76	$ 18.80	$ 0.00
Third Quarter	42.49	30.63	0.00
Second Quarter	44.79	33.79	0.00
First Quarter	46.82	29.50	0.00
2007			
Fourth Quarter	$ 37.90	$ 26.70	$ 0.00
Third Quarter	47.34	30.43	0.16
Second Quarter	60.85	45.15	0.16
First Quarter	64.10	52.16	0.16

On February 19, 2009, the closing price of our common stock on the NYSE was $21.10. We eliminated our quarterly dividends in connection with our restructuring plan.

The following table describes our purchases of our common stock during the fourth quarter of 2008.

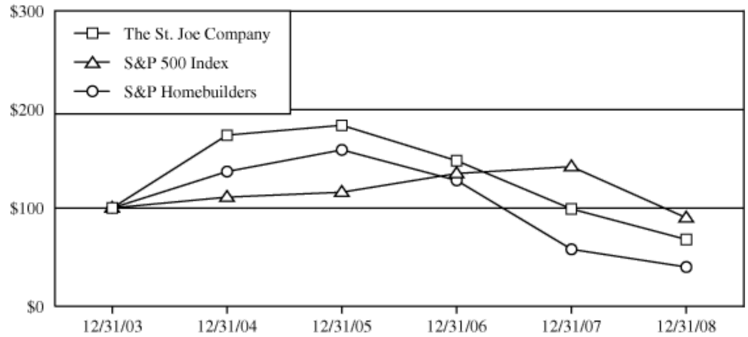
Period	(a) Total Number of Shares Purchased(1)	(b) Average Price Paid per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs(2)	(d) Maximum Dollar Amount that May Yet Be Purchased Under the Plans or Programs (In thousands)
Month Ended October 31, 2008	19,634	$ 37.59	—	$ 103,793
Month Ended November 30, 2008	—	—	—	$ 103,793
Month Ended December 31, 2008	2,340	$ 28.74	—	$ 103,793

(1) Represents shares surrendered by executives as payment for the strike prices and taxes due on exercised stock options and/or taxes due on vested restricted stock.

(2) For additional information regarding our Stock Repurchase Program, see Note 2 to the consolidated financial statements under the heading, "Earnings (loss) Per Share."

The following performance graph compares our cumulative shareholder returns for the period December 31, 2003 through December 31, 2008, assuming $100 was invested on December 31, 2003 in our common stock, in the S&P 500 Index and in the S&P SuperComposite Homebuilder Index.

The total returns shown below assume that dividends are reinvested. The stock price performance shown below is not necessarily indicative of future price performance.



	12/31/03	12/31/04	12/31/05	12/31/06	12/31/07	12/31/08
The St. Joe Company	$100	$174	$184	$148	$ 99	$68
S&P 500 Index	$100	$111	$116	$135	$142	$90
S&P Homebuilders	$100	$137	$159	$128	$ 58	$40

Item 6. ***Selected Consolidated Financial Data***

The following table sets forth Selected Consolidated Financial Data for the Company on a historical basis for the five years ended December 31, 2008. This information should be read in conjunction with the consolidated financial statements of the Company (including the related notes thereto) and Management's Discussion and Analysis of Financial Condition and Results of Operations, each included elsewhere in this Form 10-K. This historical Selected Consolidated Financial Data has been derived from the audited consolidated financial statements and revised for discontinued operations.

	Year Ended December 31,				
	2008	2007	2006	2005	2004
	(In thousands, except per share amounts)				
Statement of Operations Data:					
Total revenues(1)	$ 263,990	$ 377,245	$ 525,024	$ 718,107	$ 644,123
Total expenses	289,703	354,131	462,336	551,130	513,365
Operating (loss) profit	(25,713)	23,114	62,688	166,977	130,758
Other expense	(36,643)	(4,708)	(9,642)	(3,174)	(3,721)
(Loss) income from continuing operations before equity in (loss) income of unconsolidated affiliates, income taxes, and minority interest	(62,356)	18,406	53,046	163,803	127,037
Equity in (loss) income of unconsolidated affiliates	(330)	(5,331)	8,905	12,541	5,342
Income tax (benefit) expense	(26,984)	869	21,498	60,667	50,049
(Loss) income from continuing operations before minority interest	(35,702)	12,206	40,453	115,677	82,330
Minority interest in (loss) income	(807)	1,092	6,137	7,820	2,594
(Loss) income from continuing operations	(34,895)	11,114	34,316	107,857	79,736
(Loss) income from discontinued operations(2)	(988)	(1,035)	6,336	5,479	5,140
Gain on sale of discontinued operations(2)	—	29,128	10,368	13,322	5,224
Net (loss) income	$ (35,883)	$ 39,207	$ 51,020	$ 126,658	$ 90,100
Per Share Data:					
Basic					
(Loss) income from continuing operations	$ (0.39)	$ 0.15	$ 0.47	$ 1.44	$ 1.06
(Loss) income from discontinued operations(2)	(0.01)	0.38	0.22	0.25	0.13
Net (loss) income	(0.40)	0.53	$ 0.69	$ 1.69	$ 1.19
Diluted					
(Loss) income from continuing operations	$ (0.39)	$ 0.15	$ 0.47	$ 1.42	$ 1.04
(Loss) income from discontinued operations(2)	(0.01)	0.38	0.22	0.24	0.13
Net (loss) income	(0.40)	$ 0.53	$ 0.69	$ 1.66	$ 1.17
Dividends declared and paid	$ —	$ 0.48	$ 0.64	$ 0.60	$ 0.52

	December 31, 2008	2007	2006	2005	2004
Balance Sheet Data:					
Investment in real estate	$ 890,583	$ 944,529	$ 1,214,550	$ 1,038,810	$ 943,340
Cash and cash equivalents	115,472	24,265	36,725	202,432	94,661
Property, plant and equipment, net	19,786	23,693	44,593	40,176	34,020
Total assets	1,218,278	1,263,966	1,560,395	1,591,946	1,403,629
Debt	49,560	541,181	627,056	554,446	421,110
Total stockholders' equity	988,629	480,341	461,080	488,998	495,411

(1) Total revenues include real estate revenues from property sales, timber sales, rental revenues and other revenues, primarily club operations and brokerage fees.

(2) Discontinued operations include the operations of Sunshine State Cypress, Inc. in 2008, fourteen commercial office buildings and Saussy Burbank in 2007, four commercial office buildings in 2006, four commercial office buildings and Advantis Real Estate Services Company in 2005 and two commercial office buildings sold in 2004 (See Note 7 of Notes to Consolidated Financial Statements).

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

Forward-looking Statements

We make forward-looking statements in this Report, particularly in the Management's Discussion and Analysis of Financial Condition and Results of Operations, pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Any statements in this Report that are not historical facts are forward-looking statements. You can find many of these forward-looking statements by looking for words such as "intend", "anticipate", "believe", "estimate", "expect", "plan", "should", "forecast" or similar expressions. In particular, forward-looking statements include, among others, statements about the following:

- future operating performance, revenues, earnings and cash flows;
- future residential and commercial entitlements;
- development approvals and the ability to obtain such approvals, including possible legal challenges;
- the number of units or commercial square footage that can be supported upon full build out of a development;
- the number, price and timing of anticipated land sales or acquisitions;
- estimated land holdings for a particular use within a specific time frame;
- the levels of resale inventory in our developments and the regions in which they are located;
- the development of relationships with strategic partners, including homebuilders;
- future amounts of capital expenditures;
- the projected completion, opening, operating results and economic impact of the new Panama City — Bay County International Airport;
- the amount of dividends, if any, we pay; and
- the number or dollar amount of shares of our stock which may be purchased under our existing or future share-repurchase program.

Forward-looking statements are not guarantees of future performance and are subject to numerous assumptions, risks and uncertainties. Factors that could cause actual results to differ materially from those contemplated by a forward-looking statement include the risk factors described above under the heading "Risk Factors." These statements are made as of the date hereof based on our current expectations, and we undertake no obligation to update the information contained in this Report. New information, future events or risks may cause the forward-looking events we discuss in this Report not to occur. You are cautioned not to place undue reliance on any of these forward-looking statements.

Overview

We believe we have one of the largest inventories of private land suitable for development in Florida. The majority of our land is located in Northwest Florida and has a very low cost basis. In order to optimize the value of these core real estate assets, we seek to reposition our substantial timberland holdings for higher and better uses. We seek to create value in our land by securing entitlements for higher and better land-uses, facilitating infrastructure improvements, developing community amenities, undertaking strategic and expert land planning and development, parceling our land holdings in creative ways and performing land restoration and enhancement.

We have four operating segments: residential real estate, commercial real estate, rural land sales and forestry.

Our residential real estate segment generates revenues from:

- the sale of developed homesites to retail customers and builders;
- the sale of parcels of entitled, undeveloped land;
- the sale of housing units built by us;
- resort and club operations;
- rental income; and
- brokerage fees on certain transactions within our residential real estate developments.

Our commercial real estate segment generates revenues from the sale of developed and undeveloped land for retail, multi-family, office and industrial uses. Our rural land sales segment generates revenues from the sale of parcels of undeveloped land and rural land with limited development. Our forestry segment generates revenues from the sale of pulpwood, timber and forest products and conservation land management services.

For over three years, the United States has experienced a dramatic slowdown in most of its residential real estate markets. Florida, as one of the fastest growing states during the preceding real estate boom, has been particularly hard-hit, with high levels of inventories of resale homes, a large number of foreclosures and steep declines in home values. In 2008, the problems in the real estate industry contributed to a liquidity crisis among financial institutions resulting in unprecedented government intervention, a dramatic drop in the stock market and the onset of a severe economic recession. The financial markets remain unsettled and economic conditions continue to deteriorate, exerting additional negative pressure on real estate demand and consumer confidence, thereby prolonging the possibility of any real estate recovery.

As a result of these adverse conditions, our residential and commercial sales have declined precipitously since 2005. During 2008 and 2007, we relied on rural land sales as a significant source of revenues due to the continuing downturn in our residential and commercial real estate markets. Demand for our rural land remains steady, and we expect to continue to rely on rural land sales as a significant source of revenues in the future, although to a lesser extent than 2008 and 2007. We are carefully monitoring, however, any impact that the current economic environment may have on pricing or overall demand for rural land.

In addition to our large inventory of rural land, we have virtually no debt and significant cash reserves. We have also greatly reduced our capital expenditures and general and administrative expenses. As a result, we believe that we are well positioned to withstand the current challenging environment. Meanwhile, we are continuing to develop the strategic relationships that will benefit our business when the economy and our markets recover.

Critical Accounting Estimates

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

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

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

Real estate inventory costs include land and common development costs (such as roads, sewers and amenities), multi-family construction costs, capitalized property taxes, capitalized interest and certain indirect costs. Construction costs for single-family homes are determined based upon actual costs incurred. A portion of real estate inventory costs and estimates for costs to complete are allocated to each unit based on the relative sales value of each unit as compared to the estimated sales value of the total project. These estimates are reevaluated at least annually, and more frequently if warranted by market conditions or other factors, with any adjustments being allocated prospectively to the remaining units available for sale. The accounting estimate related to inventory valuation is susceptible to change due to the use of assumptions about future sales proceeds and related real estate expenditures. Management's assumptions about future housing and homesite sales prices, sales volume and sales velocity require significant judgment because the real estate market is cyclical and highly sensitive to changes in economic conditions. In addition, actual results could differ from management's estimates due to changes in anticipated development, construction and overhead costs. Until 2008 we had not made significant adjustments affecting real estate gross profit margins; there can be no assurances, however, that estimates used to generate future real estate gross profit margins will not differ from our current estimates.

Revenue Recognition — Percentage-of-Completion. In accordance with Statement of Financial Accounting Standards ("SFAS")No. 66, *Accounting for Sales of Real Estate*, revenue for multi-family residences under construction is recognized using the percentage-of-completion method when (1) construction is beyond a preliminary stage, (2) the buyer is committed to the extent of being unable to require a refund except for nondelivery of the unit, (3) sufficient units have already been sold to assure that the entire property will not revert to rental property, (4) sales price is assured, and (5) aggregate sales proceeds and costs can be reasonably estimated. Revenue is then recognized in proportion to the percentage of total costs incurred in relation to estimated total costs. Percentage-of-completion accounting is also used for our homesite sales when required development is not complete at the time of sale and for commercial and other land sales if there are uncompleted development costs yet to be incurred for the property sold.

Our townhomes are attached residences sold individually along with the underlying parcel of land. Revenues and cost of sales for our townhomes are accounted for using the full accrual method. These units differ from multi-family units, in which buyers hold title to a unit or fractional share of a unit within a building and an interest in the underlying land held in common with other building association members.

Impairment of Long-lived Assets and Goodwill. Our long-lived assets, primarily real estate held for investment, are carried at cost unless circumstances indicate that the carrying value of the assets may not be recoverable. If we determine that an impairment exists due to the inability to recover an asset's carrying value, a provision for loss is recorded to the extent that the carrying value exceeds estimated fair value. If such assets were held for sale, the provision for loss would be recorded to the extent that the carrying value exceeds estimated fair value less costs to sell.

Depending on the asset, we use varying methods to determine fair value, such as (i) analyzing expected future cash flows, (ii) determining resale values by market, or (iii) applying a capitalization rate to net operating income using prevailing rates in a given market. The fair value determined under these methods can fluctuate up or down significantly as a result of a number of factors, including changes in the general economy of our markets, demand for real estate and the projected net operating income for a specific property.

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

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

Fair Value Measurement, We partially adopted SFAS No. 157, *Fair Value Measurements* ("SFAS 157"), on January 1, 2008. SFAS 157, among other things, defines fair value, establishes a consistent framework for measuring fair value and expands disclosure for each major asset and liability category measured at fair value on either a recurring or nonrecurring basis. SFAS 157 clarifies that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, SFAS 157 establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

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

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

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

We currently record assets within Level 1 and Level 3 of the fair value hierarchy. Assets utilizing Level 1 inputs include investments in money market and short term treasury instruments. Assets utilizing Level 3 inputs include our retained interest in qualified special purpose entities ("QSPEs"). We have recorded a retained interest with respect to the monetization of certain installment notes through the use of QSPEs. Our continuing involvement with the QSPEs is in the form of receipts of net interest payments, which are recorded as interest income. In addition, we will receive the payment of the remaining principal on the installment notes associated with our QSPEs at the end of their 15 year maturity period. In accordance with Emerging Issues Task Force ("EITF") Issue 99-20, "*Recognition of Interest Income and Impairment on Purchased and Retained Beneficial Interests in Securities and Financial Assets*", we recognize interest income over the life of the retained interest using the effective yield method. This income is being recorded as an offset to unrealized loss on monetization of notes over the life of the installment notes. In addition, fair value is adjusted at each reporting date when, based on management's assessment of current information and events, there is a favorable or adverse change in estimated cash flows from cash flows previously projected.

Pension Plan. We sponsor a cash balance defined-benefit pension plan covering a majority of our employees. Currently, our pension plan is over-funded and contributes income to the Company. The accounting for pension benefits is determined by specialized accounting and actuarial methods using numerous estimates, including discount rates, expected long-term investment returns on plan assets, employee turnover, mortality and retirement ages, and future salary increases. Changes in these key assumptions can have a significant effect on the pension plan's impact on the financial statements of the Company. For example, in 2008, a 1% increase in the assumed long-term rate of return on pension assets would have resulted in a $2.3 million increase in pre-tax income ($1.3 million net of tax). A 1% decrease in the assumed long-term rate of return would have caused an equivalent decrease in pre-tax income. A 1% increase or decrease in the assumed discount rate would have resulted in a $0.5 million change in pre-tax income. Our pension plan is currently overfunded, and accordingly, generated income of $2.5 million, $2.0 million and $3.1 million in 2008, 2007 and 2006, respectively. During 2008, the funded status of our pension plan decreased to $42.0 million from $109.3 million in 2007 primarily as a result of recent stock market volatility. Although we do not expect to make contributions to the pension plan in the near future, further significant volatility in the markets could potentially reduce our funded status and possibly require us to make a contribution to the plan.

Stock-Based Compensation. During the first quarter of 2006, we adopted the provisions of SFAS No. 123 — revised 2004, *Share-Based Payment* ("SFAS 123R"), which replaced SFAS No. 123, *Accounting for Stock-Based Compensation* ("SFAS 123"), and supersedes APB Opinion No. 25, *Accounting for Stock Issued to Employees* ("APB 25"). Under the fair value recognition provisions of SFAS 123R, stock-based compensation cost is measured at the grant date based on the fair value of the award and is typically recognized as expense on a straight-line basis over the requisite service period, which is the vesting period. We elected the modified-prospective method of adoption, under which prior periods are not revised for comparative purposes. The valuation provisions of SFAS 123R apply to new grants and grants that were outstanding as of the effective date and are subsequently modified. Estimated compensation for the unvested portion of grants that were outstanding as of the effective date is being recognized over the remaining service period.

We currently use the Black-Scholes option pricing model to determine the fair value of stock options. The determination of the fair value of stock-based payment awards on the date of grant using an option-pricing model is affected by the stock price as well as assumptions regarding a number of other variables. These variables include expected stock price volatility over the term of the awards, actual and projected employee stock option exercise behaviors (term of option), risk-free interest rate and expected dividends.

We estimate the expected term of options granted by incorporating the contractual term of the options and analyzing employees' actual and expected exercise behaviors. We estimate the volatility of our common stock by using historical volatility in market price over a period consistent with the expected term, and other factors. We base the risk-free interest rate that we use in the option valuation model on U.S. Treasury issues with remaining terms similar to the expected term on the options. We use an estimated dividend yield in the option valuation model when dividends are anticipated.

In February 2008, under our 2001 Stock Incentive Plan, we granted select executives and other key employees restricted stock awards with vesting based upon the achievement of certain market conditions that are defined as our total shareholder return as compared to the total shareholder return of certain peer groups during the performance period.

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

Income Taxes. In preparing our consolidated financial statements, significant management judgment is required to estimate our income taxes. Our estimates are based on our interpretation of federal and state tax laws. We estimate our actual current tax due and assess temporary differences resulting from differing treatment of items for tax and accounting purposes. The temporary differences result in deferred tax assets and liabilities, which are included in our consolidated balance sheet. We record a valuation allowance against our deferred tax assets based upon our analysis of the timing and reversal of future taxable amounts and our history and future expectations of taxable income. Adjustments may be required by a change in assessment of our deferred tax assets and liabilities, changes due to audit adjustments by federal and state tax authorities, and changes in tax laws. To the extent adjustments are required in any given period we will include the adjustments in the tax provision in our financial statements. These adjustments could materially impact our financial position, cash flow and results of operation.

At December 31, 2008, we had net operating loss carryforwards for state tax purposes of approximately $196.1 million which are available to offset future state taxable income, if any, through 2027. At December 31, 2008, we recorded a valuation allowance against certain of our deferred tax assets of approximately $2.6 million, as we believe it is more likely than not that it will not be fully realized due to the shorter term nature of certain carryforward items.

Recently Issued Accounting Standards

In December 2008, the FASB issued FASB Staff Position (“FSP”) SFAS 132(R)-1, *Employer’s Disclosures about Postretirement Benefit Plan Assets.* This FSP amends FASB Statement No. 132, *Employer’s Disclosures about Pensions and Other Postretirement Benefits*, to disclose more information about investment allocation decisions, major categories of plan assets, including concentrations of risk and fair value measurements, and the fair value techniques and inputs used to measure plan assets. The disclosures required by this FSP are required to be provided for fiscal years ending after December 15, 2009. We are in the process of evaluating the effect, if any, the adoption of this FSP will have on our financial statements. In June 2008, the FASB issued FSP EITF 03-6-1, *Determining Whether Instruments Granted in Share-Based Payment Transactions are Participating Securities*. This FSP holds that unvested share-based payment awards that contain nonforfeitable rights to dividends or dividend equivalents are considered “participating securities” as defined in EITF 03-6 and therefore should be included in computing earnings per share using the two-class method. This FSP is effective for financial statements issued for fiscal years and interim periods beginning after December 15, 2008. When this FSP is adopted, its requirements will be applied by recasting previously reported earnings per share data. We are in the process of evaluating the effect, if any, the adoption of this FSP will have on our financial statements.

In March 2008, the FASB issued SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities — an amendment of FASB Statement No. 133* (“SFAS 161”). This Statement requires enhanced disclosures about an entity’s derivative and hedging activities, including (a) how and why an entity uses derivative instruments, (b) how derivative instruments and related hedged items are accounted for under SFAS 133, *Accounting for Derivative Instruments and Hedging Activities*, and its related interpretations, and (c) how derivative instruments and related hedged items affect an entity’s financial position, financial performance, and cash flows. SFAS 161 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008. We do not believe SFAS 161 will have a material impact on our financial position or results of operations.

In December 2007, the FASB issued SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements* (“SFAS 160”), an amendment of Accounting Research Bulletin No. 51, *Consolidated Financial Statements* (“ARB 51”). SFAS 160 amends ARB 51 to establish accounting and reporting standards for the noncontrolling interest (previously referred to as minority interest) in a subsidiary and for the deconsolidation of a subsidiary. It clarifies that a noncontrolling interest in a subsidiary is an ownership interest in the consolidated entity that should be reported as equity, not as a liability, in the consolidated financial statements.

It also requires disclosure, on the face of the consolidated statement of operations, of the amounts of consolidated net income attributable to both the parent and the noncontrolling interest. The Statement also establishes a single method of accounting for changes in a parent's ownership interest in a subsidiary that do not result in deconsolidation. SFAS 160 is effective for fiscal years beginning after December 15, 2008. We are in the process of evaluating the effect the adoption of this FSP will have on our financial statements.

In December 2007, the FASB issued SFAS No. 141R, *Business Combinations* ("SFAS 141R"). SFAS 141R requires an acquirer to recognize the assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree at the acquisition date, measured at their full fair values as of that date. SFAS 141R is effective for business combinations occurring after December 31, 2008.

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements* ("SFAS 157"). This Statement defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. It applies to other accounting pronouncements where the FASB requires or permits fair value measurements but does not require any new fair value measurements. In February 2008, the FASB issued FSP No. 157-2, *Effective Date of FASB Statement No. 157* ("FSP No. 157-2"), which delayed the effective date of SFAS 157 for certain non-financial assets and non-financial liabilities to fiscal years beginning after November 15, 2008, and interim periods within those fiscal years. Non-financial assets and liabilities include pension plan assets related to the funded status of our pension plan, goodwill, investment in real estate, intangible assets with indefinite lives, guarantees and certain other items. We adopted SFAS 157 for financial assets and liabilities on January 1, 2008. The partial adoption of SFAS 157, as it relates to financial assets and liabilities, did not have any impact on our results of operations or financial position, other than additional disclosures. We have deferred the adoption of SFAS 157 with regards to non-financial assets and liabilities in accordance with FSP No. 157-2. We are in the process of evaluating the effect of the full adoption of the remaining portions of SFAS No. 157 on our financial statements.

Results of Operations

Consolidated Results

The following table sets forth a comparison of our revenues and expenses for the three years ended December 31, 2008.

	Years Ended December 31,			2008 vs. 2007		2007 vs. 2006	
	2008	2007	2006	Difference	% Change	Difference	% Change
				(Dollars in millions)			
Revenues:							
Real estate sales	$ 194.6	$ 307.9	$ 456.1	$ (113.3)	(37)%	$ (148.2)	(32)%
Rental revenues	1.5	2.7	3.6	(1.2)	(44)	(0.9)	(25)
Timber sales	26.6	25.8	24.4	0.8	3	1.4	6
Other revenues	41.3	40.8	41.0	0.5	1	(0.2)	(1)
Total	$ 264.0	$ 377.2	$ 525.1	$ (113.2)	(30)%	$ (147.9)	(28)%
Expenses:							
Cost of real estate sales	$ 53.1	$ 145.8	$ 247.5	$ (92.7)	(64)%	$ (101.7)	(41)%
Cost of rental revenues	0.6	1.5	2.0	(0.9)	(60)	(0.5)	(25)
Cost of timber sales	19.8	20.8	18.1	(1.0)	(5)	2.7	15
Cost of other revenues	46.6	43.1	43.5	3.5	8	(0.4)	(1)
Other operating expenses	53.5	68.4	66.7	(14.9)	(22)	1.7	3
Total	$ 173.6	$ 279.6	$ 377.8	$ (106.0)	(38)%	$ (98.2)	(26)%

The overall decrease in real estate sales revenues in 2008 compared to 2007 was primarily due to the continued decrease in sales demand and pricing in our residential and commercial real estate segments. Our gross margin percentage on real estate sales increased during 2008 compared to 2007 primarily as a result of a change in mix to higher-margin rural land sales. Other operating expenses decreased in 2008 compared to 2007 due to lower general and administrative expenses as a result of our restructuring efforts.

The decreases in real estate sales revenue and cost of real estate sales for 2007 compared to 2006 were primarily due to lower sales volume and prices in our residential real estate segment as a result of the slowdown in the real estate market, partially offset by increases in rural land sales. Despite these decreases, our gross margin percentage on real estate sales increased during 2007 compared to 2006 primarily as a result of a change in mix to higher-margin rural land sales. Other operating expenses increased in 2007 due to a $5.0 million termination fee paid to a third-party management company in our residential real estate segment, partially offset by lower administrative costs in our rural land sales segment. For further detailed discussion of revenues and expenses, see Segment Results below.

Corporate Expense. Corporate expense, representing corporate general and administrative expenses, increased $1.3 million, or 4%, to $34.1 million in 2008 over 2007. Lower payroll related costs in 2008 attributable to staffing reductions were offset by additional deferred compensation expense. During early 2008, we granted certain members of management shares of restricted stock with vesting conditions based on our performance over a three-year period. We recognized approximately $3.3 million of additional expense related to these grants during 2008. We expect to incur future expense associated with additional equity grants going forward. In addition, 2008 corporate expense included a pension expense of $4.2 million related to settlement and curtailment charges in connection with the termination of employees.

Corporate expense decreased $18.5 million, or 36%, to $32.8 million in 2007 over 2006. The decrease was partially due to a decrease in total stock compensation costs of $6.8 million. Total stock compensation decreased because the 2006 period included the accelerated amortization of restricted stock related to the retirement of a former officer, and there were fewer overall equity plan participants and unvested outstanding stock options in 2007. Other general and administrative expenses decreased approximately $11.8 million during 2007 compared to 2006 primarily as a result of the completion of our 2006 marketing program, reduced litigation costs and overall cost savings initiatives.

Impairment Losses. Goodwill is recorded when the purchase price paid for an acquisition exceeds the estimated fair value of the net identified tangible and intangible assets acquired. Our goodwill originated from the 1997 acquisition of certain assets of Arvida Company and its affiliates. We perform an annual year-end assessment, or more frequently if indicators of potential impairment exist, to determine if the carrying value of the recorded goodwill is impaired. An impairment is considered to exist if fair value is less than the carrying amount of the assets, including goodwill. The estimated fair value is generally determined on the basis of discounted future cash flows. The assumptions used in the estimate of fair value are generally consistent with the past performance of the reporting segment and are also consistent with the projections and assumptions that are used in current operating plans. The determination of whether or not goodwill has become impaired involves a significant level of judgment in the assumptions underlying the approach used to determine the value of our reporting units. Changes in our strategy and/or market conditions could significantly impact these judgments and require adjustments to recorded amounts of intangible assets.

During our year-end assessment, we determined that our remaining goodwill was not recoverable based upon a discounted cash flow analysis. Accordingly, an impairment charge of $19.0 million was recorded in the residential real estate segment. In addition, we performed an impairment analysis related to our intangible assets and determined no adjustment was required at December 31, 2008.

We review our long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Homes and homesites substantially completed and ready for sale are measured at the lower of carrying value or fair value less costs to sell. For projects under development, an estimate of future cash flows on an undiscounted basis is performed using estimated future expenditures necessary to maintain and complete the existing project and using management's best estimates about future sales prices and holding periods. The continued decline in demand and market prices for residential real estate during 2008 caused us to evaluate certain carrying amounts within our residential real estate segment.

As a result of our property impairment analyses, we recorded aggregate impairment charges in our residential real estate segment of $40.3 million during 2008. In addition, we recorded a charge of $1.0 million related to the write down of a renegotiated builder note receivable during 2008.

As a result of our third quarter 2007 impairment analysis, we recorded an impairment charge of $13.6 million in the residential real estate segment. We announced on October 8, 2007 our plan to dispose of Sunshine State Cypress as part of a restructuring plan. Our estimate of its fair value based upon market analysis indicated that goodwill would not be recoverable. Accordingly, we recorded an impairment charge of $7.4 million in the fourth quarter of 2007 in our forestry segment to reduce the goodwill carrying value of Sunshine State Cypress to zero. In 2006, we also recorded a goodwill impairment charge of $1.5 million. The impairment charges related to Sunshine State Cypress are reported as part of our discontinued operations. We also recorded an impairment charge of $2.2 million to approximate fair value, less costs to sell, related to our investment in Saussy Burbank which was sold in 2007, which is also reported as part of our 2007 and 2006 discontinued operations.

Restructuring Charges. Restructuring charges include termination benefits and the write-off of capitalized homebuilding costs in connection with our exit from the Florida homebuilding business and our corporate reorganization. We recorded restructuring charges of $4.3 million and $8.9 million in 2008 and 2007, respectively. The charges primarily relate to one-time termination benefits in connection with our employee headcount reductions. We recorded restructuring charges of $13.4 million during 2006 in connection with our exit from the Florida homebuilding business and a corporate reorganization. The charge included $9.3 million related to the write-off of previously capitalized homebuilding costs and $4.1 million related to one-time termination benefits. We estimate that $0.1 million of remaining costs related to our restructuring plans will be recognized in 2009. See Note 13 in our consolidated financial statements for further detail of our restructuring accrual.

Other (Expense) Income. Other (expense) income consists primarily of investment income, interest expense, gains and losses on sales and dispositions of assets, fair value adjustment related to the retained interest of monetized installment note receivables, loss on early extinguishment of debt and other income. Total other (expense) income was $(36.6) million, $(4.7) million and $(9.6) million during 2008, 2007 and 2006, respectively.

Interest expense decreased $15.6 million during 2008 compared to 2007, primarily as a result of our reduced debt levels. Interest expense increased $6.1 million during 2007 compared to 2006 primarily as a result of an increase in average borrowings in 2007, as well as less capitalized interest. During 2008 we recorded a $30.6 million loss on early extinguishment of debt which consisted of $0.7 million related to the write-off of unamortized loan costs on our prior credit facility and $29.9 million in connection with the prepayment of our senior notes. The senior note costs included a $29.7 million make-whole payment and $0.2 million of unamortized loan costs, net of accrued interest.

Other, net decreased $10.4 million in 2008 compared to 2007 primarily due to recording a loss of $8.2 million related to the fair value adjustment of our retained interest in monetized installment note receivables and $1.9 million related to the write-off of net book value on abandoned property. These decreases were offset by the receipt in 2007 of a $3.5 million insurance settlement related to the defense of an outstanding litigation matter. Included in 2007 is a charge of $2.6 million related to the fair value adjustment of the retained interest in monetized installment note receivables and a $2.6 million contractor settlement within our residential segment. Gain on disposition of assets was $0.7 million and $8.0 million in 2008 and 2007, respectively, and represents the recognition of gain associated with three of the 17 buildings sold as part of our office building portfolio in which we have continuing involvement.

Other, net increased $2.8 million in 2007 compared to 2006. The net increase includes a receipt of a $3.5 million insurance settlement relating to the defense of an outstanding litigation matter in 2007 partially offset by a fair value adjustment of $2.6 million related to our retained interest in monetized installment notes receivable and $2.6 million related to a contractor settlement within our residential real estate segment. In addition, in 2006 other, net included a litigation provision of $4.9 million related to a 1996 sales commission dispute. Gain on disposition of assets was $8.0 million during 2007 and represents the gain associated with three of the 17 buildings sold as part of our office building portfolio and in which we have a continuing involvement as lessee.

Equity in (Loss) Income of Unconsolidated Affiliates. We have investments in affiliates that are accounted for by the equity method of accounting. Equity in (loss) income of unconsolidated affiliates totaled $(0.3) million in 2008, $(5.3) million in 2007 and $8.9 million in 2006. Equity in (loss) income decreased from 2006 to 2008 due to lower earnings in our three remaining investments in residential joint ventures, which are now substantially sold out. During 2007, we recorded a $4.3 million equity in loss of unconsolidated affiliates related to our investment in ALP Liquidating Trust (f/k/a Arvida/JMB Partners, L.P.). This adjustment was recorded as a result of the trust reserving $25.3 million of its remaining net assets to satisfy all potential claims and obligations.

Income Tax (Benefit) Expense. Income tax (benefit) expense, including income tax on discontinued operations, totaled $(27.6) million, $18.8 million and $31.7 million for the years ended December 31, 2008, 2007 and 2006, respectively. Our effective tax rate was 43.5%, 32% and 38% for the years ended December 31, 2008, 2007 and 2006, respectively. Our effective tax rate increased in 2008 compared to 2007 due to the impact of certain permanent items. Our effective tax rate was lower in 2007 compared to 2008 and 2006 as a result of our 2007 settlement of contested tax positions related to years 2000 through 2004. This settlement resulted in an income tax benefit during the quarter ended March 31, 2007 of approximately $3.1 million for amounts previously reserved, which lowered our 2007 effective tax rate.

Discontinued Operations. Income from discontinued operations primarily consists of the results associated with our sawmill and mulch plant (Sunshine State Cypress) currently classified as assets held for sale and the sales of our office building portfolio and Saussy Burbank. Income (loss), net of tax, totaled $(0.8) million, $28.1 million and $16.7 million in 2008, 2007 and 2006, respectively. Results for 2008 include the operating results of Sunshine State Cypress. Results for 2007 include the operating results of 14 of the 17 buildings in our commercial building portfolio (after tax income of $1.5 million), the gain associated with the sale of 14 buildings (after tax income of $29.1 million), the operations of Saussy Burbank (after tax income of $1.0 million), which included a pre-tax impairment charge of $2.2 million, and the operations of Sunshine State Cypress (after tax (loss) of $(3.5) million), which included a pre-tax goodwill impairment charge of $7.4 million.

Results for 2006 include the operating results of 14 of the 17 buildings in our commercial building portfolio (after tax (loss) of $(1.0) million), the gain associated with the sale of four buildings (after tax income of $10.4 million), the operations of Saussy Burbank (after tax income of $8.0 million), and the operations of Sunshine State Cypress (after tax (loss) of $(0.6) million).

Segment Results

Residential Real Estate

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

Our residential sales have declined precipitously from 2006 to 2008 (91%) due to the collapse of the housing markets in Florida. Inventories of resale homes and homesites remain high in our markets and prices have declined. With the U.S. and Florida economies battling rising foreclosures, severely restrictive credit, significant inventories of unsold homes and worsening economic conditions, predicting when real estate markets will return to health remains difficult. Currently, we do not expect any significant favorable change in these trends during 2009.

In 1997, we recorded goodwill in our residential real estate segment in connection with our acquisition of certain assets of Arvida Company and its affiliates. Based on the continued worsening of the residential real estate markets in 2008 we have now determined that the remaining goodwill related to this acquisition is not recoverable based upon a discounted cash flow analysis. Accordingly, an impairment of $19.0 million was recorded in the residential real estate segment in the fourth quarter of 2008 to reduce the carrying amount of the goodwill to zero.

Homes and homesites substantially completed and ready for sale are measured at lower of carrying value or fair value less costs to sell. For projects under development, an estimate of future cash flows on an undiscounted basis is performed. The overall decrease in demand and market prices for residential real estate indicated that certain carrying amounts within our residential real estate segment may not be recoverable. As a result of our impairment analyses for 2008, we recorded aggregate impairment charges of $41.3 million, consisting of $12.0 million related to completed homes in several communities, $28.3 million related to our SevenShores condominium project, and $1.0 million related to the write down of a renegotiated builder note receivable.

The Seven Shores condominium project was written down in the fourth quarter of 2008 to approximate the fair market value of land entitled for 278 condominium units. This write-down was necessary because we elected not to exercise our option to acquire additional land under our option agreement. Certain costs had previously been incurred with the expectation that the project would include 686 units. Given the reduced potential scope of the project, we do not believe that those costs are recoverable.

In 2007 we recorded impairments totaling $13.6 million due to the adverse market conditions for residential real estate. Approximately $5.2 million of the impairments related to capitalized costs at certain projects due to changes in development plans, approximately $7.8 million related primarily to the reduction in market value of completed spec homes in several communities and approximately $0.6 million related to the modified terms of certain promissory notes.

Currently, customers for our developed homesites include both individual purchasers and national, regional and local homebuilders. Many of these homebuilders are also experiencing financial difficulties during this current weak real estate market. As a result, some of these homebuilders are choosing to delay or forego purchasing additional homesites, and some have cancelled existing purchase commitments with us, or have sought to renegotiate such commitments on more favorable terms.

On May 3, 2007, we sold our mid-Atlantic homebuilding operations, known as Saussy Burbank (see Discontinued Operations below). Our exit from the Florida homebuilding business announced in 2006 was substantially completed in 2007.

The table below sets forth the results of operations of our residential real estate segment for the three years ended December 31, 2008.

	Years Ended December 31, 2008	2007 (In millions)	2006
Revenues:			
Real estate sales	$ 28.6	$ 119.0	$ 317.6
Rental revenues	1.4	1.3	0.7
Other revenues	41.3	40.9	40.1
Total revenues	71.3	161.2	358.4
Expenses:			
Cost of real estate sales	24.1	77.2	221.5
Cost of rental revenues	0.5	0.6	—
Cost of other revenues	46.6	43.1	43.5
Other operating expenses	42.9	55.5	47.5
Depreciation and amortization	11.8	11.9	11.2
Impairment loss	60.3	13.6	—
Restructuring charge	1.2	4.1	12.3
Total expenses	187.4	206.0	336.0
Other income	0.1	0.8	1.4
Pre-tax (loss) income from continuing operations	$ (116.0)	$ (44.0)	$ 23.8

Year Ended December 31, 2008 Compared to Year Ended December 31, 2007

Real estate sales include sales of homes and homesites. Cost of real estate sales for homes and homesites includes direct costs (e.g., development and construction costs), selling costs and other indirect costs (e.g., construction overhead, capitalized interest, warranty and project administration costs).

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

	Year Ended December 31, 2008			Year Ended December 31, 2007		
	Homes	Homesites	Total	Homes	Homesites	Total
	(Dollars in millions)					
Sales	$ 17.9	$ 10.1	$ 28.0	$ 58.4	$ 57.6	$ 116.0
Cost of sales:						
Direct costs	12.9	5.6	20.2	36.3	24.5	60.8
Selling costs	1.0	0.6	1.6	2.9	2.0	4.9
Other indirect costs	3.5	0.4	2.2	8.2	3.0	11.2
Total cost of sales	17.4	6.6	24.0	47.4	29.5	76.9
Gross profit	$ 0.5	$ 3.5	$ 4.0	$ 11.0	$ 28.1	$ 39.1
Gross profit margin	3%	35%	14%	19%	49%	34%

The decreases in the amounts of real estate sales, gross profit and gross profit margin were due to adverse market conditions causing decreases in home and homesite closings and selling prices in most of our communities. Also included in real estate revenues and cost of sales are land sales of $0.6 and $3.0 million and land cost of sales of $0.1 and $0.3 million for the years ended December 31, 2008 and 2007, respectively.

Table of Contents

The following table sets forth home and homesite sales activity by geographic region and property type, excluding Rivercrest and Paseos, two 50% owned affiliates that are not consolidated and are accounted for using the equity method of accounting.

	Year Ended December 31, 2008				Year Ended December 31, 2007			
	Closed Units	Revenues	Cost of Sales	Gross Profit	Closed Units	Revenues	Cost of Sales	Gross Profit
	(Dollars in millions)							
Northwest Florida:								
Resort								
Single-family homes	8	$ 8.6	$ 8.3	$ 0.3	20	$ 23.1	$ 19.3	$ 3.8
Multi-family homes	—	—	—	—	1	0.9	0.6	0.3
Homesites	21	6.7	3.5	3.2	47	36.6	12.9	23.7
Primary								
Single-family homes	1	0.3	0.3	0.0	15	4.4	3.5	0.9
Townhomes	—	—	—	—	5	1.1	0.9	0.2
Homesites	23	1.3	1.0	0.3	178	14.2	9.4	4.8
Northeast Florida:								
Primary								
Single-family homes	2	0.9	1.0	(0.1)	9	4.3	4.0	0.3
Homesites	3	0.2	0.1	0.1	29	2.0	1.1	0.9
Central Florida:								
Primary								
Single-family homes	10	4.5	4.4	0.1	20	11.8	9.2	2.6
Multi-family homes	9	3.1	2.9	0.2	39	5.7	4.0	1.7
Townhomes	3	0.5	0.5	0.0	15	7.1	5.9	1.2
Homesites	42	1.9	2.0	(0.1)	100	4.8	6.1	(1.3)
Total	122	$ 28.0	$ 24.0	$ 4.0	478	$ 116.0	$ 76.9	$ 39.1

For additional information about our residential projects, see the table "Summary of Land-Use Entitlements — Active JOE Residential and Mixed-Use Projects" in the Business section above.

Our Northwest Florida resort and seasonal communities included WaterColor, WaterSound Beach, WaterSound, WaterSound West Beach, WindMark Beach, RiverCamps on Crooked Creek and SummerCamp Beach, while primary communities included Hawks Landing, Palmetto Trace, The Hammocks and SouthWood. In Northeast Florida the primary communities are RiverTown and St. Johns Golf and Country Club. The Central Florida communities included Artisan Park and Victoria Park, both of which are primary.

In addition to adverse market conditions, the following factors also contributed to the results of operations shown above:

- For our Northwest Florida resort and seasonal communities, included in 2007 was the recognition of $7.0 million of deferred revenue on our SummerCamp Beach community as the required infrastructure was completed.
- In our Northwest Florida primary communities we closed on our last remaining home in the Palmetto Trace community in 2008. Gross profit percentage for homesites decreased to 23% in 2008 as compared to 33% in 2007, due to the sales of lower margin builder lots in our SouthWood community.
- In our Northeast Florida communities, we had only a limited number of homes available as St. Johns Golf and Country Club is now fully built out.

- In our Central Florida communities, the negative gross profit in homesite sales is due to bulk sales to a national homebuilder. These sales have potential profit participation expected to be recognized in future periods.

Other revenues included revenues from the WaterColor Inn and WaterColor vacation rental program, other resort, golf, club and marina operations and brokerage activities. Other revenues were $41.3 million in 2008 with $46.6 million in related costs, compared to revenues totaling $40.9 million in 2007 with $43.1 million in related costs. The increases in other revenues and related costs were primarily due to the addition of the operating results for the Bay Point Marina, Shark's Tooth Golf Course and a restaurant at Windmark Beach which were not fully operational during 2007. Partially offsetting these increases was a decrease in occupancy and increased costs associated with the transition to third party management at our WaterColor Inn property.

Other operating expenses included salaries and benefits, marketing, project administration, support personnel and other administrative expenses. Other operating expenses were $42.9 million in 2008 compared to $55.5 million in 2007. Decreases in payroll related costs were partially offset by costs related to our real estate projects that were expensed in 2008 instead of capitalized. Other operating expenses for 2007 included a $5.0 million termination fee paid to a third party management company.

We recorded a restructuring charge in our residential real estate segment of $1.2 million during 2008 compared to $4.1 million in 2007 in connection with our headcount reductions and business changes.

Year Ended December 31, 2007 Compared to Year Ended December 31, 2006

The following table sets forth the components of our real estate sales and cost of real estate sales:

	Year Ended December 31, 2007			Year Ended December 31, 2006		
	Homes	Homesites	Total	Homes	Homesites	Total
			(Dollars in millions)			
Sales	$ 58.4	$ 57.6	$ 116.0	$ 247.3	$ 69.3	$ 316.6
Cost of sales:						
Direct costs	36.3	24.5	60.8	153.9	31.4	185.3
Selling costs	2.9	2.0	4.9	11.8	1.7	13.5
Other indirect costs	8.2	3.0	11.2	18.9	3.0	21.9
Total cost of sales	47.4	29.5	76.9	184.6	36.1	220.7
Gross profit	$ 11.0	$ 28.1	$ 39.1	$ 62.7	$ 33.2	$ 95.9
Gross profit margin	19%	49%	34%	25%	48%	30%

Also included in real estate revenues and cost of sales are land sales of $3.0 million and $1.0 million and land cost of sales of $0.3 million and $0.8 million for the years ended December 31, 2007 and 2006, respectively.

The following table sets forth home and homesite sales activity by geographic region and property type, excluding Rivercrest and Paseos, two 50% owned affiliates that are not consolidated and are accounted for using the equity method of accounting.

	Year Ended December 31, 2007				Year Ended December 31, 2006			
	Closed Units	Revenues	Cost of Sales	Gross Profit	Closed Units	Revenues	Cost of Sales	Gross Profit
	(Dollars in millions)							
Northwest Florida:								
Resort								
Single-family homes	20	$ 23.1	$ 19.3	$ 3.8	20	$ 21.8	$ 16.8	$ 5.0
Multi-family homes	1	0.9	0.6	0.3	—	—	—	—
Homesites	47	36.6	12.9	23.7	67	32.5	12.0	20.5
Primary								
Single-family homes	15	4.4	3.5	0.9	201	62.8	49.9	12.9
Townhomes	5	1.1	0.9	0.2	43	6.7	5.4	1.3
Homesites	178	14.2	9.4	4.8	231	14.6	8.4	6.2
Northeast Florida:								
Primary								
Single-family homes	9	4.3	4.0	0.3	54	28.1	21.8	6.3
Homesites	29	2.0	1.1	0.9	7	1.1	0.5	0.6
Central Florida:								
Primary								
Single-family homes	20	11.8	9.2	2.6	183	81.5	56.7	24.8
Multi-family homes	39	5.7	4.0	1.7	136	27.6	17.9	9.7
Townhomes	15	7.1	5.9	1.2	60	18.8	16.1	2.7
Homesites	100	4.8	6.1	(1.3)	258	21.1	15.2	5.9
Total	478	$ 116.0	$ 76.9	$ 39.1	1,260	$ 316.6	$ 220.7	$ 95.9

For additional information about our residential projects, see the table “Summary of Land-Use Entitlements — Active JOE Residential and Mixed-Use Projects” in the Business section above.

Our Northwest Florida resort and seasonal communities included WaterColor, WaterSound Beach, WaterSound, WaterSound West Beach, WindMark Beach, RiverCamps on Crooked Creek and SummerCamp Beach, while primary communities included Hawks Landing, Palmetto Trace, The Hammocks and SouthWood. In Northeast Florida the primary communities are RiverTown and St. Johns Golf and Country Club. The Central Florida communities included Artisan Park and Victoria Park, both of which are primary.

In our Northwest Florida resort and seasonal communities, units closed and revenues on home sales in 2007 were slightly higher than 2006. Contributing to the higher revenues in 2007 was the sale of a single family home at WaterSound Beach for $3.4 million. Gross profit and gross margin decreased due to higher warranty and construction costs in our WaterSound Beach community, and the average sales price decreased slightly to $1.14 million in 2007 compared to $1.16 million in 2006. Homesite closings were lower in 2007, but revenues, gross profit and profit margin were higher as compared to 2006 due to the sale of 3 beachfront lots with an average sales price of $2.0 million and a profit margin of 75%, and the recognition of $7.0 million of deferred revenue on our SummerCamp Beach community as the required infrastructure was completed.

In our Northeast Florida communities, home closings, revenues and gross profit decreased in 2007 due primarily to limited availability of product. Homesite closings, revenues and gross profit increased in 2007 as sales commenced in the fourth quarter of 2007 at our RiverTown community. Gross margin decreased due to the sale of lower margin builder lots.

In our Central Florida communities, home and homesite closings, revenues and gross profit decreased in 2007 compared to 2006 due to adverse market conditions. Homesites had a negative gross profit of ($1.3) million in 2007 due to bulk sales to a national homebuilder. These sales have potential profit participation expected to be recognized in future periods.

Other revenues included revenues from the WaterColor Inn and WaterColor vacation rental program, other resort and club operations and brokerage activities. Other revenues were $40.9 million in 2007 with $43.1 million in related costs, compared to revenues totaling $40.1 million in 2006 with $43.5 million in related costs.

Other operating expenses included salaries and benefits, marketing, project administration, support personnel and other administrative expenses. Other operating expenses were $55.5 million in 2007 as compared to $47.5 million in 2006. The increase was primarily due to the recording of a $5.0 million termination fee paid to a third-party management company during the third quarter of 2007 and less capitalized costs due to our exit from homebuilding.

We recorded a restructuring charge in our residential real estate segment of $4.1 million in 2007 in connection with our exit from the Florida homebuilding business and corporate reorganization, as compared to $12.3 million in 2006.

Other income in 2007 included interest and miscellaneous income totaling $3.4 million offset by a $2.6 million charge for a claim settled in September 2007 with a contractor at WaterSound Beach.

Discontinued Operations

On May 3, 2007, we sold our mid-Atlantic homebuilding operations, Saussy Burbank, to an investor group based in Charlotte, North Carolina. The sales price was $76.3 million, consisting of $36.0 million in cash and approximately $40.3 million in seller financing, the majority of which is secured by home inventory. The results of Saussy Burbank have been reported as discontinued operations in the years ended December 31, 2007 and 2006. Included in 2007 pre-tax income is a $2.2 million impairment charge to approximate fair value, less costs to sell, of the sale of Saussy Burbank.

The table below sets forth the operating results of our discontinued operations of Saussy Burbank for the periods shown.

	Years Ended December 31, 2007	2006
	(In millions)	
Saussy Burbank — Residential Segment		
Aggregate revenues	$ 132.9	$ 182.3
Pre-tax income	1.5	12.9
Income taxes	0.6	4.9
Income from discontinued operations	$ 0.9	$ 8.0

Commercial Real Estate

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

The table below sets forth the results of our continuing operations of our commercial real estate segment for the three years ended December 31, 2008.

	2008	2007	2006
	Years Ended December 31, (In millions)		
Revenues:			
Real estate sales	$ 3.9	$ 27.6	$ 48.5
Rental revenues	0.1	1.3	2.9
Other revenues	—	0.1	0.9
Total revenues	4.0	29.0	52.3
Expenses:			
Cost of real estate sales	2.8	13.8	18.6
Cost of rental revenues	0.1	0.9	1.9
Other operating expenses	4.2	5.9	7.0
Depreciation and amortization	0.1	0.6	2.1
Restructuring charge	0.1	0.4	0.1
Total expenses	7.3	21.6	29.7
Other income (expense)	1.0	8.3	1.7
Pre-tax (loss) income from continuing operations	$ (2.3)	$ 15.7	$ 24.3

The markets for commercial real estate have experienced a significant downturn since 2005, and revenues in the commercial real estate segment have steadily declined as a result. In addition to the negative effects of the prolonged downturn in demand for residential real estate, commercial real estate markets are also being negatively affected by the current economic recession. Currently, we do not expect any favorable change in these trends during 2009.

We continue to focus our efforts on attracting national and regional retail users and other commercial developers to our properties in Northwest Florida. Going forward, we intend to seek to partner with third parties for the development of new commercial projects, as well as sell entitled land to developers and investors. In August 2008, we signed a joint venture agreement with Glimcher Realty Trust to jointly develop an anchored retail shopping center on 58 acres across from Pier Park along Highway 98 in Panama City Beach. The development is subject to obtaining third-party financing and certain minimum leasing commitments.

Real Estate Sales. Commercial land sales for the three years ended December 31, 2008 included the following:

Land	Number of Sales	Acres Sold	Average Price Per Acre(1)	Gross Proceeds	Revenue	Gross Profit on Sales
			(In millions)			
Year Ended December 31, 2008	8	39	$ 92.0	$ 3.6	$ 3.9(2)	$ 1.1(2)
Year Ended December 31, 2007	33	110	$ 250.1	$ 27.6	$ 27.6(3)	$ 13.8(3)
Year Ended December 31, 2006	28	244	$ 200.4	$ 48.9	$ 48.5(4)	$ 29.9(4)

(1) Average price per acre in thousands.

(2) Includes previously deferred revenue and gain on sales, based on percentage-of-completion accounting, of $0.3 million and $0.1 million, respectively.

(3) Includes previously deferred revenue and gain on sales, based on percentage-of-completion accounting, of $0.0 and $0.4 million, respectively.

(4) Net of deferred revenue and gain on sales, based on percentage-of-completion accounting, of $0.4 million and $0.1 million, respectively.

The change in average per-acre prices reflected a change in the mix of commercial land sold in each period, with varying compositions of retail, office, light industrial, multi-family and other commercial uses. Included in the 2007 results were sales of four parcels primarily in Texas considered non-core holdings totaling $4.4 million for a gross profit of $1.0 million.

In 2008, the commercial segment had a $451,000 per acre average sales price on the retail land portfolio as compared to $382,000 in 2007 and $248,000 in 2006. In the commerce/industrial park portfolio the average sales price per acre in 2008 was $102,000 as compared to $210,000 in 2007 and $215,000 in 2006. In 2008, there was also one multi-family sale at an average sales price per acre of $74,000.

For additional information about our Commerce Parks, see the table “Summary of Additional Commercial Land-Use Entitlements” in the Business section above.

Dispositions of Assets. During 2007, we closed on the sale of our office building portfolio, containing 17 buildings with approximately 2.25 million net rentable square feet, for an aggregate sales price of $377.5 million. As discussed earlier, three of the 17 buildings have been reported in continuing operations and the remaining 14 have been reported in discontinued operations. Considering the significant increase in office building valuations in the years prior to the sale, we believe that we achieved optimum pricing for our office building portfolio, especially in light of the subsequent decline in the market for commercial office buildings. We have no current plans to acquire additional office buildings.

The results of the three buildings reported in continuing operations are shown in the following table:

	Years Ended December 31, 2007	2006
	(In millions)	
Commercial Buildings:		
Aggregate revenues	$ 1.5	$ 2.9
Pre-tax income (loss)	—	(1.2)
Pre-tax gain on sale	8.0	—
Income tax expense (benefit)	0.6	(0.5)
Income (loss) from continuing operations, net of tax	$ 7.4	$ (0.7)

Discontinued operations include the sale and results of operations of our 14 buildings sold in 2007, and four buildings sold in 2006 as shown in the following table. The operations of these buildings are included in discontinued operations through the dates that they were sold:

	Years Ended December 31, 2007	2006
	(In millions)	
Commercial Buildings — Commercial Segment:		
Aggregate revenues	$ 18.1	$ 40.1
Pre-tax income (loss)	2.5	(1.7)
Pre-tax gain on sale	47.8	16.7
Income taxes	19.6	5.7
Income from discontinued operations	$ 30.7	$ 9.3

Rural Land Sales

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

The table below sets forth the results of operations of our rural land sales segment for the three years ended December 31, 2008.

	Years Ended December 31, 2008	2007 (In millions)	2006
Revenues:			
Real estate sales	$ 162.0	$ 161.2	$ 89.9
Expenses:			
Cost of real estate sales	26.2	54.8	7.4
Other operating expenses	4.4	5.3	10.6
Depreciation and amortization	0.1	0.2	0.3
Restructuring charge	—	1.4	0.2
Total expenses	30.7	61.7	18.5
Other income	1.2	0.3	1.1
Pre-tax income from continuing operations	$ 132.5	$ 99.8	$ 72.5

Rural land sales for the three years ended December 31, 2008 are as follows:

Period	Number of Sales	Number of Acres	Average Price per Acre	Gross Sales Price (In millions)	Gross Profit (In millions)
2008	26	107,677	$ 1,505	$ 162.0	$ 135.9
2007	44	105,963	$ 1,522	$ 161.3	$ 106.5
2006	84	34,336	$ 2,621	$ 89.9	$ 82.5

During 2008 and 2007, we relied on rural land sales as a significant source of revenues due to the continuing downturn in our residential and commercial real estate markets. We consider the land sold to be non-strategic as these parcels would require a significant amount of time before realizing a higher and better use than timberland. Demand for our rural land remains steady, and we expect to continue to rely on rural land sales as a significant source of revenues in the future, although to a lesser extent than in 2008 and 2007. We are carefully monitoring, however, any impact that the current economic environment may have on pricing or overall demand for rural land.

During 2008, we closed the following significant sales:

- 18,552 acres in Liberty and Gulf Counties for $24.7 million, or an average price of $1,330 per acre.
- 23,743 acres in Liberty County for $36.3 million, or an average price of $1,530 per acre.
- 2,784 acres in Taylor County for $12.5 million, or an average price of $4,500 per acre.
- 29,742 acres primarily within Liberty and Wakulla Counties for $39.5 million, or an average price of $1,330 per acre.
- 29,343 acres primarily within Leon County, Florida and Stewart County, Georgia, for $38.4 million, or an average price of $1,308 per acre.

During 2007, we closed the following significant sales:

- 19,989 acres in Wakulla and Jefferson Counties for $28.5 million, or an average price of $1,425 per acre.
- 33,035 acres in Southwest Georgia for $46.4 million, or an average price of $1,405 per acre.
- 26,943 acres in Liberty and Gadsden Counties for $34.5 million, or an average price of $1,281 per acre.
- 3,024 acres in Wakulla County for $9.1 million, or an average price of $3,000 per acre.
- 15,250 acres in Liberty County for $19.1 million, or an average price of $1,251 per acre.

During 2006, we sold two large tracts of land totaling 15,469 acres for an average price of $1,700 per acre.

Average sales prices per acre vary according to the characteristics of each particular piece of land being sold and its highest and best use. As a result, average prices will vary from one period to another. Cost of sales increased during 2007 compared to 2006 primarily due to a higher cost basis associated with the sale of our southwest Georgia property, which we purchased in 2005.

Forestry

Our forestry segment focuses on the management and harvesting of our extensive timber holdings. We grow, harvest and sell timber and wood fiber and provide land management services for conservation properties. In addition, we own the assets of a sawmill and mulch plant, Sunshine State Cypress, which no longer conducts operations. On October 8, 2007 we announced our intent to sell Sunshine State Cypress. We expect to complete the sale of its inventory and equipment assets during 2009. The results of operations for Sunshine State Cypress are set forth below as discontinued operations.

The table below sets forth the results of our continuing operations of our forestry segment for the three years ended December 31, 2008.

	Years Ended December 31,		
	2008	2007	2006
		(In millions)	
Revenues:			
Timber sales	$ 26.6	$ 25.8	$ 24.3
Expenses:			
Cost of timber sales	19.8	20.8	18.1
Other operating expenses	1.9	1.7	1.6
Depreciation and amortization	2.5	2.6	2.4
Restructuring charge	0.2	0.1	—
Total expenses	24.4	25.2	22.1
Other income (expense)	1.7	2.3	3.2
Pre-tax income from continuing operations	$ 3.9	$ 2.9	$ 5.4

Total 2008 revenues for the forestry segment increased $0.8 million, or 3%, compared to 2007. We have a wood fiber supply agreement with Smurfit-Stone Container Corporation (“Smurfit-Stone”) which expires on June 30, 2012. Although Smurfit-Stone recently filed for bankruptcy protection, the supply agreement remains in effect at this time. Sales under this agreement were $12.9 million (691,000 tons) in 2008 and $13.3 million (745,800 tons) in 2007.

Sales to customers other than Smurfit-Stone totaled $13.4 million (687,000 tons) in 2008 as compared to $12.5 million (713,000 tons) in 2007. The increase is primarily due to a change in product mix comprised of higher average per ton selling prices in 2008.

Our 2008 sales revenue also included $0.3 million related to land management services performed in connection with certain conservation properties. We plan to seek other customers for our conservation land management services.

Cost of sales for the forestry segment decreased $1.0 million in 2008 compared to 2007. Gross margins as a percentage of revenue were 26% and 19% in 2008 and 2007, respectively. The increase in margin was primarily due to decreased cut and haul costs and the mix of products sold.

Other income decreased $0.6 million in 2008 compared to 2007 primarily due to a decrease in hunting lease income as a result of our reduced land holdings.

Total 2007 revenues for the forestry segment increased $1.5 million, or 6%, compared to 2006. Sales under our wood fiber supply agreement with Smurfit-Stone were $13.3 million (745,800 tons) in 2007 and $13.0 million (692,600 tons) in 2006. Sales to other customers totaled $12.5 million (713,000 tons) in 2007 as compared to $11.3 million (623,300 tons) in 2006. The increase in revenue and tons sold under the supply agreement and to other customers resulted from our ability to harvest more solid wood products due to better operating conditions and planning.

Cost of sales for the forestry segment increased $2.7 million in 2007 compared to 2006. Gross margins as a percentage of revenue were 19% and 26% in 2007 and 2006, respectively. The decrease in margin was primarily due to lower pulpwood sales prices under the terms of the supply agreement and an increase in cut and haul costs as a result of higher volume levels and increased fuel costs.

Other income decreased $0.9 million in 2007 compared to 2006 primarily due to a decrease in hunting lease income as a result of our reduced land holdings.

Discontinued operations for the years ended December 31 include the operations of Sunshine State Cypress, Inc. which as of December 31, 2008 and 2007 we classified as held for sale as shown in the following table:

	2008	2007	2006
		(In millions)	
Sunshine State Cypress — Forestry Segment			
Aggregate revenues	$ 6.7	$ 7.7	$ 5.6
Pre-tax income (loss)	(1.6)	(5.7)	(1.0)
Income taxes (benefit)	(0.6)	(2.2)	(0.4)
Income (loss) from discontinued operations	$ (1.0)	$ (3.5)	$ (0.6)

During 2007 we announced our plan to dispose of Sunshine State Cypress as part of our restructuring plan. Our estimate of fair value based upon market analysis indicated that its goodwill would not be recoverable. Accordingly, in 2007 we recorded an impairment charge of $7.4 million pre-tax which includes $7.3 million to reduce the goodwill carrying value of Sunshine State Cypress to zero and $0.1 million of estimated selling costs. The effect of suspending depreciation was approximately $0.2 million in 2008.

During 2006, we determined the fair value of Sunshine State Cypress was less than the carrying value and recorded an impairment loss to reduce the carrying amount of goodwill from $8.8 million to $7.3 million. This resulted in a pre-tax impairment loss of $1.5 million.

Liquidity and Capital Resources

We generated cash during 2008 from:

- Sales of land holdings and other assets;
- Operations;
- Borrowings from financial institutions;
- Issuances of equity from the sale of stock and exercise of employee stock options; and
- Tax refunds.

We used cash during 2008 for:

- Operations;
- Real estate development and construction;
- Repayments of debt; and
- Payments of taxes.

As of December 31, 2008, we had cash and cash equivalents of $115.5 million, compared to $24.3 million as of December 31, 2007. Our increase in cash and cash equivalents in 2008 primarily relates to our operating and financing activities as described below.

We invest our excess cash primarily in government-only money market mutual funds, short term U.S. treasury investments and overnight deposits, all of which are highly liquid, with the intent to make such funds readily available for operating expenses and strategic long-term investment purposes.

We believe that our current cash and cash equivalents, credit facility and cash we anticipate to generate from operating activities will provide us with sufficient liquidity to satisfy our working capital needs and capital expenditures through the next twenty-four months.

Cash Flows from Operating Activities

Cash flows related to assets ultimately planned to be sold, including residential real estate development and related amenities, sales of undeveloped and developed land by the rural land sales segment, our timberland operations and land developed by the commercial real estate segment, are included in operating activities on the statement of cash flows. Distributions of income from unconsolidated affiliates are also included in cash flows from operating activities.

Net cash provided by (used in) operations was $48.5 million during 2008 compared to $(209.3) million during 2007 and $(143.9) million in 2006. Expenditures relating to our residential real estate segment in 2008, 2007 and 2006 were $28.5 million, $214.3 million and $531.4 million, respectively. The 2008 expenditures were net of an $11.6 million reimbursement received from a community development district ("CDD") bond issue at one of our residential communities. Expenditures for operating properties in 2008, 2007 and 2006 totaled $6.1 million, $13.2 million and $55.6 million, respectively, and were made up of commercial land development and residential club and resort property development.

The expenditures relating to our residential real estate and commercial real estate segments were primarily for site infrastructure development, general amenity construction, construction of single-family homes, construction of multi-family buildings and commercial land development. For the past four years, we have devoted significant resources to the development of several new large-scale residential communities, including WindMark Beach, RiverTown and WaterSound. Because of adverse market conditions and the substantial progress on these large-scale developments, we reduced our capital expenditures in 2008 compared to 2007 and 2006. We expect our 2009 capital expenditures to remain consistent with 2008. We anticipate that future capital commitments will be funded through our operating funds and credit facility.

We intend to limit our capital investments going forward by shifting more development costs to a range of best-of-class strategic business partners that include branded builders, project developers and venture partners. Capital investment for horizontal development is being limited to our most strategic and valuable places.

The 2007 expenditures also included the purchase of the Greg Norman-designed Shark's Tooth Golf Club, together with 28 fully-developed homesites in the Wild Heron community, additional land parcels and a beach club, all near Panama City Beach, Florida, for approximately $30.0 million.

Our current income tax receivable (payable) was $32.3 million at December 31, 2008 and $(8.1) million at December 31, 2007, respectively. We anticipate we will receive the majority of our tax receivable within the next twelve months which will provide us with additional liquidity. Our net deferred income tax liability was $61.5 million and $83.5 million at December 31, 2008 and December 31, 2007, respectively. The overall decrease in our net deferred tax liability was primarily a result of an increase in our deferred tax assets, which resulted from increased state operating loss carryforwards and impairment / goodwill adjustments. In 2007 we made $188.5 million in tax payments, which included $86.0 million related to an IRS settlement for the years 2000 through 2004 in the first quarter of 2007. The disposition of our office building portfolio also required us to make significant estimated tax payments during 2007.

Our accrued liabilities were $92.6 million and $112.2 million at December 31, 2008 and December 31, 2007, respectively. The decrease was primarily attributed to reduced accruals related to interest, compensation and restructuring reserves.

During 2008 and 2007, we increased our operating cash flows as a result of large tract rural land sales. During 2008, we sold a total of 79,031 acres of timberland in three separate transactions in exchange for 15-year installment notes receivable in the aggregate amount of $108.4 million, which installment notes are fully backed by irrevocable letters of credit issued by Wachovia Bank, N.A. (now a subsidiary of Wells Fargo & Company). We received $96.1 million in net cash proceeds from the monetization of these installment notes. During 2007, we sold 53,024 acres of timberland in two separate transactions in exchange for 15-year installment notes receivable in the aggregate amount of $74.9 million. These notes were subsequently monetized for $66.9 million in net cash proceeds.

We will continue to consider large tract rural land sales as a source of operating cash flows in the future.

Cash Flows from Investing Activities

Cash flows from investing activities include cash flows from the sale of office buildings, the sale of other assets not held for sale, distributions of capital from unconsolidated affiliates, acquisitions of property using tax deferred proceeds and the purchase of fixed assets. Net cash (used in) provided by investing activities was $(1.4) million in 2008 compared to $326.7 million in 2007 and $29.9 million in 2006.

During 2008, we purchased property, plant and equipment of $2.3 million, $0.7 million of which related to capital costs associated with the upgrade of our financial systems.

During the second and third quarters of 2007, we closed on the sale of our office building portfolio, containing 17 buildings with approximately 2.3 million net rentable square feet, for an aggregate sales price of $377.5 million. We also defeased approximately $29.3 million of mortgage debt in connection with the sale. Net proceeds from the sale were used to pay taxes and pay down debt.

On May 3, 2007, we sold Saussy Burbank, our mid-Atlantic homebuilding operations. The sales price was $76.3 million, consisting of $36.0 million in cash and approximately $40.3 million in seller financing. The remaining balance outstanding on the seller financing at December 31, 2008 was $16.7 million. Net proceeds from this transaction were used to pay taxes and pay down debt.

On April 25, 2007, we purchased the Bay Point Marina in Bay County near Panama City Beach, Florida for approximately $9.8 million.

Net cash provided in 2006 primarily was a result of $52.8 million in proceeds related to the sales of office buildings.

Cash Flows from Financing Activities

Net cash provided by (used in) financing activities was $44.2 million in 2008, $(130.0) million in 2007 and $(51.7) million in 2006. The cash provided by financing activities in 2008 was primarily attributable to the sale of 17,145,000 shares of our common stock at a price of $35.00 per share which was completed during the first quarter. We received net proceeds of $580 million in connection with the public offering which were primarily used to pay down our debt as described below.

As previously discussed, we monetized notes receivable from rural land installment sales in 2008 and 2007. Proceeds from these transactions were used to pay down debt.

Proceeds from our common stock offering were used to prepay in full on April 4, 2008 senior notes with an outstanding principal amount of $240.0 million together with a make-whole amount of approximately $29.7 million. In addition, we recorded a non-cash expense of approximately $0.9 million attributable to the write-off of unamortized loan costs, net of accrued interest, associated with the senior notes and prior credit facility. As a result, we recognized a charge of $30.6 million during 2008 related to the early extinguishment of debt.

CDD bonds financed the construction of infrastructure improvements at six of our projects. The principal and interest payments on the bonds are paid by assessments on, or from sales proceeds of, the properties benefited by the improvements financed by the bonds. We have recorded a liability for future assessments which are fixed or determinable and will be levied against our properties. In accordance with EITF Issue 91-10, *Accounting for Special Assessments and Tax Increment Financing*, we have recorded debt of $11.9 million and $35.7 million related to CDD bonds as of December 31, 2008 and December 31, 2007, respectively. We retired approximately $30.0 million of CDD debt with the proceeds of our common stock offering during 2008.

We also used proceeds from the common stock offering to prepay in full a $100 million term loan and the entire outstanding balance (approximately $160 million) of our previous $500 million senior revolving credit facility. That facility was terminated in September 2008.

In September 2008, we entered into a new $100 million Credit Agreement (the “Credit Agreement”) with Branch Banking and Trust Company (“BB&T”). The Credit Agreement provides for a $100 million revolving credit facility that matures on September 19, 2011. We have the option to request an increase in the principal amount available under the Credit Agreement up to $200 million through syndication on a best efforts basis. The Credit Agreement provides for swing advances of up to $5 million and the issuance of letters of credit of up to $30 million. No funds have been drawn on the Credit Agreement as of December 31, 2008. The proceeds of any future borrowings under the Credit Agreement may be used for general corporate purposes. We have pledged 100% of the membership interests in our largest subsidiary, St. Joe Timberland Company of Delaware, LLC, as security for the credit facility. We have also agreed that upon the occurrence of an event of default, St. Joe Timberland Company of Delaware, LLC will grant to the lenders a first priority pledge of and/or a lien on substantially all of its assets.

The interest rate for each borrowing under the Credit Agreement is based on either (1) an adjusted LIBOR rate plus the applicable interest margin (ranging from 0.75% to 1.75%), or (2) the higher of (a) the prime rate or (b) the federal funds rate plus 0.5%. The Credit Agreement also requires the payment of quarterly fees ranging from 0.125% to 0.35% based on the Debt to Total Asset Value ratio during the applicable period. The interest margin and quarterly fee as of December 31, 2008 were 1.0% and 0.15%, respectively. We paid approximately $0.9 million in fees to BB&T in connection with the closing of the new facility and wrote off approximately $0.7 million of fees related to the prior revolving credit facility. The Credit Agreement contains covenants relating to leverage, unencumbered asset value, net worth, liquidity and additional debt. The Credit Agreement does not contain a fixed charge coverage covenant. The Credit Agreement also contains various restrictive covenants pertaining to acquisitions, investments, capital expenditures, dividends, share repurchases, asset dispositions and liens. We were in compliance with our debt covenants at December 31, 2008.

Although we remained in compliance with our net worth covenant at December 31, 2008, charges related to our pension plan and asset impairments for the third and fourth quarters of 2008 had a negative impact on our tangible net worth. As a result, we have twice amended our Credit Agreement to provide for a lower minimum tangible net worth requirement. The current required level of $900 million will provide us with greater flexibility to withstand the current economic recession and the difficult conditions in our real estate markets.

Our Board of Directors has authorized a total of $950.0 million for the repurchase of our outstanding common stock from shareholders from time to time (the “Stock Repurchase Program”), of which $103.8 million remained available at December 31, 2008. There is no expiration date for the Stock Repurchase Program, and the specific timing and amount of repurchases will vary based on available cash, market conditions, securities law limitations and other factors. From the inception of the Stock Repurchase Program in 1998 to December 31, 2008 we have repurchased from shareholders 27,945,611 shares. During 2006, we repurchased from shareholders 948,200 shares. During 2008 and 2007, as real estate market conditions continued to decline, we chose not to use cash for the repurchase of shares. Given the challenges presented by the current operating environment, we will continue to be prudent in our approach to share repurchase activity until market conditions improve. As a result, we do not expect to repurchase any shares during 2009.

Executives have surrendered a total of 2,388,974 shares of our stock since 1998 in payment of strike prices and taxes due on exercised stock options and vested restricted stock. For 2008, 2007 and 2006, 77,077 shares worth $2.8 million, 58,338 shares worth $2.1 million and 148,417 shares worth $7.6 million, respectively, were surrendered by executives for the cash payment of taxes due on exercised stock options and vested restricted stock.

We eliminated our quarterly dividend during the fourth quarter 2007. We paid dividends of $35.6 million and $47.7 million in 2007 and 2006, respectively.

Cash flows from discontinued operations are reported in the consolidated statement of cash flows as operating, investing and financing along with our continuing operations.

Off-Balance Sheet Arrangements

During 2008 and 2007, we sold 79,031 acres and 53,024 acres, respectively, of timberland in exchange for 15-year installment notes receivable in the aggregate amount of $108.4 million and $74.9 million, respectively. The installment notes are fully backed by irrevocable letters of credit issued by Wachovia Bank, N.A. (now a subsidiary of Wells Fargo & Company). We contributed the installment notes to bankruptcy remote qualified special purpose entities ("QSPEs") established in accordance with SFAS 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*. The QSPE's financial position and results are not consolidated in our financial statements.

During 2008 and 2007, the QSPEs monetized $108.4 million and $74.9 million, respectively, of installment notes by issuing debt securities to third party investors equal to approximately 90% of the value of the installment notes. Approximately $96.1 million and $66.9 million in net proceeds were distributed to us during 2008 and 2007, respectively. The debt securities are payable solely out of the assets of the QSPEs and proceeds from the letters of credit. The investors in the QSPEs have no recourse against us for payment of the debt securities or related interest expense. We have recorded a retained interest with respect to all QSPEs of $9.5 million for all installment notes monetized through December 31, 2008, which value is an estimate based on the present value of future cash flows to be received over the life of the installment notes, using management's best estimates of underlying assumptions, including credit risk and interest rates. In accordance with EITF Issue 99-20, "*Recognition of Interest Income and Impairment on Purchased and Retained Beneficial Interests in Securities and Financial Assets*", fair value is adjusted at each reporting date when, based on management's assessment of current information and events, there is a favorable or adverse change in estimated cash flows from cash flows previously projected. We did not record any impairment adjustments as a result of changes in previously projected cash flows during 2008 or 2007. We deferred approximately $97.1 million and $63.4 million of gain for income tax purposes through this QSPE/installment sale structure during 2008 and 2007, respectively.

Contractual Obligations and Commercial Commitments at December 31, 2008

	Payments Due by Period				
Contractual Cash Obligations(1)	**Total**	**Less Than 1 Year**	**1-3 Years (In millions)**	**3-5 Years**	**More Than 5 Years**
Debt(2)	$ 49.6	$ 5.0	$ 3.2	$ 1.2	$ 40.2
Interest related to community development district debt	14.4	0.8	1.6	1.6	10.4
Purchase obligations(3)	8.6	8.6	—	—	—
Operating leases	7.7	2.7	5.0	—	—
Total Contractual Cash Obligations	$ 80.3	$ 17.1	$ 9.8	$ 2.8	$ 50.6

(1) Excludes FIN 48 tax liability of $1.8 million due to uncertainty of payment period.

(2) Includes debt defeased in connection with the sale of our office building portfolio in the amount of $28.9 million, which will be paid by pledged treasury securities.

(3) These aggregate amounts include individual contracts in excess of $0.25 million.

Other Commercial Commitments	Amount of Commitment Expirations per Period				
	Total Amounts Committed	Less Than 1 Year	1-3 Years (In millions)	3-5 Years	More Than 5 Years
Surety bonds	$ 51.3	$ 49.6	$ 1.7	$ —	$ —
Standby letters of credit	2.8	2.5	0.3	—	—
Total Commercial Commitments	$ 54.1	$ 52.1	$ 2.0	$ —	$ —

Item 7A. ***Quantitative and Qualitative Disclosures about Market Risk***

Our primary market risk exposure is interest rate risk related to our Credit Agreement. As of December 31, 2008, we had no amounts drawn under our Credit Agreement. The interest rate for each borrowing under the Credit Agreement is based on either (1) an adjusted LIBOR rate plus the applicable interest margin (ranging from 0.75% to 1.75%), or (2) the higher of (a) the prime rate or (b) the federal funds rate plus 0.5%. The Credit Agreement also requires the payment of quarterly fees ranging from 0.125% to 0.35% based on the Debt to Total Asset Value ratio during the applicable period. The interest margin and quarterly fee as of December 31, 2008 were 1.0% and 0.15%, respectively.

The table below presents principal amounts and related weighted average interest rates by year of maturity for our long-term debt. The weighted average interest rates for our fixed-rate long-term debt are based on the actual rates as of December 31, 2008.

Expected Contractual Maturities

	2009	2010	2011	2012	2013 ($ in millions)	Thereafter	Total	Fair Value
Long-term Debt								
Fixed Rate	$ 5.0	$ 2.2	$ 0.5	$ 0.5	$ 0.6	$ 40.8	$ 49.6	$ 49.6
Wtd. Avg. Interest Rate	6.9%	6.9%	6.9%	6.9%	6.9%	6.9%	6.9%	

Management estimates the fair value of long-term debt based on current rates available to us for loans of the same remaining maturities. As the table incorporates only those exposures that exist as of December 31, 2008, it does not consider exposures or positions that could arise after that date. As a result, our ultimate realized gain or loss will depend on future changes in interest rates and market values.

Item 8. ***Financial Statements and Supplementary Data***

The Financial Statements and related notes on pages F-2 to F-42 and the Report of Independent Registered Public Accounting Firm on page F-1 are filed as part of this Report and incorporated by reference.

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

None.

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

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

(b) *Changes in Internal Control Over Financial Reporting.* During the quarter ended December 31, 2008 there were no changes in our internal controls over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

(c) *Management's Annual Report on Internal Control Over Financial Reporting.*

Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. The Company's internal control over financial reporting includes those policies and procedures that:

(i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;

(ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and

(iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2008. In making this assessment, management used the criteria described in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Based on our assessment and those criteria, management concluded that our internal control over financial reporting was effective as of December 31, 2008. Management reviewed the results of their assessment with our Audit Committee. The effectiveness of our internal control over financial reporting as of December 31, 2008 has been audited by KPMG LLP, an independent registered public accounting firm, as stated in their report which is included below.

(d) *Report of Independent Registered Public Accounting Firm.*

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

We have audited The St. Joe Company's internal control over financial reporting as of December 31, 2008, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The St. Joe Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, The St. Joe Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2008, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of The St. Joe Company and subsidiaries as of December 31, 2008 and 2007, and the related consolidated statements of operations, changes in stockholders' equity, and cash flow for each of the years in the three-year period ended December 31, 2008 and the related financial statement schedule, and our report dated February 24, 2009, expressed an unqualified opinion on those consolidated financial statements and the related financial statement schedule.

/s/ KPMG LLP

Certified Public Accountants
Jacksonville, Florida
February 24, 2009

Item 9B. ***Other Information.***

Amendment of a Material Definitive Agreement

We have a credit agreement with Branch Banking & Trust Company for a $100 million revolving credit facility (the "Credit Agreement"). On February 20, 2009, we amended the Credit Agreement to lower our required minimum tangible net worth amount to $900 million. This change will provide us with greater flexibility to withstand the current economic recession and the difficult conditions in our real estate markets. A copy of the Second Amendment to Credit Agreement is filed as Exhibit 10.3 hereto and is incorporated by reference.

PART III

Item 10. ***Directors, Executive Officers and Corporate Governance***

Information concerning our directors, nominees for director, executive officers and certain corporate governance matters is described in our proxy statement relating to our 2009 annual meeting of shareholders to be held on May 12, 2009 (the "proxy statement"). This information is set forth in the proxy statement under the captions "Proposal No. 1 — Election of Directors", "Executive Officers", and "Corporate Governance and Related Matters." This information is incorporated by reference.

Item 11. ***Executive Compensation***

Information concerning compensation of our executive officers for the year ended December 31, 2008, is presented under the caption "Executive Compensation and Other Information" in our proxy statement. This information is incorporated by reference.

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

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

Equity Compensation Plan Information

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

The following table summarizes the number of shares of our common stock that may be issued under our equity compensation plans as of December 31, 2008:

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in the First Column)
Equity compensation plans approved by security holders	524,580	$ 32.73	552,995
Equity compensation plans not approved by security holders	—	—	—
Total	524,580	$ 32.73	552,995

For additional information regarding our equity compensation plans, see Note 2 to the consolidated financial statements under the heading, "Stock-Based Compensation".

Item 13. ***Certain Relationships and Related Transactions and Director Independence***

Information concerning certain relationships and related transactions during 2008 and director independence is set forth under the captions “Certain Relationships and Related Transactions” and “Director Independence” in our proxy statement. This information is incorporated by reference.

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

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

PART IV

Item 15. ***Exhibits and Financial Statement Schedule***

(a)(1) *Financial Statements*

The financial statements listed in the accompanying Index to Financial Statements and Financial Statement Schedule and Report of Independent Registered Public Accounting Firm are filed as part of this Report.

(2) *Financial Statement Schedule*

The financial statement schedule listed in the accompanying Index to Financial Statements and Financial Statement Schedule is filed as part of this Report.

(3) *Exhibits*

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

INDEX TO EXHIBITS

Exhibit Number	Description
3.1	Restated and Amended Articles of Incorporation, as amended (incorporated by reference to Exhibit 3.1 of the registrant's Registration Statement on Form S-3 (File 333-116017)).
3.2	Amended and Restated By-laws of the registrant (incorporated by reference to Exhibit 3 to the registrant's Current Report on Form 8-K filed on December 17, 2004).
10.1	Credit Agreement dated September 19, 2008 by and among the registrant and Branch Banking and Trust Company, as agent and lender, and BB&T Capital Markets, as lead arranger ($100 million credit facility) (incorporated by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K filed on September 24, 2008).
10.2	First Amendment to Credit Agreement dated October 30, 2008 by and among the registrant and Branch Banking and Trust Company, as agent and lender (incorporated by reference to Exhibit 10.2 to the registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2008).
10.3	Second Amendment to Credit Agreement dated February 20, 2009 by and among the registrant and Branch Banking & Trust Company, as agent and lender.
10.4	Employment Agreement between the registrant and Peter S. Rummell dated August 19, 2003 (incorporated by reference to Exhibit 10.1 to the registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2003).
10.5	First Amendment to Employment Agreement between the registrant and Peter S. Rummell dated January 1, 2008 (regarding Section 409A compliance) (incorporated by reference to Exhibit 10.14 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2007).
10.6	Summary of compensation terms for Peter S. Rummell as Chairman of the Board (incorporated by reference to the information set forth under the caption "Retirement of Peter S. Rummell" in the registrant's Current Report on Form 8-K filed on February 19, 2008).
10.7	Form of Executive Employment Agreement (incorporated by reference to Exhibit 10.4 to the registrant's Current Report on Form 8-K filed on July 31, 2006).
10.8	Form of First Amendment to Executive Employment Agreement (regarding Section 409A compliance) (incorporated by reference to Exhibit 10.17 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2007).
10.9	Second Amendment to Employment Agreement of Wm. Britton Greene dated February 15, 2008 (incorporated by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K filed on February 19, 2008).
10.10	Employment Agreement of Stephen W. Solomon dated April 1, 1999.
10.11	First Amendment to Employment Agreement of Stephen W. Solomon.
10.12	Severance Agreement of Stephen W. Solomon dated April 1, 1999.
10.13	First Amendment to Severance Agreement of Stephen W. Solomon.
10.14	Directors' Deferred Compensation Plan, dated December 28, 2001 (incorporated by reference to Exhibit 10.10 of the registrant's Registration Statement on Form S-1 (File 333-89146)).
10.15	Deferred Capital Accumulation Plan, as amended and restated effective December 31, 2008.
10.16	Supplemental Executive Retirement Plan, as amended and restated effective December 31, 2008.
10.17	1999 Employee Stock Purchase Plan, dated November 30, 1999 (incorporated by reference to Exhibit 10.12 of the registrant's Registration Statement on Form S-1 (File 333-89146)).
10.18	Amendment to the 1999 Employee Stock Purchase Plan (incorporated by reference to Exhibit 10.13 of the registrant's Registration Statement on Form S-1 (File 333-89146)).
10.19	Second Amendment to the 1999 Employee Stock Purchase Plan (incorporated by reference to Exhibit 10.23 of the registrant's Annual Report on Form 10-K for the year ended December 31, 2006).
10.20	Third Amendment to the 1999 Employee Stock Purchase Plan (incorporated by reference to Exhibit 10.24 of the registrant's Annual Report on Form 10-K for the year ended December 31, 2006).

Exhibit Number	Description
10.21	Fourth Amendment to the 1999 Employee Stock Purchase Plan (incorporated by reference to Exhibit 10.25 of the registrant's Annual Report on Form 10-K for the year ended December 31, 2006).
10.22	1997 Stock Incentive Plan (incorporated by reference to Exhibit 10.21 of the registrant's Registration Statement on Form S-1 (File 333-89146)).
10.23	1998 Stock Incentive Plan (incorporated by reference to Exhibit 10.22 of the registrant's Registration Statement on Form S-1 (File 333-89146)).
10.24	1999 Stock Incentive Plan (incorporated by reference to Exhibit 10.23 of the registrant's Registration Statement on Form S-1 (File 333-89146)).
10.25	2001 Stock Incentive Plan (incorporated by reference to Exhibit 10.24 of the registrant's Registration Statement on Form S-1 (File 333-89146)).
10.26	Form of Stock Option Agreement (incorporated by reference to Exhibit 10.23 of the registrant's Annual Report on Form 10-K for the year ended December 31, 2003).
10.27	Form of Restricted Stock Agreement-Bonus Award (incorporated by reference to Exhibit 10.24 of the registrant's Annual Report on Form 10-K for the year ended December 31, 2003).
10.28	Form of Restricted Stock Agreement (incorporated by reference to Exhibit 10 of the registrant's Current Report on Form 8-K filed on September 23, 2004).
10.29	Form of Amendment to Restricted Stock Agreements and Stock Option Agreements (incorporated by reference to Exhibit 10.6 to the registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2006).
10.30	Form of Stock Option Agreement for use with grants on or after July 27, 2006 (incorporated by reference to Exhibit 10.6 to the registrant's Current Report on Form 8-K filed on July 31, 2006).
10.31	Form of Restricted Stock Agreement for use with grants on or after July 27, 2006 (incorporated by reference to Exhibit 10.5 to the registrant's Current Report on Form 8-K filed on July 31, 2006).
10.32	Form of Restricted Stock Agreement (February 2008 grants with performance-based vesting conditions) (incorporated by reference to Exhibit 10.2 to the registrant's Current Report on Form 8-K filed on February 19, 2008).
10.33	Form of First Amendment to Restricted Stock Agreement (February 2008 grants with performance-based vesting conditions).
10.34	Form of Restricted Stock Agreement (February 2009 grants with performance-based vesting conditions).
10.35	Form of Non-Employee Director Stock Agreement (incorporated by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K filed on January 5, 2005).
10.36	Form of Director Election Form describing Board compensation.
10.37	Annual Incentive Plan (incorporated by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K filed on February 17, 2006).
10.38	Description of 2008 Short-Term Incentive Plan (incorporated by reference to the information set forth under the caption "2008 Short-Term Incentive Plan" in the registrant's Current Report on Form 8-K filed on February 19, 2008).
10.39	Form of Indemnification Agreement for Directors and Officers (incorporated by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K filed on February 13, 2009).
14.1	Code of Conduct (revised December 4, 2006) (incorporated by reference to the registrant's Current Report on Form 8-K filed on December 7, 2006).
21.1	Subsidiaries of The St. Joe Company.
23.1	Consent of KPMG LLP, independent registered public accounting firm for the registrant.
31.1	Certification by Chief Executive Officer.
31.2	Certification by Chief Financial Officer.
32.1	Certification by Chief Executive Officer.
32.2	Certification by Chief Financial Officer.

Table of Contents

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned authorized representative.

The St. Joe Company

By: /s/ WM. BRITTON GREENE
Wm. Britton Greene
President and Chief Executive Officer

Dated: February 24, 2009

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the registrant in the capacities indicated as of February 24, 2009.

Signature	Title
/s/ WM. BRITTON GREENE Wm. Britton Greene	President, Chief Executive Officer and Director (Principal Executive Officer)
/s/ WILLIAM S. MCCALMONT William S. McCalmont	Executive Vice President and Chief Financial Officer (Principal Financial Officer)
/s/ JANNA L. CONNOLLY Janna L. Connolly	Vice President, Controller and Chief Accounting Officer (Principal Accounting Officer)
/s/ MICHAEL L. AINSLIE Michael L. Ainslie	Director
/s/ HUGH M. DURDEN Hugh M. Durden	Director
/s/ THOMAS A. FANNING Thomas A. Fanning	Director
/s/ DR. ADAM W. HERBERT, JR. Dr. Adam W. Herbert, Jr.	Director
/s/ DELORES M. KESLER Delores M. Kesler	Director
/s/ JOHN S. LORD John S. Lord	Director
/s/ WALTER L. REVELL Walter L. Revell	Director

INDEX TO FINANCIAL STATEMENTS AND FINANCIAL STATEMENT SCHEDULE

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited the accompanying consolidated balance sheets of The St. Joe Company and subsidiaries as of December 31, 2008 and 2007, and the related consolidated statements of operations, changes in stockholders' equity, and cash flow for each of the years in the three-year period ended December 31, 2008. In connection with our audits of the consolidated financial statements, we also have audited financial statement Schedule III — Consolidated Real Estate and Accumulated Depreciation. These consolidated financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedule based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The St. Joe Company and subsidiaries as of December 31, 2008 and 2007, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2008, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), The St. Joe Company's internal control over financial reporting as of December 31, 2008, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated February 24, 2009, expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

/s/ KPMG LLP

Certified Public Accountants
Jacksonville, Florida
February 24, 2009

THE ST. JOE COMPANY

CONSOLIDATED BALANCE SHEETS

	December 31, 2008	December 31, 2007
	(Dollars in thousands)	
ASSETS		
Investment in real estate	$ 890,583	$ 944,529
Cash and cash equivalents	115,472	24,265
Notes receivable	50,068	56,346
Pledged treasury securities	28,910	30,671
Prepaid pension asset	41,963	109,270
Property, plant and equipment, net	19,786	23,693
Goodwill, net	—	18,991
Other intangible assets, net	1,777	2,317
Income taxes receivable	32,308	—
Other assets	33,422	45,793
Assets held for sale	3,989	8,091
	$ 1,218,278	$ 1,263,966
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES:		
Debt	$ 49,560	$ 541,181
Accounts payable and other	22,594	32,082
Accrued liabilities and deferred credits	92,636	112,165
Income tax payable	—	8,058
Deferred income taxes	61,501	83,535
Liabilities associated with assets held for sale	586	328
Total liabilities	226,877	777,349
Minority interest in consolidated subsidiaries	2,772	6,276
STOCKHOLDERS' EQUITY:		
Common stock, no par value; 180,000,000 shares authorized; 122,438,699 and 104,755,826 issued at December 31, 2008 and 2007, respectively	914,456	321,505
Retained earnings	1,046,000	1,081,883
Accumulated other comprehensive (loss) income	(42,660)	3,275
Treasury stock at cost, 30,235,435 and 30,158,370 shares held at December 31, 2008 and 2007, respectively	(929,167)	(926,322)
Total stockholders' equity	988,629	480,341
	$ 1,218,278	$ 1,263,966

THE ST. JOE COMPANY

CONSOLIDATED STATEMENTS OF OPERATIONS

	Years Ended December 31, 2008	2007	2006
	(Dollars in thousands except per share amounts)		
Revenues:			
Real estate sales	$ 194,545	$ 307,896	$ 456,083
Rental revenues	1,490	2,679	3,558
Timber sales	26,638	25,821	24,351
Other revenues	41,317	40,849	41,032
Total revenues	263,990	377,245	525,024
Expenses:			
Cost of real estate sales	53,129	145,801	247,493
Cost of rental revenues	577	1,543	1,997
Cost of timber sales	19,842	20,780	18,080
Cost of other revenues	46,571	43,111	43,478
Other operating expenses	53,516	68,413	66,716
Corporate expense, net	34,117	32,786	51,262
Depreciation and amortization	17,344	19,207	19,894
Impairment losses	60,354	13,609	—
Restructuring charges	4,253	8,881	13,416
Total expenses	289,703	354,131	462,336
Operating (loss) profit	(25,713)	23,114	62,688
Other (expense) income:			
Investment income, net	6,061	5,307	5,062
Interest expense	(4,483)	(20,043)	(13,941)
Other, net	(8,395)	2,031	(763)
Loss on early extinguishment of debt	(30,554)	—	—
Gain on disposition of assets	728	7,997	—
Total other (expense)	(36,643)	(4,708)	(9,642)
(Loss) income from continuing operations before equity in (loss) income of unconsolidated affiliates, income taxes, and minority interest	(62,356)	18,406	53,046
Equity in (loss) income of unconsolidated affiliates	(330)	(5,331)	8,905
Income tax (benefit) expense	(26,984)	869	21,498
(Loss) income from continuing operations before minority interest	(35,702)	12,206	40,453
Minority interest in (loss) income	(807)	1,092	6,137
(Loss) income from continuing operations	(34,895)	11,114	34,316
Discontinued operations:			
(Loss) income from discontinued operations, net of tax	(988)	(1,035)	6,336
Gain on sales of discontinued operations, net of tax	—	29,128	10,368
(Loss) income from discontinued operations, net of tax	(988)	28,093	16,704
Net (loss) income	$ (35,883)	$ 39,207	$ 51,020
EARNINGS PER SHARE			
Basic			
(Loss) income from continuing operations	$ (0.39)	$ 0.15	$ 0.47
(Loss) income from discontinued operations	$ (0.01)	$ 0.38	$ 0.22
Net (loss) income	$ (0.40)	$ 0.53	$ 0.69
Diluted			
(Loss) income from continuing operations	$ (0.39)	$ 0.15	$ 0.47
(Loss) income from discontinued operations	$ (0.01)	$ 0.38	$ 0.22
Net (loss) income	$ (0.40)	$ 0.53	$ 0.69

See notes to consolidated financial statements.

Table of Contents

THE ST. JOE COMPANY

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

	Common Stock Outstanding Shares	Common Stock Amount	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total
			(Dollars in thousands, except per share amounts)			
Balance at January 1, 2006	74,928,290	280,970	1,074,990	—	(866,962)	488,998
Comprehensive income:						
Net income	—	—	51,020	—	—	51,020
Total comprehensive income	—	—	—	—	—	51,020
Transition adjustment for pension and postretirement benefits, net	—	—	—	(1,033)	—	(1,033)
Issuances of restricted stock	244,465	—	—	—	—	—
Forfeitures of restricted stock	(104,254)	—	—	—	—	—
Dividends ($0.64 per share)	—	—	(47,698)	—	—	(47,698)
Issuances of common stock	300,781	8,562	—	—	—	8,562
Excess tax benefit on options exercised and vested restricted stock	—	4,761	—	—	—	4,761
Amortization of stock- based compensation	—	13,767	—	—	—	13,767
Purchases of treasury shares	(1,096,617)	—	—	—	(57,297)	(57,297)
Balance at December 31, 2006	74,272,665	$ 308,060	$ 1,078,312	$ (1,033)	$ (924,259)	$ 461,080
Comprehensive income:						
Net income	—	—	39,207	—	—	39,207
Amortization of pension and postretirement benefit costs, net	—	—	—	692	—	692
Actuarial change in pension and postretirement benefits, net	—	—	—	3,616	—	3,616
Total comprehensive income	—	—	—	—	—	43,515
Issuances of restricted stock	376,913	—	—	—	—	—
Forfeitures of restricted stock	(147,767)	—	—	—	—	—
Dividends ($0.48 per share)	—	—	(35,636)	—	—	(35,636)
Issuances of common stock	153,983	4,338	—	—	—	4,338
Excess tax benefit on options exercised and vested restricted stock	—	270	—	—	—	270
Amortization of stock- based compensation	—	8,837	—	—	—	8,837
Purchases of treasury shares	(58,338)	—	—	—	(2,063)	(2,063)
Balance at December 31, 2007	74,597,456	$ 321,505	$ 1,081,883	$ 3,275	$ (926,322)	$ 480,341
Comprehensive (loss):						
Net (loss)	—	—	(35,883)	—	—	(35,883)
Amortization of pension and postretirement benefit costs, net	—	—	—	757	—	757
Pension settlement and curtailment costs, net	—	—	—	2,568	—	2,568
Actuarial change in pension and postretirement benefits, net	—	—	—	(49,260)	—	(49,260)
Total comprehensive (loss)	—	—	—	—	—	(81,818)
Issuances of restricted stock	734,828	—	—	—	—	—
Forfeitures of restricted stock	(253,037)	—	—	—	—	—
Issuances of common stock, net of offering costs	17,201,082	581,455	—	—	—	581,455
Excess tax benefit on options exercised and vested restricted stock	—	(56)	—	—	—	(56)
Amortization of stock- based compensation	—	11,552	—	—	—	11,552
Purchases of treasury shares	(77,065)	—	—	—	(2,845)	(2,845)
Balance at December 31, 2008	92,203,264	$ 914,456	$ 1,046,000	$ (42,660)	$ (929,167)	$ 988,629

See notes to consolidated financial statements.

THE ST. JOE COMPANY

CONSOLIDATED STATEMENTS OF CASH FLOW

	Years Ended December 2008	2007	2006
	(Dollars in thousands)		
Cash flows from operating activities:			
Net (loss) income	$ (35,883)	$ 39,207	$ 51,020
Adjustments to reconcile net (loss) income to net cash provided by (used in) operating activities:			
Depreciation and amortization	17,362	23,927	40,364
Stock-based compensation	11,552	8,837	13,767
Minority interest in (loss) income	(807)	1,092	6,137
Equity in loss (income) of unconsolidated joint ventures	330	5,129	(9,307)
Distributions of income from unconsolidated affiliates	—	710	12,786
Deferred income tax expense (benefit)	3,973	(128,994)	(96,868)
Loss on early extinguishment of debt	30,554	—	—
Impairment losses	60,545	23,201	1,500
Restructuring expense	—	8,881	13,416
Cost of operating properties sold	47,025	199,858	398,691
Expenditures for operating properties	(32,379)	(227,540)	(586,982)
Write-off of previously capitalized home building costs	—	705	9,340
Gains on dispositions of assets	—	(55,384)	(16,722)
Changes in operating assets and liabilities:			
Notes receivable	5,280	9,289	(17,937)
Other assets	10,569	(18,192)	33,050
Accounts payable and accrued liabilities	(29,296)	(98,143)	5,000
Income taxes receivable / payable	(40,366)	(1,927)	(1,243)
Net cash provided by (used in) operating activities	48,459	(209,344)	(143,988)
Cash flows from investing activities:			
Purchases of property, plant and equipment	(2,278)	(5,583)	(14,018)
Purchases of investments in real estate	—	(14,163)	(6,923)
Maturities and redemptions of investments, held to maturity	619	(488)	(7)
Contribution of capital to unconsolidated affiliate	—	(496)	(1,942)
Proceeds from the disposition of assets	—	36,000	—
Proceeds from sale of discontinued operations	—	311,425	52,876
Investments in unconsolidated affiliates	240	—	—
Net cash (used in) provided by investing activities	(1,419)	326,695	29,986
Cash flows from financing activities:			
Net borrowings from revolving credit agreements	35,000	592,000	335,000
Repayment of borrowings under revolving credit agreements	(167,000)	(520,000)	(275,000)
Proceeds from other long-term debt	—	—	100,026
Repayments of other long-term debt	(370,000)	(163,581)	(106,223)
Make whole payment in connection with prepayment of senior notes	(29,690)	—	—
Distributions to minority interest partner	(2,697)	(5,349)	(13,799)
Proceeds from exercises of stock options	1,653	4,338	8,562
Issuance of common stock	579,802	—	—
Dividends paid to stockholders	—	(35,636)	(47,698)
Excess tax benefits from stock-based compensation	(56)	270	4,761
Taxes paid on behalf of employees related to stock-based compensation	(2,845)	(2,063)	(7,571)
Treasury stock purchases	—	—	(49,726)
Net cash provided by (used in) financing activities	44,167	(130,021)	(51,668)
Net increase (decrease) in cash and cash equivalents	91,207	(12,670)	(165,670)
Cash and cash equivalents at beginning of year	24,265	36,935	202,605
Cash and cash equivalents at end of year	$ 115,472	$ 24,265	$ 36,935

	2008	2007	2006
Supplemental disclosures of cash flow information:			
Cash paid during the year for:			
Interest	$ 11,969	$ 34,730	$ 35,142
Income taxes	8,833	188,457	125,088
Capitalized interest	1,582	8,778	15,433
Non-cash financing and investment activities:			
Issuance of restricted stock	$ 12,255	$ 7,336	$ 6,979
Assumption of mortgage by purchaser of commercial building	—	(28,551)	—
Extinguishment of debt in connection with joint venture	—	—	(10,689)
Net increase in Community Development District Debt	6,251	31,807	28,374
(Decrease) increase in pledged treasury securities related to defeased debt	(1,761)	30,671	—

See notes to consolidated financial statements.

THE ST. JOE COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands, unless otherwise stated)

1. Nature of Operations

The St. Joe Company (the "Company") is a real estate development company primarily engaged in residential, commercial and industrial development and rural land sales. The Company also has significant interests in timber. Most of its real estate operations, as well as its timber operations, are within the State of Florida. Consequently, the Company's performance, particularly that of its real estate operations, is significantly affected by the general health of the Florida economy.

During the year ended December 31, 2007, the Company sold its office building portfolio, consisting of 17 buildings, and Saussy Burbank, its mid-Atlantic homebuilding operations. The Company also announced its intent to sell its cypress sawmill and mulch plant, Sunshine State Cypress, Inc., which assets and liabilities are classified as held for sale at December 31, 2008 and 2007. During the year ended December 31, 2006, the Company sold four of its commercial buildings.

Real Estate

The Company currently conducts primarily all of its business in four reportable operating segments: residential real estate, commercial real estate, rural land sales and forestry.

The residential real estate segment plans and develops large-scale, mixed use resort, primary and seasonal residential communities primarily on its low cost basis land. The Company owns large tracts of land in Northwest Florida, including large tracts near Tallahassee and Panama City, and significant Gulf of Mexico beach frontage and waterfront properties. The Company is also a partner in four joint ventures that primarily own and develop residential property.

The commercial real estate segment plans and develops our land holdings for a broad portfolio of retail, office and commercial uses. The Company sells and develops commercial land and provides development opportunities for national and regional retailers as well as strategic partners in Northwest Florida. The Company also offers for sale land for commercial and light industrial uses within large and small-scale commerce parks, as well as for a wide range of multi-family residential rental projects.

The rural land sales segment markets for sale tracts of land of varying sizes for rural recreational, conservation, residential and timberland uses located primarily in Northwest Florida. The rural land sales segment at times prepares land for sale for these uses through harvesting, thinning and other silviculture practices, and in some cases, limited infrastructure development.

Forestry

The forestry segment focuses on the management and harvesting of the Company's extensive timberland holdings, as well as on the ongoing management of lands which may ultimately be used by other divisions of the Company. The Company believes it is one of the largest private owners of land in Florida, most of which is currently managed as timberland. The principal products of the Company's forestry operations are pine pulpwood and timber and forest products.

Approximately one-half of the wood harvested by the Company is sold under a long-term wood fiber supply agreement with the Smurfit-Stone Container Corporation. The 12-year agreement, which ends on June 30, 2012, requires an annual pulpwood volume of 700,000 tons per year that must come from company-owned fee simple lands. Although Smurfit-Stone recently filed for bankruptcy protection, the supply agreement remains in effect at this time. At December 31, 2008, approximately 296,000 acres were encumbered, subject to certain restrictions, by this agreement, although the obligation may be transferred to a third party if a parcel is sold.

2. Basis of Presentation and Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and all of its majority-owned and controlled subsidiaries. The operations of dispositions in which the Company has no continuing involvement and assets held for sale are included in discontinued operations through the dates that they were sold. Investments in joint ventures and limited partnerships in which the Company does not have majority voting control are accounted for by the equity method. All significant intercompany transactions and balances have been eliminated.

Reclassifications

Certain reclassifications have been made to the prior years' financial statements to conform to the current period classifications. The Company reclassified deferred revenue and accrued postretirement benefits on its consolidated balance sheet for 2007, which were previously presented as accounts payable and other. The amounts reclassified were $45.6 million and $10.2 million, respectively.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. On an ongoing basis, the Company evaluates its estimates and assumptions including investments in real estate, prepaid pension asset, goodwill, accruals, income taxes payable, and deferred tax assets. Actual results could differ from those estimates.

Because of the adverse market conditions that currently exist in the Florida and national real estate markets and financial and credit markets, it is possible that the estimates and assumptions, most notably with the Company's investment in real estate and prepaid pension asset, could change materially during the time span associated with the continued weakened state of these real estate markets and financial markets, respectively.

Revenue Recognition

Revenues consist primarily of real estate sales, timber sales, rental revenues, and other revenues (primarily consisting of revenues from club operations).

Revenues from real estate sales, including sales of rural land, residential homes (including detached single-family and attached townhomes) and homesites, and commercial buildings, are recognized upon closing of sales contracts in accordance with Statement of Financial Accounting Standards ("SFAS") No. 66, *Accounting for Sales of Real Estate* ("SFAS 66"). A portion of real estate inventory and estimates for costs to complete are allocated to each housing unit based on the relative sales value of each unit as compared to the sales value of the total project.

Revenues for multi-family residences under construction are recognized, in accordance with SFAS 66, using the percentage-of-completion method of accounting when (1) construction is beyond a preliminary stage, (2) the buyer has made sufficient deposit and is committed to the extent of being unable to require a refund except for nondelivery of the unit, (3) sufficient units have already been sold to assure that the entire property will not revert to rental property, (4) sales price is collectible, and (5) aggregate sales proceeds and costs can be reasonably estimated. Revenue is recognized in proportion to the percentage of total costs incurred in relation to estimated total costs. Any amounts due under sales contracts, to the extent recognized as revenue, are recorded as contracts receivable. The Company reviews the collectibility of contract receivables and, in the event of cancellation or default, adjusts the percentage-of-completion calculation accordingly. There were no contract receivables at December 31, 2008 and 2007, respectively. Revenue for multi-family residences is recognized at closing using the full accrual method of accounting if the criteria for using the percentage-of-completion method are not met before construction is substantially completed.

Percentage-of -completion accounting is also used for our homesite sales when required development is not complete at the time of sale and for commercial and other land sales if there are uncompleted development costs yet to be incurred for the property sold.

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

Rental revenues are recognized as earned, using the straight-line method over the life of the lease. Certain leases provide for tenant occupancy during periods for which no rent is due or where minimum rent payments change during the lease term. Accordingly, a receivable is recorded representing the difference between the straight-line rent and the rent that is contractually due from the tenant. Tenant reimbursements are included in rental revenues.

Other revenues consist primarily of resort and club operations and brokerage fees. These revenues are recorded as the services are provided. The following sets forth the detail of the Company's other revenues for the three years ended December 31, 2008:

	2008	2007	2006
Resort	$ 19,174	$ 20,384	$ 16,483
Clubs	19,010	15,187	12,351
Brokerage and other	3,133	5,278	12,198
Total	$ 41,317	$ 40,849	$ 41,032

Cost of other revenues related to resort and club operations were $44,025, $38,629 and $35,491 in 2008, 2007 and 2006, respectively.

Taxes collected from customers and remitted to governmental authorities (e.g., sales tax) are excluded from revenue.

Comprehensive Income (Loss)

The Company's comprehensive income (loss) differs from net income due to changes in the funded status of certain Company benefit plans (see Note 18). The Company has elected to disclose comprehensive income (loss) in its Consolidated Statements of Changes in Stockholders' Equity.

Cash and Cash Equivalents

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

Accounts and Notes Receivable

Substantially all of our trade accounts receivable and notes receivable are due from customers located within the United States. We maintain an allowance for doubtful accounts for estimated losses resulting from the inability of our customers to make required payments. The allowance for doubtful accounts is based on a review of specifically identified accounts in addition to an overall aging analysis. Judgments are made with respect to the collectibility of accounts and notes receivable based on historical experience and current economic trends. Actual losses could differ from those estimates.

Fair Value of Financial Instruments

The carrying amounts of the Company's financial instruments, including cash and cash equivalents, accounts receivable, notes receivable, accounts payable and accrued expenses, approximate their fair values due to the short-term nature of these assets and liabilities. In addition, the Company utilizes a discounted cash flow method to record its investment in retained beneficial interests at fair value.

Derivative Financial Instruments

The Company accounts for derivative financial instruments in accordance with SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities, as amended* ("SFAS 133"). SFAS 133 requires that an entity recognize all derivatives, as defined, as either assets or liabilities at fair value. If the derivative is designated as a hedge, depending on the nature of the hedge, changes in the fair value of the derivative will either be offset against the change in fair value of the hedged assets, liabilities or firm commitments through earnings or recognized as a component of comprehensive income until the hedged item is recognized in earnings. The ineffective portion of the derivative's change in fair value will be immediately recognized in earnings. The Company uses derivative instruments to manage its exposure to market risks from changes in interest rates and does not hold or issue derivative instruments for speculative or trading purposes.

Investment in Real Estate

Investment in real estate is carried at cost, net of depreciation and timber depletion. Depreciation is computed on straight-line and accelerated methods over the useful lives of the assets ranging from 15 to 40 years. Depletion of timber is determined by the units of production method.

Property, Plant and Equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation or amortization. Major improvements are capitalized while maintenance and repairs are expensed in the period the cost is incurred. Depreciation is computed using the straight-line method over the useful lives of various assets, generally 3-10 years.

Goodwill and Intangible Assets

The Company accounts for goodwill and other intangible assets in accordance with SFAS 142, *Goodwill and Other Intangible Assets*. Other intangible assets primarily consist of a management contract obtained through its acquisition of certain assets of Arvida Company and its affiliates. The management contract is being amortized over an estimated useful life of 12 years. The Company performs an annual assessment or more frequently if indicators of potential impairment exist. An impairment is considered to exist if fair value is less than the carrying amount of the assets, including goodwill. The estimated fair value is determined on the basis of discounted future cash flows. The assumptions used in the estimate of fair value are generally consistent with the past performance of the reporting segment and are also consistent with the projections and assumptions that are used in current operating plans. The determination of whether or not goodwill has become impaired involves a significant level of judgment in the assumptions underlying the approach used to determine the value of the Company's reporting units. Changes in the Company's strategy and/or market conditions could significantly impact these judgments and require adjustments to recorded amounts of intangible assets.

As a result of its 2008 impairment analysis, the Company determined that the goodwill remaining in its residential real estate segment would not be recoverable. Accordingly, the Company recorded an impairment charge of approximately $19.0 million to reduce the carrying value of goodwill to zero. On October 8, 2007 the Company announced its plan to dispose of Sunshine State Cypress as part of its restructuring plan. The

Company's estimate of fair value based upon market analysis indicated that its goodwill would not be recoverable. Accordingly, the Company recorded an impairment charge of $7.4 million, including $0.1 million of estimated costs to sell, to reduce the goodwill carrying value of Sunshine State Cypress to zero in 2007.

In addition, the Company performed an impairment analysis related to its intangible assets and determined no adjustment was required at December 31, 2008.

Long-Lived Assets and Discontinued Operations

In accordance with SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets* ("SFAS 144"), the Company classifies the assets and liabilities of a long-lived asset as held-for-sale when management approves and commits to a formal plan of sale and it is probable that a sale will be completed. The carrying value of the assets held for sale are then recorded at the lower of their carrying value or fair market value less costs to sell. The operations and gains on sales reported in discontinued operations include operating properties sold during the year and assets classified as held-for-sale for which operations and cash flows can be clearly distinguished and for which the Company will not have continuing involvement or significant cash flows after disposition. The operations from these assets have been eliminated from ongoing operations. Prior periods have been reclassified to reflect the operations of these assets as discontinued operations. The operations and gains on sales of operating assets for which the Company has continuing involvement or significant cash flows are reported as income from continuing operations.

The Company reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Homes and homesites substantially completed and ready for sale are measured at lower of carrying value or fair value less costs to sell. For projects under development, an estimate of future cash flows on an undiscounted basis is performed using estimated future expenditures necessary to maintain the existing project and using management's best estimates about future sales prices and holding periods. The continued decrease in demand and market prices for residential real estate in 2008 and 2007 indicated that certain carrying amounts within our residential real estate segment may not be recoverable.

As a result of the Company's impairment analyses, the Company recorded impairment charges of $40.3 million and $13.6 million in the residential real estate segment for 2008 and 2007, respectively. In addition, an impairment charge of $1.0 million was recorded related to the writedown of a renegotiated builder note receivable in 2008.

Income Taxes

The Company follows the asset and liability method of accounting for deferred income taxes. The provision for income taxes includes income taxes currently payable and those deferred as a result of temporary differences between the financial statement and tax bases of assets and liabilities. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income or loss in the period that includes the enactment date. A valuation allowance is provided to reduce deferred tax assets to the amount of future tax benefit when it is more likely than not that some portion of the deferred tax assets will not be realized. Projected future taxable income and ongoing tax planning strategies are considered and evaluated when assessing the need for a valuation allowance. Any increase or decrease in a valuation allowance could have a material adverse impact or beneficial impact on the Company's income tax provision and net income or loss in the period the determination is made. The Company recognizes interest and/or penalties related to income tax matters in income tax expense.

Concentration of Risks and Uncertainties

Financial instruments that potentially subject the Company to a concentration of credit risk consist of cash, cash equivalents and retained interests. The Company deposits and invests excess cash with major financial institutions in the United States. Balances may exceed the amount of insurance provided on such deposits. In the event of a failure and liquidation of Wells Fargo & Company's Wachovia Bank subsidiary (or any successor bank), the Company could be required to write-off the remaining retained interest recorded on its balance sheet in connection with the installment sale monetization transactions, which would have an adverse effect on the Company's results of operations (see Note 3).

The Company's real estate investments are concentrated in the State of Florida. Uncertainty of the span of the prolonged real estate and economic slump could have an adverse impact on our real estate values.

Stock-Based Compensation

During the first quarter of 2006, the Company adopted the provisions of Financial Accounting Standards Board ("FASB") SFAS No. 123 — revised 2004, *Share-Based Payment* ("SFAS 123R"), which replaced SFAS No. 123, *Accounting for Stock-Based Compensation* ("SFAS 123"), and supersedes APB Opinion No. 25, *Accounting for Stock Issued to Employees* ("APB 25"). Under the fair value recognition provisions of SFAS 123R, stock-based compensation cost is measured at the grant date based on the fair value of the award and is typically recognized as expense on a straight-line basis over the requisite service period, which is the vesting period. The Company elected the modified-prospective method of adoption, under which prior periods are not revised for comparative purposes. The valuation provisions of SFAS 123R apply to new grants on or after the effective date and existing grants that are subsequently modified. Estimated compensation for the unvested portion of grants that were outstanding as of the effective date is being recognized over the remaining service period. Additionally, the 15% discount at which employees may purchase the Company's common stock through payroll deductions is being recognized as compensation expense. Upon exercise of stock options or granting of non-vested stock, the Company will issue new common stock.

Stock Options and Non-vested Restricted Stock

The Company has four stock incentive plans (the 1997 Stock Incentive Plan, the 1998 Stock Incentive Plan, the 1999 Stock Incentive Plan and the 2001 Stock Incentive Plan), whereby awards may be granted to certain employees and non-employee directors of the Company in the form of restricted shares of Company common stock or options to purchase Company common stock. Awards are discretionary and are determined by the Compensation Committee of the Board of Directors. Awards vest based upon service conditions. Option and share awards provide for accelerated vesting if there is a change in control (as defined in the award agreements).The total amount of restricted shares and options originally available for grant under each of the Company's four plans was 8.5 million shares, 1.4 million shares, 2.0 million shares, and 3.0 million shares, respectively. Non-vested restricted shares generally vest over requisite service periods of three-year or four-year periods, beginning on the date of each grant, but are considered outstanding under the treasury stock method. Stock option awards are granted with an exercise price equal to market price of the Company's stock at the date of grant. The options vest over requisite service periods and are exercisable in equal installments on the first through third, fourth or fifth anniversaries, as applicable, of the date of grant and generally expire 10 years after the date of grant.

The Company currently uses the Black-Scholes option pricing model to determine the fair value of stock options. The determination of the fair value of stock-based payment awards on the date of grant using an option-pricing model is affected by the stock price as well as assumptions regarding a number of other variables. These variables include expected stock price volatility over the term of the awards, actual and projected employee stock option exercise behaviors (term of option), risk-free interest rate and expected dividends.

The Company estimates the expected term of options granted by incorporating the contractual term of the options and analyzing employees' actual and expected exercise behaviors. The Company estimates the volatility of its common stock by using historical volatility in market price over a period consistent with the expected term, and other factors. The Company bases the risk-free interest rate that it uses in the option valuation model on U.S. Treasuries with remaining terms similar to the expected term on the options. The Company uses an estimated dividend yield in the option valuation model when dividends are anticipated.

Total stock-based compensation recognized on the Consolidated Statements of Operations for the three years ended December 31, 2008 as corporate expense is as follows:

	2008	2007	2006
Stock option expense	$ 1,220	$ 1,678	$ 2,784
Restricted stock expense	10,332	7,159	10,983
Total charged against income before tax benefit	$ 11,552	$ 8,837	$ 13,767
Amount of related income tax benefit recognized in income	$ 5,025	$ 2,868	$ 5,231

Presented below are the per share weighted-average fair value of stock options granted during 2007 and 2006 using the Black Scholes option-pricing model, along with the assumptions used. No stock options were granted in 2008.

Weighted Average	2008	2007	2006
Per share weighted average fair value	$ —	$ 17.35	$ 17.62
Expected dividend yield	—	1.15%	1.03%
Risk free interest rate	—	4.74%	4.67%
Expected volatility	—	22.78%	23.5%
Expected life (in years)	—	7	7

The following table sets forth the summary of option activity outstanding under the stock option program for 2008:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value ($000)
Balance at December 31, 2007	700,781	$ 36.21	—	—
Granted	—	—	—	—
Forfeited or expired	(32,831)	54.17	—	—
Exercised	(56,082)	29.48	—	—
Balance at December 31, 2008	611,868	$ 35.91	4.4	170
Vested or expected to vest at December 31, 2008	591,792	$ 35.14	3.7	170
Exercisable at December 31, 2008	524,580	$ 32.73	3.7	170

The total intrinsic value of options exercised during 2008, 2007 and 2006 was $0.6 million, $3.4 million and $8.0 million, respectively. The intrinsic value is calculated as the difference between the market value as of exercise date and the exercise price of the shares. The closing price as of December 31, 2008 was $24.32 per share as reported by the New York Stock Exchange. Shares of Company stock issued upon the exercise of stock options in 2008, 2007 and 2006 were 56,082, 153,983, and 300,781 shares, respectively.

THE ST. JOE COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The total fair value of stock options that vested during 2008, 2007 and 2006 was $0.6 million, $0.9 million and $3.4 million, respectively.

Cash received for strike prices from options exercised under stock-based payment arrangements for 2008, 2007 and 2006 was $1.6 million, $4.3 million and $8.6 million, respectively. The actual tax benefit realized for the tax deductions from options exercised under stock-based arrangements totaled $0.2 million, $1.3 million and $3.0 million, respectively, for 2008, 2007 and 2006.

Non-Vested Restricted Shares	Number of Shares	Weighted Average Grant Date Fair Value
Balance at December 31, 2007	659,317	$ 43.20
Granted	127,752	38.43
Vested	(251,264)	43.44
Forfeited	(130,143)	36.41
Balance at December 31, 2008	405,662	$ 43.23

The weighted average grant date fair value of restricted shares granted during 2008, 2007 and 2006 was $38.43, $40.43 and $51.40, respectively.

The total fair value of restricted stock that vested during 2008, 2007 and 2006 was $9.4 million, $7.2 million and $20.9 million, respectively.

As of December 31, 2008, there was $8.7 million of unrecognized compensation cost, adjusted for estimated forfeitures, related to non-vested stock-based compensation arrangements. This cost includes $1.1 million related to stock option grants and $7.6 million of non-vested restricted stock which will be recognized over a weighted average period of three years.

Market Condition Grants

In February 2008, under its 2001 Stock Incentive Plan, the Company granted select executives and other key employees restricted stock awards with vesting based upon the achievement of certain market conditions that are defined as the Company's total shareholder return as compared to the total shareholder returns of certain peer groups during the performance period.

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

A summary of the activity during 2008 is presented below:

Market Condition Non-vested Restricted Shares	Number of Shares	Weighted Average Grant Date Fair Value
Balance at January 1, 2008	—	$ —
Granted	603,840	27.31
Forfeited	(119,658)	27.31
Vested	—	—
Balance at December 31, 2008	484,182	$ 27.31

As of December 31, 2008, there was $7.0 million of unrecognized compensation cost, adjusted for estimated forfeitures, related to market condition non-vested restricted shares which will be recognized over a weighted average period of two years.

Prior to the adoption of SFAS 123R, the Company recognized the estimated compensation cost of non-vested restricted stock over the vesting term. The estimated compensation cost is based on the fair value of the Company's common stock on the date of grant. Subsequent to adoption, the Company will continue to recognize the compensation cost over the requisite service period.

Earnings (loss) Per Share

Basic earnings (loss) per share is calculated by dividing net income (loss) by the average number of common shares outstanding for the period. Diluted earnings (loss) per share is calculated by dividing net income (loss) by the weighted average number of common shares outstanding for the period, including all potentially dilutive shares issuable under outstanding stock options and non-vested restricted stock. Non-vested restricted shares subject to vesting based on the achievement of market conditions are treated as contingently issuable shares and are considered outstanding only upon the satisfaction of the market conditions. The Company has excluded 90,057 potentially dilutive shares which were contingently issuable upon the achievement of future market conditions from its dilutive shares outstanding during 2008. Stock options and non-vested restricted stock are not considered in any diluted earnings per share calculation when the Company has a loss from continuing operations. Accordingly, potentially dilutive stock options and non-vested restricted stock not subject to market conditions excluded from the computation of diluted earnings per share in 2008 totaled 107,469 and 254,904, respectively. Total anti-dilutive common stock equivalents excluded from diluted earnings per share were 189,251 and 32,565 in 2007 and 2006, respectively.

The following table presents a reconciliation of average shares outstanding:

	2008	2007	2006
Basic average shares outstanding	89,550,637	73,836,071	73,719,415
Incremental weighted average effect of stock options	—	171,530	296,769
Incremental weighted average effect of non-vested restricted stock	—	293,000	402,975
Diluted average shares outstanding	89,550,637	74,300,601	74,419,159

Through December 31, 2008, the Board of Directors had authorized a total of $950.0 million for the repurchase from time to time of outstanding common stock from shareholders (the "Stock Repurchase Program"). A total of approximately $846.2 million had been expended in the Stock Repurchase Program from its inception through December 31, 2008. There is no expiration date on the Stock Repurchase Program.

From the inception of the Stock Repurchase Program to December 31, 2008, the Company repurchased from shareholders 27,945,611 shares and executives surrendered a total of 2,388,974 shares as payment for strike prices and taxes due on exercised stock options and on vested restricted stock, for a total of 30,334,585 acquired shares. The Company did not repurchase shares from shareholders during 2008 and 2007. During 2006, the Company repurchased 948,200 shares from shareholders. During 2008, 2007 and 2006, executives surrendered 77,077, 58,338 and 148,417 shares, respectively, as payment for strike prices and taxes due on exercised stock options and vested restricted stock.

Recent Accounting Pronouncements

In December 2008, the FASB issued FSP SFAS 132(R)-1, *Employer's Disclosures about Postretirement Benefit Plan Assets.* This FSP amends FASB Statement No. 132, *Employer's Disclosures about Pensions and Other Postretirement Benefits*, to require the disclosure of more information about investment allocation decisions, major categories of plan assets, including concentrations of risk and fair value measurements, and the fair value techniques and inputs used to measure plan assets. The disclosures about plan assets required by this FSP shall be provided for fiscal years ending after December 15, 2009. The Company is in the process of evaluating the effect, if any, the adoption of this FSP will have on its financial statements.

In June 2008, the FASB issued FSP Emerging Issues Task Force ("EITF") 03-6-1, *Determining Whether Instruments Granted in Share-Based Payment Transactions are Participating Securities*. This FSP holds that unvested share-based payment awards that contain nonforfeitable rights to dividends or dividend equivalents are considered "participating securities" as defined in EITF 03-6 and therefore should be included in computing earnings per share using the two-class method. This FSP is effective for financial statements issued for fiscal years and interim periods beginning after December 15, 2008. When adopted, its requirements will be applied by recasting previously reported earnings per share data. The Company is in the process of evaluating the effect, if any, the adoption of this FSP will have on its financial statements.

In March 2008, the FASB issued SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities — an amendment of FASB Statement No. 133* ("SFAS 161"). This SFAS requires enhanced disclosures about an entity's derivative and hedging activities, including (a) how and why an entity uses derivative instruments, (b) how derivative instruments and related hedged items are accounted for under SFAS 133, *Accounting for Derivative Instruments and Hedging Activities*, and its related interpretations, and (c) how derivative instruments and related hedged items affect an entity's financial position, financial performance, and cash flows. SFAS 161 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008. The Company does not believe SFAS 161 will have a material impact on its financial position or results of operations.

In December 2007, the FASB issued SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements* ("SFAS 160"), an amendment of Accounting Research Bulletin No. 51, *Consolidated Financial Statements* ("ARB 51"). SFAS 160 amends ARB 51 to establish accounting and reporting standards for the noncontrolling interest (previously referred to as minority interest) in a subsidiary and for the deconsolidation of a subsidiary. It clarifies that a noncontrolling interest in a subsidiary is an ownership interest in the consolidated entity that should be reported as equity, not as a liability, in the consolidated financial statements. It also requires disclosure, on the face of the consolidated statement of operations, of the amounts of consolidated net income attributable to both the parent and the noncontrolling interest. SFAS 160 also establishes a single method of accounting for changes in a parent's ownership interest in a subsidiary that do not result in deconsolidation. SFAS 160 is effective for fiscal years beginning after December 15, 2008. The Company is currently evaluating the impact of SFAS 160 on its consolidated financial statements.

In December 2007, the FASB issued SFAS No. 141R, *Business Combinations* ("SFAS 141R"). SFAS 141R requires an acquirer to recognize the assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree at the acquisition date, measured at their full fair values as of that date. SFAS 141R is effective for business combinations occurring after December 31, 2008.

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements* ("SFAS 157"). This Statement defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. It applies to other accounting pronouncements where the FASB requires or permits fair value measurements but does not require any new fair value measurements. In February 2008, the FASB issued FSP No. 157-2, *Effective Date of FASB Statement No. 157* ("FSP No. 157-2"), which delayed the effective date of SFAS 157 for certain non-financial assets and non-financial liabilities to fiscal years beginning after November 15, 2008, and interim periods within those fiscal years. Non-financial assets and liabilities include pension plan assets related to the funded status of the Company's pension plan, goodwill, investment in real estate, intangible assets with indefinite lives, guarantees and certain other items. The Company adopted SFAS 157 for financial assets and liabilities on January 1, 2008. The partial adoption of SFAS 157, as it relates to financial assets and liabilities, did not have any impact on the Company's results of operations or financial position, other than additional disclosures (see Note 4). The Company has deferred the adoption of SFAS 157 with regards to non-financial assets and liabilities in accordance with FSP No. 157-2. The Company is in the process of evaluating the effect of the full adoption of the remaining portions of SFAS 157 will have on the Company's financial statements.

3. Notes Receivable

Notes receivable at December 31, 2008 and 2007 consisted of the following:

	2008	2007
Saussy Burbank notes, interest receivable at LIBOR + 1% — 2.5% (1.9% and 4.6% LIBOR at December 31, 2008 and December 31, 2007, respectively), due November 2009 — May 2012	$ 16,671	$ 27,202
Various builder notes, interest receivable at non-interest bearing — 8.5%, due October 2009 — December 2012	16,893	18,608
Advantis notes, interest receivable at 6.0%, due June 2013	7,267	7,015
Pier Park Community Development District notes, non-interest bearing, due December 2010, net of unamortized discount of $0.2 million, effective rates 5.73% — 8.0%	2,404	2,028
Perry Pines mortgage note, secured by certain real estate bearing interest at 8%, due September 2009	6,263	—
Various mortgage notes, secured by certain real estate bearing interest at various rates	570	1,493
Total notes receivable	$ 50,068	$ 56,346

During 2008 and 2007, the Company sold significant amounts of timberland in exchange for installment notes. The following table summarizes installment note activity through December 31, 2008:

Period Ended	Note Value	Monetization Net Proceeds	Net Balance
2008	$ 108,405	$ (96,098)	$ 12,307
2007	74,900	(66,881)	8,019
Total through December 31, 2008	$ 183,305	$ (162,979)	20,326
Fair value adjustment at time of monetization			(10,808)
Retained interest at December 31, 2008 (a)			$ 9,518

(a) These notes are recorded as Other assets.

During 2008, the Company sold a total of 79,031 acres of timberland in exchange for 15-year installment notes receivable in the aggregate amount of approximately $108.4 million. The installment notes are fully backed by irrevocable letters of credit issued by Wachovia Bank, N.A. (now a subsidiary of Wells Fargo & Company). The Company contributed these installment notes to two bankruptcy-remote, qualified special purpose entities ("QSPEs") established in accordance with SFAS No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*. The QSPEs subsequently monetized the installment notes by issuing debt securities to third-party investors equal to approximately 90% of the value of the installment notes and distributed approximately $96.1 million in net proceeds to the Company.

The Company recorded a charge of $8.2 million and $2.6 million during the years ended December 31, 2008 and 2007, respectively, on the fair value adjustment related to the monetization of notes receivable through the QSPEs. The fair value adjustment is determined based on the original carrying value of the notes, allocated between the assets monetized and the retained interest based on their relative fair value at the date of monetization. The Company's retained interests consist principally of net excess cash flows (the difference between the interest received on the notes receivable and the interest paid on the debt issued to third parties and the collection of notes receivable principal net of the repayment of debt) and a cash reserve account. Fair values of the retained interests are estimated based on the present value of future excess cash flows to be received over the life of the notes, using management's best estimate of underlying assumptions, including credit risk and discount rates (see Note 4).

During 2007, the Company sold a total of 53,024 acres of timberland in two separate transactions in exchange for 15-year installment notes receivable in the aggregate amount of $74.9 million, which installment notes are fully backed by letters of credit issued by a third party financial institution. The Company contributed the 2007 installment notes to QSPEs, which were subsequently monetized by issuing debt securities to third party investors equal to approximately 90% of the value of the installment notes. The QSPEs distributed approximately $66.9 million in net proceeds to the Company.

The debt securities are payable solely out of the assets of the QSPEs (which consist of the installment notes and the irrevocable letters of credit). The investors in the QSPEs have no recourse to the Company for payment of the debt securities. The QSPEs' financial position and results of operations are not consolidated in the Company's financial statements.

4. Fair Value Measurements

As described in Note 2, the Company partially adopted SFAS 157 on January 1, 2008. SFAS 157, among other things, defines fair value, establishes a consistent framework for measuring fair value and expands disclosure for each major asset and liability category measured at fair value on either a recurring or nonrecurring basis. SFAS 157 clarifies that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, SFAS 157 establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

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

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

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

Assets measured at fair value are as follows:

	Fair Value December 31, 2008	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Recurring:				
Investments in money market and short term treasury instruments	$ 113,667	$ 113,667	$ —	$ —
Retained interest in QSPEs	9,518	—	—	9,518
Total assets at fair value	$ 123,185	$ 113,667	$ —	$ 9,518

The Company has recorded a retained interest with respect to the monetization of certain installment notes through the use of QSPEs (see Note 3). The retained interest is an estimate based on the present value of cash flows to be received over the life of the installment notes. The Company's continuing involvement with the QSPEs is in the form of receipts of net interest payments, which are recorded as interest income and approximated $0.3 million in 2008. In addition, the Company will receive the payment of the remaining principal on the installment notes at the end of their 15 year maturity period.

In accordance with EITF Issue 99-20, "*Recognition of Interest Income and Impairment on Purchased and Retained Beneficial Interests in Securities and Financial Assets*", the Company recognizes interest income over the life of the retained interest using the effective yield method. This income adjustment is being recorded as an offset to unrealized loss on monetization of notes over the life of the installment notes. In addition, fair value may be adjusted at each reporting date when, based on management's assessment of current information and events, there is a favorable or adverse change in estimated cash flows from cash flows previously projected. The Company did not record any impairment adjustments as a result of changes in previously projected cash flows during 2008 or 2007.

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

	2008	2007
Balance January 1	$ 5,459	$ —
Additions	3,795	5,459
Accretion of interest income	264	—
Balance December 31	$ 9,518	$ 5,459

5. Pledged Treasury Securities

On August 7, 2007, the Company closed the sale of an office building. Approximately $29.3 million of mortgage debt was defeased in connection with the sale. The defeasance transaction resulted in the establishment of a defeasance trust and deposit of proceeds of $31.1 million which will be used to pay down the related mortgage debt (see Note 15). The proceeds were invested in government backed securities which were pledged to provide principal and interest payments for the mortgage debt previously collateralized by the commercial building. The investments have been included, and the related debt continues to be included, in the Company's consolidated balance sheet at December 31, 2008 and 2007. The Company has classified the defeasance trust investment as held-to-maturity because the Company has both the intent and the ability to hold the securities to maturity. Accordingly, the Company has recorded the investment at cost, adjusted for the amortization of a premium which approximates market value.

6. Business Acquisition

On August 16, 2007, the Company purchased the Greg Norman-designed Shark's Tooth Golf Club, 28 fully-developed homesites, additional land parcels and beach and tennis club facilities in the Wild Heron community near Panama City Beach, Florida for approximately $30.0 million, including liabilities assumed. The acquisition is being accounted for under the purchase method of accounting and the results of operations are included in the consolidated financial statements from the date of acquisition in the residential real estate segment. The acquisition was recorded by allocating the cost of the assets acquired, including liabilities assumed, based on their estimated fair values at the acquisition date. The valuation of assets and liabilities assumed has been determined and the purchase price has been allocated as follows:

Land	$ 23,114
Buildings	4,219
Furniture and fixtures	830
Inventory	302
Liabilities assumed	(3,994)
Net assets acquired	$ 24,471

The Company has not provided supplemental pro-forma information for 2007 as the information is not considered materially different from historically presented information.

7. Discontinued Operations

On April 30, 2007, the Company entered into a Purchase and Sale Agreement for the sale of the Company's office building portfolio, consisting of 17 buildings. On June 20, 2007, the Company closed on the sale of 15 of the 17 buildings for a cash price of $277.5 million, resulting in a pre-tax gain of $48.6 million, of which the Company realized $45.3 million, net of a deferred gain of $3.3 million on a sale-leaseback arrangement with three of the properties. Income from and the gain associated with these three properties have been included in continuing operations due to the Company's continuing involvement as a lessee. The Company expects to incur continuing cash outflows related to these three properties over the next three years. The sales of the remaining two office buildings in the portfolio closed on August 7, 2007, for a sale price and pre-tax gain of $56.0 million and $6.5 million, respectively, and September 19, 2007, for a sale price and pre-tax gain of $44.0 million and $3.7 million, respectively. The income related to the 14 buildings with no sale-leaseback arrangement is reflected in discontinued operations below.

Building sales included in discontinued operations for 2006 also include the operating results of four buildings sold in 2006 for proceeds of $54.3 million and a pre-tax gain of $16.7 million.

On May 3, 2007, the Company sold its mid-Atlantic homebuilding operations, known as Saussy Burbank for $76.3 million, consisting of $36.0 million in cash and approximately $40.3 million in seller financing, the majority of which is secured by home inventory and is payable by November 30, 2009. Included in 2007 discontinued operations is a $2.2 million (pre-tax) impairment charge to approximate fair value, less costs to sell, related to the sale of Saussy Burbank.

The Company announced on October 8, 2007 its plan to dispose of Sunshine State Cypress mill and mulch plant as part of a restructuring plan. The related assets and liabilities of this operation have been classified as "held-for-sale" at December 31, 2008 and December 31, 2007 as all of the criteria under the applicable accounting literature have been met. Accordingly, the results of operations of Sunshine State Cypress have been presented as discontinued operations for 2008, 2007 and 2006. Included in 2007 discontinued operations is a $7.4 million (pre-tax) impairment charge to reduce the goodwill carrying value of Sunshine State Cypress to zero. The Company expects to complete the sale of inventory and equipment related assets during 2009.

Discontinued operations presented on the Consolidated Statements of Operations for the years ended December 31 included the following:

	2008	2007	2006
Commercial Buildings — Commercial Segment:			
Aggregate revenues	$ 17	$ 18,111	$ 40,125
Pre-tax income (loss)	21	2,467	(1,678)
Pre-tax gain on sale	—	47,750	16,722
Income taxes	8	19,585	5,716
Income from discontinued operations	$ 13	$ 30,632	$ 9,328
Saussy Burbank — Residential Segment:			
Aggregate revenues	$ —	$ 132,783	$ 181,580
Pre-tax income	—	1,550	12,905
Income taxes	—	605	4,904
Income from discontinued operations	$ —	$ 945	$ 8,001
Sunshine State Cypress — Forestry Segment:			
Aggregate revenues	$ 6,767	$ 7,671	$ 5,586
Pre-tax income (loss)	(1,640)	(5,711)	(1,008)
Income taxes (benefit)	(639)	(2,227)	(383)
Income (loss) from discontinued operations	$ (1,001)	$ (3,484)	$ (625)
Total (loss) income from discontinued operations	$ (988)	$ 28,093	$ 16,704

8. Investment in Real Estate

Real estate by segment as of December 31 consists of

	2008	2007
Operating property:		
Residential real estate	$ 185,798	$ 164,614
Rural land sales	139	139
Forestry	62,435	85,105
Other	338	309
Total operating property	248,710	250,167
Development property:		
Residential real estate	596,011	644,745
Commercial real estate	59,045	55,368
Rural land sales	7,381	7,632
Other	796	1,542
Total development property	663,233	709,287
Investment property:		
Commercial real estate	1,835	1,835
Rural land sales	5	126
Forestry	522	522
Other	5,742	5,948
Total investment property	8,104	8,431
Investment in unconsolidated affiliates:		
Residential real estate	3,494	4,063
Total real estate investments	923,541	971,948
Less: Accumulated depreciation	32,958	27,419
Investment in real estate	$ 890,583	$ 944,529

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

The Company owns one remaining office building having a net book value of approximately $7.8 million (net of accumulated depreciation of $1.8 million) at December 31, 2008 which is leased under non-cancelable operating leases expiring in various years through 2014. In addition, the Company operates various land leases.

Expected future income related to non-cancelable operating leases for the next five years are as follows:

2009	$ 2,146
2010	2,511
2011	2,854
2012	2,378
2013	2,417
Thereafter	6,498

Depreciation expense from continuing operations reported on real estate was $9.8 million in 2008, $10.2 million in 2007, and $9.3 million in 2006.

9. Asset Impairments

The Company reviews its long-lived assets other than goodwill, for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Homes and homesites substantially completed and ready for sale are measured at lower of carrying value or fair value less costs to sell. For projects under development, an estimate of future cash flows on an undiscounted basis is performed using estimated future expenditures necessary to maintain the existing service potential of the project and using management's best estimates about future sales prices and holding periods. The continued decrease in demand and market prices for residential real estate indicated that carrying amounts of certain assets within its residential real estate segment may not be recoverable.

As a result of the Company's property impairment analyses for 2008, it recorded aggregate impairment charges of $41.3 million consisting of $12.0 million related to completed homes in several communities, $28.3 million related to the Company's SevenShores condominium project and $1.0 million related to the write down of a renegotiated builder note receivable.

The Seven Shores condominium project was written down in the fourth quarter of 2008 to approximate the fair market value of land entitled for 278 condominium units. This write-down was necessary because the Company elected not to exercise its option to acquire additional land under its option agreement. Certain costs had previously been incurred with the expectation that the project would include 686 units. Given the reduced potential scope of the project, the Company does not believe that those costs are recoverable.

In 2007 the Company recorded impairments totaling $13.6 million due to the adverse market conditions for residential real estate. Approximately $5.2 million of the impairments related to capitalized costs at certain projects due to changes in development plans, approximately $7.8 million related primarily to the reduction in market value of completed homes in several communities, and approximately $0.6 million related to the modified terms of certain promissory notes. No impairment charges were recorded in 2006.

10. Investment in Unconsolidated Affiliates

Investments in unconsolidated affiliates, included in real estate investments, are recorded using the equity method of accounting and, as of December 31 consist of:

	Ownership	2008	2007
ALP Liquidating Trust*	26%	$ —	$ —
East San Marco L.L.C.	50%	1,866	2,099
Rivercrest, L.L.C.	50%	398	692
Paseos, L.L.C.	50%	1,230	1,272
Total		$ 3,494	$ 4,063

* Formerly known as Arvida/JMB Partners, LP.

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

	2008	2007
BALANCE SHEETS:		
Investment in real estate, net	$ 12,349	$ 9,901
Other assets	30,566	32,500
Total assets	42,915	42,401
Notes payable and other debt	$ 8,159	$ 5,925
Other liabilities	3,741	28,350
Equity(a)	31,015	8,126
Total liabilities and equity	$ 42,915	$ 42,401

	2008	2007	2006
STATEMENTS OF OPERATIONS:			
Total revenues	$ 1,552	$ 7,779	$ 115,433
Total expenses	3,283	31,915	93,216
Net (loss) income	$ (1,731)	$ (24,136)	$ 22,217

(a) During 2007, the Company recorded an other than temporary loss of $4.3 million related to its investment in ALP Liquidating Trust. This adjustment was recorded as a result of the trust reserving in its publicly-filed financial statements during the fourth quarter 2007, $25.3 million of its remaining net assets to satisfy all potential claims and obligations. During 2008, the trust changed its method of accounting from the liquidation basis to the going concern basis of accounting. The principal difference from the adoption of this change in accounting was the removal of the liability for estimated costs to be incurred during the liquidation and the reporting of certain expenses on as as-incurred basis, rather than as an adjustment to the liability for estimated costs to be incurred during liquidation. The Company has not recorded any additional equity income related to this adjustment.

11. Property, Plant and Equipment

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

	2008	2007	Estimated Useful Life
Transportation property and equipment	$ 34,057	$ 34,057	3
Machinery and equipment	27,565	31,163	3-10
Office equipment	18,610	18,256	5-10
Autos, trucks, and airplanes	3,646	4,790	5-10
	83,878	88,266	
Less: Accumulated depreciation	65,490	65,373	
	18,388	22,893	
Construction in progress	1,398	800	
Total	$ 19,786	$ 23,693	

Depreciation expense from continuing operations on property, plant and equipment was $6.2 million in 2008, $7.4 million in 2007 and $9.2 million in 2006.

12. Goodwill and Intangible Assets

Goodwill represents the excess of the purchase price and related costs over the value assigned to net tangible and identifiable intangible assets of businesses acquired and accounted for under the purchase method of accounting.

During its annual assessment of goodwill for 2008 due to the significant changes in the real estate market and the related credit crisis culminating in the fourth quarter, the Company determined that its remaining goodwill related to the 1997 acquisition of certain assets of Arvida Company and its affiliates was not recoverable based upon a discounted cash flow analysis. Accordingly, an impairment charge of $19.0 million was recorded in the residential real estate segment to reduce the carrying value of goodwill to zero.

The Company announced on October 8, 2007 its plan to dispose of Sunshine State Cypress mill and mulch plant as part of its restructuring plan. The Company's current estimate of fair value of the assets and liabilities of Sunshine State Cypress based upon market analysis indicated that goodwill would not be recoverable. Accordingly, the Company recorded an impairment charge of $7.4 million, including costs to sell, to reduce the goodwill carrying value of Sunshine State Cypress to zero in the forestry segment during 2007.

During 2006, the Company utilized a discounted cash flow method to determine the fair value of Sunshine State Cypress and recorded an impairment loss to reduce the carrying amount of goodwill from $8.8 million to $7.3 million. This resulted in an impairment loss of $1.5 million.

Changes in the carrying amount of goodwill for the years ended December 31, 2008 and 2007 are as follows:

	Residential Real Estate Segment	Forestry Segment	Consolidated
Balance at December 31, 2006	$ 27,937	$ 7,296	$ 35,233
Sale of Saussy Burbank	(7,500)	—	(7,500)
Impairment loss	(1,446)	(7,296)	(8,742)
Balance at December 31, 2007	$ 18,991	$ —	$ 18,991
Impairment loss	(18,991)	—	(18,991)
Balance at December 31, 2008	$ —	$ —	$ —

Intangible assets at December 31, 2008 and 2007 consisted of the following:

	2008		2007		Weighted Average Amortization Period
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization	(In years)
Management contract	$ 6,983	$ (5,431)	$ 6,983	$ (4,985)	12
Other	565	(340)	565	(246)	10
Total	$ 7,548	$ (5,771)	$ 7,548	$ (5,231)	11

The aggregate amortization of intangible assets included in continuing operations for 2008, 2007, and 2006 was $0.5 million, $0.6 million and $0.9 million, respectively.

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

	Amortization Expense
Year Ending December 31	
2009	$ 378
2010	360
2011	359
2012	330
2013	232

13. Restructuring

During late 2006 and early 2007, the Company implemented certain corporate organizational changes, including its exit from the Florida homebuilding business, to focus on maximizing the value of its landholdings through place-making. The Company also eliminated certain redundancies among its field and corporate operations. Additionally, in late 2007, the Company announced a restructuring of its business to enhance and accelerate its value creation process. The plan included the divestiture of non-core assets, a significant reduction in capital expenditures, a smaller operating structure requiring fewer employees and an increased focus on the use of strategic business partners. In June 2008, the Company announced an additional restructuring plan designed to further align employee headcount with the Company's projected workload. The charges associated with the restructuring and reorganization programs by segment are as follows:

	Residential Real Estate	Commercial Real Estate	Rural Land Sales	Forestry	Other	Total
2008:						
One-time termination benefits to employees	$ 1,190	$ 142	$ 17	$ 150	$ 2,754	$ 4,253
2007:						
Write-off of capitalized homebuilding costs	$ 676	$ —	$ —	$ —	$ —	$ 676
One-time termination benefits to employees	3,469	368	1,404	150	2,814	8,205
Total restructuring charges	$ 4,145	$ 368	$ 1,404	$ 150	$ 2,814	$ 8,881
2006:						
Write-off of capitalized homebuilding costs	$ 9,351	$ —	$ —	$ —	$ —	$ 9,351
One-time termination benefits to employees	2,963	143	240	—	719	4,065
Total restructuring charges	$ 12,314	$ 143	$ 240	$ —	$ 719	$ 13,416
Cumulative restructuring charges, September 30, 2006 through December 31, 2008	$ 17,649	$ 653	$ 1,661	$ 300	$ 6,287	$ 26,550
Remaining one-time termination benefits to employees — to be incurred during 2009	$ 86	$ —	$ —	$ —	$33	$ 119

Capitalized homebuilding costs are comprised of architectural fees and overhead costs. Termination benefits are comprised of severance-related payments for all employees terminated in connection with the restructuring.

At December 31, 2008, the accrued liability associated with the restructuring consisted of the following:

	Balance at December 31, 2007	Costs Accrued	Payments	Balance at December 31, 2008	Due within 12 months	Due after 12 months
One-time termination benefits to employees	$ 2,258	$ 4,253	$ (5,817)	$ 694	$ 694	$ —

THE ST. JOE COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

At December 31, 2007, the accrued liability associated with the program consisted of the following:

	Balance at December 31, 2006	Costs Accrued	Non-Cash Adjustments	Payments	Balance at December 31, 2007
Write-off of previously capitalized homebuilding costs	$ —	$ 676	$ (676)	$ —	$ —
One-time termination benefits to employees	1,321	8,205	(3,478)(a)	(3,790)	2,258
Total	$ 1,321	$ 8,881	$ (4,154)	$ (3,790)	$ 2,258

(a) Represents increased pension benefits recorded as a reduction to prepaid pension asset.

14. Accrued Liabilities and Deferred Credits

Accrued liabilities and deferred credits as of December 31 consist of:

	2008	2007
Accrued compensation	$ 12,915	$ 20,712
Accrued interest	87	6,297
Environmental and insurance liabilities	3,491	3,870
Deferred revenue	51,481	54,376
Retiree medical and other benefit reserves	14,529	10,471
Other accrued liabilities	10,133	16,439
Total accrued liabilities	$ 92,636	$ 112,165

15. Debt

Debt at December 31, 2008 and 2007 consisted of the following:

	2008	2007
Revolving credit facility, interest payable monthly at LIBOR + 0.50% (5.45% at December 31, 2007	$ —	$ 132,000
Senior notes 2002, interest payable semiannually at 7.02% to 7.37% and 6.66% to 7.37% at December 31, 2007	—	90,000
Senior notes 2005, interest payable semiannually at 5.28% to 5.49% at December 31, 2007	—	150,000
Term loan, interest payable monthly at LIBOR + 0.50% (5.43% and 5.90% at December 31, 2007)	—	100,000
Non-recourse defeased debt, interest payable monthly at 5.62% at December 31, 2008 and 2007, secured and paid by pledged treasury securities, due October 1, 2015 (includes unamortized premium of $1.9 million at December 31, 2008)	28,910	30,671
Community Development District debt, secured by certain real estate and standby note purchase agreements, due May 1, 2016 — May 1, 2039, bearing interest at 3.50% to 7.15% at December 31, 2008 and 2007	11,857	35,671
Various notes, secured by certain real estate, non-interest bearing	8,793	2,839
Total debt	$ 49,560	$ 541,181

Deferred loan costs reported as Other assets in the consolidated balance sheet at December 31, 2008 and 2007 were $1.0 million and $2.2 million, respectively.

The aggregate maturities of debt subsequent to December 31, 2008 are as follows (a):

2009	$ 5,035
2010	2,212
2011	498
2012	523
2013	558
Thereafter	40,734
Total	$ 49,560

(a) Includes debt defeased in connection with the sale of the Company's office portfolio in the amount of $28.9 million.

In connection with the closing of a common stock offering on March 3, 2008, the Company prepaid and terminated its $100 million term loan (the "Term Loan") with Bank of America, N.A. and Wells Fargo Bank, National Association. There were no significant penalties or costs associated with the prepayment of the Term Loan. The Company also paid down on March 3, 2008 the then entire outstanding balance (approximately $160 million) of its $500 million revolving credit facility. The Company also retired approximately $30.0 million of other debt from the proceeds of its common stock offering.

On April 4, 2008, the Company also used proceeds from its common stock offering to prepay its $240 million Senior Notes. The redemption price was equal to accrued interest, plus 100% of the principal amount of the Senior Notes to be redeemed, plus a make-whole amount based on interest rates at the time of prepayment. The make- whole amount of approximately $29.7 million was paid in April 2008. In addition, the Company recorded a non-cash expense of approximately $0.2 million attributable to the write-off of unamortized loan costs, net of accrued interest, associated with the Senior Notes. As a result, the Company recognized a charge of $29.9 million related to the early extinguishment of debt.

On September 19, 2008, the Company entered into a $100 million Credit Agreement (the "Credit Agreement") with Branch Banking and Trust Company ("BB&T"). The Credit Agreement replaces the Company's previous $500 million credit agreement with Wachovia Bank, National Association, and other lenders.

The Credit Agreement provides for a $100 million revolving credit facility that matures on September 19, 2011. The Company may request an increase in the principal amount available under the Credit Agreement up to $200 million through syndication. The Credit Agreement provides for swing advances of up to $5 million and the issuance of letters of credit of up to $30 million. The Company has not drawn any funds on the credit facility as of December 31, 2008. The proceeds of any future borrowings under the Credit Agreement may be used for general corporate purposes. Certain subsidiaries of the Company have agreed to guarantee any amounts owed under the Credit Agreement.

The interest rate for each borrowing under the Credit Agreement is based on either (1) an adjusted LIBOR rate plus the applicable interest margin (ranging from 0.75% to 1.75%), or (2) the higher of (a) the prime rate or (b) the federal funds rate plus 0.5%. The Credit Agreement also requires the payment of quarterly fees ranging from 0.125% to 0.35% based on the Debt to Total Asset Value ratio during the applicable period. The interest margin and quarterly fee as of December 31, 2008 were 1.0% and 0.15%, respectively.

The Credit Agreement contains covenants relating to leverage, unencumbered asset value, net worth, liquidity and additional debt. The Credit Agreement does not contain a fixed charge coverage covenant. The Credit Agreement also contains various restrictive covenants pertaining to acquisitions, investments, capital expenditures, dividends, share repurchases, asset dispositions and liens. The Company is in compliance with its debt covenants at December 31, 2008.

The Credit Agreement contains customary events of default. If any event of default occurs, BB&T (or the lenders holding two-thirds of the commitments if syndicated) may terminate the Company's right to borrow and accelerate amounts due under the Credit Agreement (except for a bankruptcy event, in which case such amounts will automatically become due and payable and the commitments will automatically terminate).

The Company has pledged 100% of the membership interests in its largest subsidiary, St. Joe Timberland Company of Delaware, LLC, as security for the Credit Agreement. The Company has also agreed that upon the occurrence of an event of default, St. Joe Timberland Company of Delaware, LLC will grant to the lenders a first priority pledge of and/or a lien on substantially all of its assets.

In connection with the sale of the Company's office building portfolio in 2007, the Company retained approximately $29.3 million of defeased debt. The defeasance transaction resulted in the deposit of proceeds of $31.1 million into a defeasance trust which will be used to pay down the related mortgage debt. The Company purchased treasury securities sufficient to satisfy the scheduled interest and principal payments contractually due under the mortgage debt agreement. The cash flows from these securities have interest and maturity payments that coincide with the scheduled debt service payments of the mortgage note and ultimate payment of principal. The treasury securities were then substituted for the office building that originally served as collateral for the mortgage debt. These securities were placed into a collateral account for the sole purpose of funding the principal and interest payments as they become due. The indebtedness remains on the Company's consolidated balance sheet at December 31, 2008 and 2007 since the transaction was not considered to be an extinguishment of debt.

16. Common Stock Offering

On March 3, 2008, the Company sold 17,145,000 shares of its common stock at a price of $35.00 per share. The Company received net proceeds of $580 million in connection with the sale, which were primarily used to pay down the Company's debt.

17. Income Taxes

The provision for income taxes (benefit) for the years ended December 31 is comprised of:

	2008	2007	2006
Current:			
Federal	$ (31,602)	$ 131,194	$ 123,558
State	14	16,630	5,046
Total	(31,588)	147,824	128,604
Deferred:			
Federal	8,629	(117,568)	(91,413)
State	(4,656)	(11,426)	(5,455)
Total	3,973	(128,994)	(96,868)
Total provision for income taxes	$ (27,615)	$ 18,830	$ 31,736

THE ST. JOE COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Total income tax expense (benefit) for the years ended December 31 was allocated in the consolidated financial statements as follows:

Tax (benefit) expense recorded on Consolidated Statements of Operations:

	2008	2007	2006
(Loss) income from continuing operations	$ (26,984)	$ 869	$ 21,498
Gain on sales of discontinued operations	—	18,472	6,354
(Loss) income from discontinued operations	(631)	(511)	3,884
Total	(27,615)	18,830	31,736
Tax benefits recorded on Consolidated Statement of Changes in Stockholders' Equity:			
Excess tax benefit on stock compensation	56	(270)	(4,761)
Deferred tax expense (benefit) on accumulated other comprehensive income	(26,008)	2,008	(633)
Total	(25,952)	1,738	(5,394)
Total income tax (benefit) expense	$ (53,567)	$ 20,568	$ 26,342

Income tax expense (benefit) attributable to income from continuing operations differed from the amount computed by applying the statutory federal income tax rate of 35% to pre-tax income as a result of the following:

	2008	2007	2006
Tax at the statutory federal rate	$ (21,658)	$ 4,195	$ 19,536
State income taxes (net of federal benefit)	(2,166)	396	1,674
Tax benefit from effective settlement	(1,031)	(3,134)	—
Increase in valuation allowance	648	842	—
Immaterial corrections of prior year tax items	—	(377)	—
Real estate investment trust income exclusion	(1,430)	(1,446)	(1,334)
Other permanent differences	(1,347)	393	1,622
Total income tax (benefit) expense from continuing operations	$ (26,984)	$ 869	$ 21,498

In the fourth quarter of 2007, the Company made an immaterial, though out-of-period, correction of certain individually immaterial items of income tax expense and benefit, which related to 2006, 2005 and 2004. Corrections were also immaterial to those years' financial statements.

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

	2008	2007
Deferred tax assets:		
State net operating loss carryforward	$ 6,865	$ 1,946
Impairment losses	21,597	6,782
Deferred compensation	8,747	9,015
Accrued casualty and other reserves	2,130	1,674
Intangible asset amortization	2,091	1,894
Goodwill	4,188	—
Capitalized real estate taxes	5,853	4,188
Restructuring reserve	267	772
Liability for retiree medical plan	4,729	5,232
Other	2,192	594
Total gross deferred tax assets	58,659	32,097
Valuation allowance	(2,594)	(1,946)
Total net deferred tax assets	56,065	30,151
Deferred tax liabilities:		
Deferred gain on land sales and involuntary conversions	26,585	30,620
Prepaid pension asset	16,165	41,523
Installment sale	57,655	23,135
Goodwill	—	1,959
Depreciation	9,083	8,779
Marketing costs	2,055	2,175
Other	6,023	5,495
Total gross deferred tax liabilities	117,566	113,686
Net deferred tax liability	$ 61,501	$ 83,535

During 2008 and 2007, the Company utilized state net operating loss carryforwards of $0 and $3.0 million, respectively. At December 31, 2008, the Company had net operating loss carryforwards for state tax purposes of approximately $196.1 million which are available to offset future state taxable income, if any, through 2027. The valuation allowance at 2008 and 2007 was related to state net operating and charitable loss carryforwards that in the judgment of management are not more likely than not to be realized.

Realization of the Company's net deferred tax assets is dependent upon the Company generating sufficient taxable income in future years in the appropriate tax jurisdictions to obtain a benefit from the reversal of deductible temporary differences and from loss carryforwards. Based on the timing of reversal of future taxable amounts and the Company's history and future expectations of reporting taxable income, management believes that it is more likely than not that the Company will realize the benefits of these deductible differences, net of the existing valuation allowance, at December 31, 2008.

The Company and its subsidiaries file income tax returns in the U.S. federal jurisdiction and various states. The Company adopted the provisions of FIN 48, on January 1, 2007. A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

	2008	2007
Balance at beginning of year	$ 1,031	$ 128,329
Increases related to prior year tax positions	1,449	1,031
Decreases related to effective settlement	(1,031)	(3,134)
Increases related to current year tax positions	—	—
Settlements	—	(125,195)
Lapse of statute	—	—
Balance at December 31	$ 1,449	$ 1,031

The Company had approximately $1.4 million and $1.0 million of total unrecognized tax benefits as of December 31, 2008 and 2007, respectively. Of this total, there are no amounts of unrecognized tax benefits that, if recognized, would affect the effective income tax rate. There were no penalties required to be accrued at December 31, 2008 or 2007. The Company recognizes interest and/or penalties related to income tax matters in income tax expense. The Company's tax expense included $(0.6) million and $1.9 million of interest (benefit) expense (net of tax benefit) in 2008 and 2007, respectively. In addition, the Company had accrued interest of $0.3 million and $2.9 million (net of tax benefit) at December 31, 2008 and 2007, respectively.

The Internal Revenue Service ("IRS") recently examined the federal income tax returns of the Company for the years 2000 through 2004. In March 2007, the Company effectively settled its contested tax positions with the IRS. This settlement resulted in an additional amount owed for 2000 through 2004 tax years of approximately $83.0 million, which had previously been accrued under SFAS 109 and SFAS 5. This amount included estimated interest of approximately $16.6 million (before tax benefit). This settlement with the IRS resulted in an income tax benefit during the year ended December 31, 2007, of approximately $3.1 million to adjust amounts previously accrued to the agreed upon amounts. Since the information about the settlement with the IRS was not available at the implementation date of FIN 48 or at the time of filing of the Company's Form 10-K for 2006, the effect has been recognized in net income for the period ended December 31, 2007 and was not reflected in a cumulative effect adjustment upon the adoption of FIN 48. The IRS also completed the examination of the Company's tax returns for 2005 and 2006 during 2008 without adjustment. Tax year 2007 remains subject to examination. The Company does not currently anticipate that the total amount of unrecognized tax benefits will significantly increase or decrease within the next twelve months for any additional items.

18. Employee Benefits Plans

Pension Plan

The Company sponsors a cash balance defined benefit pension plan that covers substantially all of its salaried employees (the "Pension Plan"). Amounts credited to employee accounts in the Pension Plan are based on the employees' years of service and compensation. The Company complies with the minimum funding requirements of ERISA.

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

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

Asset class	2008	2007
Equities	54%	63%
Fixed income including cash equivalents	46%	37%

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

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

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

Asset Class	Tactical range
Large Cap Equity	30%-36%
Mid Cap Equity	4%-8%
Small Cap Equity	7%-11%
International Equity	9%-15%
Total equities	55%-65%
Fixed income including cash equivalents	35%-45%

To develop the expected long-term rate of return on assets assumption, the Company considered the current level of expected returns on risk free investments (primarily government bonds), the historical level of the risk premium associated with the other asset classes in which the portfolio is invested and the expectations for future returns of each asset class. The expected return for each asset class was then weighted based on the target asset allocation to develop the expected long-term rate of return on assets assumption for the portfolio. This resulted in the selection of the 8.0% assumption in 2008, 2007 and 2006.

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

	2008	2007	2006
Service cost	$ 1,561	$ 3,940	$ 4,908
Interest cost	8,261	8,253	8,358
Expected return on assets	(17,241)	(18,687)	(17,266)
Prior service costs	724	688	717
Settlement loss	3,676	—	19
Special termination benefit charge	—	2,868	—
Curtailment charge	501	915	148
Total pension credit recorded in operations	$ (2,518)	$ (2,023)	$ (3,116)
Other comprehensive loss (income):			
Prior service (cost) credit	(1,057)	732	—
Loss (gain)	70,882	(7,113)	(2,702)
Total recognized in other comprehensive loss (income)	69,825	(6,381)	(2,702)
Total pension expense (income) recognized	$ 67,307	$ (8,404)	$ (5,818)

The Company recorded a settlement and curtailment charge during 2008 in connection with its restructuring. The Company remeasured its defined benefit pension plan's projected benefit obligation and asset values at December 31, 2008, which resulted in a $67.3 million reduction in the funded status of the defined benefit pension plan. The change in funded status was primarily a result of a decrease in the market value of plan assets.

In October of 2007, the Company announced plans to reduce employment levels in connection with its restructuring program. The Company recorded restructuring charges including a special termination benefit of $2.9 million equal to 25% of pensionable earnings for 2008, provided to all participants whose jobs were eliminated as a result of the October 2007 reduction in work force.

Amounts not yet reflected in net periodic pension cost (credit) and included in accumulated other comprehensive income at December 31 are:

	2008	2007	2006
Prior service cost	$ 4,263	$ 5,320	$ 4,588
Loss (gain)	56,480	(14,403)	(7,290)
Accumulated other comprehensive loss (income)	$ 60,743	$ (9,083)	$ (2,702)

The estimated actuarial loss and prior service cost that will be amortized from accumulated other comprehensive income into net periodic pension cost (credit) over the next fiscal year is $1.9 million and $0.7 million, respectively.

Assumptions used to develop net periodic pension cost (credit):

	2008	2007	2006
Discount rate	6.21%	5.76%	5.56%
Expected long term rate of return on plan assets	8.00%	8.00%	8.00%
Rate of compensation increase	4.00%	4.00%	4.00%

The measurement date of the Pension Plan is December 31.

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

	2008	2007
Projected benefit obligation, beginning of year	$ 143,776	$ 151,971
Service cost	1,561	3,940
Interest cost	8,261	8,253
Actuarial (gain) loss	359	(5,146)
Benefits paid	(9,140)	(20,624)
Plan amendments	—	2,474
Curtailment (gain) loss	168	40
Special termination benefits	—	2,868
Settlement loss	(16,480)	—
Projected benefit obligation, end of year	$ 128,505	$ 143,776

Assumptions used to develop end-of period obligations:

	2008	2007
Discount rate	6.35%	6.21%
Rate of compensation increase	4.00%	4.00%

The objective of the discount rate assumption was to reflect the rate at which the pension benefits could be effectively settled. In making this determination, the Company took into account the timing and amount of benefits that would be available under the plan. To that effect, the methodology for selecting the discount rates as of December 31, 2008 was to match the plan's cash flows to that of a yield curve that provides the equivalent yields on zero-coupon corporate bonds for each maturity. Benefit cash flows due in a particular year can be "settled" theoretically by "investing" them in the zero-coupon bond that matures in the same year. The discount rate is the single rate that produces the same present value of cash flows. The selection of the 6.35% discount rate as of December 31, 2008 represents the equivalent single rate under a broad-market AA yield curve.

A reconciliation of plan assets as of December 31 follows:

	2008	2007
Fair value of assets, beginning of year	$ 253,046	$ 252,838
Actual return on assets	(55,965)	21,740
Settlements	(16,480)	—
Benefits and expenses paid	(10,133)	(21,532)
Fair value of assets, end of year	$ 170,468	$ 253,046

A reconciliation of funded status as of December 31 follows:

	2008	2007
Projected benefit obligation	$ 128,505	$ 143,776
Market value of assets	170,468	253,046
Funded status	$ 41,963	$ 109,270

The Company recognized a pension asset of $42.0 million and $109.3 million at December 31, 2008 and 2007, respectively. The accumulated benefit obligation of the Pension Plan was $128.2 million and

$139.4 million at December 31, 2008 and 2007, respectively. The Company does not anticipate making any contributions to the plan during 2009.

Expected benefit payments for the next ten years are as follows:

Year Ended	Expected Benefit Payments
2009	$ 17,016
2010	13,197
2011	11,050
2012	10,305
2013	10,231
2014-2018	51,067

Postretirement Benefits

In 2008, 2007 and 2006, the Company's Board of Directors approved a partial subsidy to fund certain postretirement medical benefits of currently retired participants and their beneficiaries, in connection with the previous disposition of several subsidiaries. No such benefits are to be provided to active employees. The Board reviews the subsidy annually and may further modify or eliminate such subsidy at their discretion. A liability of $13.4 million and $10.4 million has been included in accrued liabilities to reflect the Company's obligation to fund postretirement benefits at December 31, 2008 and 2007, respectively. The liability at December 31, 2008 and 2007 represents the funded status of the obligation.

During 2007, the accrued liability included an assumption that the retiree prescription drug plan component of the postretirement medical plan was actuarially equivalent to the Standard Medicare Part D benefit, and therefore was eligible for a federal retiree drug subsidy. This assumption has been removed from the calculation of the liability at December 31, 2008. The increase in the liability resulting from the change in federal subsidy assumption was approximately $2.5 million. This change in assumption was reflected as a component of other comprehensive income in the consolidated statement of shareholders' equity.

Deferred Compensation Plans and ESPP

The Company maintains a 401(k) retirement plan covering substantially all officers and employees, which permits participants to defer up to the maximum allowable amount determined by the IRS of their eligible compensation. This deferred compensation, together with Company matching contributions, which generally equal 50% of employee deferrals up to a maximum of 6% of their eligible compensation, is fully vested and funded as of December 31, 2008. The Company contributions to the plan were approximately $0.8 million, $1.1 million and $1.6 million in 2008, 2007 and 2006, respectively.

The Company has a Supplemental Executive Retirement Plan ("SERP") and a Deferred Capital Accumulation Plan ("DCAP"). The SERP is a non-qualified retirement plan to provide supplemental retirement benefits to certain selected management and highly compensated employees. The DCAP is a non-qualified defined contribution plan to permit certain selected management and highly compensated employees to defer receipt of current compensation. The Company has recorded expense in 2008, 2007 and 2006 related to the SERP of $0.7 million, $0.7 million and $1.2 million, respectively, and related to the DCAP of $0.2 million, $0.4 million and $0.8 million, respectively.

Beginning in November 1999, the Company also implemented an employee stock purchase plan ("ESPP"), whereby all employees may purchase the Company's common stock through payroll deductions at a 15% discount from the fair market value, with an annual limit of $25,000 in purchases per employee. The Company records the 15% discount amount as compensation expense. The Company recognized $0.1 million,

$0.1 million and $0.2 million of expense in 2008, 2007 and 2006, respectively. As of December 31, 2008, 271,859 shares of the Company's stock had been sold to employees under the ESPP. The Company can purchase an unlimited number of shares on the open market to fund its employer obligation.

19. Financial Instruments with Characteristics of Both Liabilities and Equity

In May 2003, the FASB issued SFAS No. 150, *Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity* ("SFAS 150"). SFAS 150 requires companies having consolidated entities with specified termination dates to treat minority owner's interests in such entities as liabilities in an amount based on the fair value of the entities. Although SFAS 150 was originally effective July 1, 2003, the FASB has indefinitely deferred certain provisions related to classification and measurement requirements for mandatorily redeemable financial instruments that become subject to SFAS 150 solely as a result of consolidation, including minority interests of entities with specific termination dates. As a result, SFAS 150 has no impact on the Company's Consolidated Statements of Operations for the years ended December 31, 2008, 2007 and 2006. The Company has one consolidated entity with a specified termination date: Artisan Park, L.L.C. ("Artisan Park"). At December 31, 2008, the carrying amount of the minority interest in Artisan Park was $2.8 million, which approximates fair value. The Company has no other material financial instruments that are affected currently by SFAS 150.

20. Segment Information

The Company conducts primarily all of its business in four reportable operating segments: residential real estate, commercial real estate, rural land sales and forestry. The residential real estate segment sells developed homesites, parcels of entitled, undeveloped land and now to a lesser extent homes, due to the Company's exit from homebuilding. The commercial real estate segment sells developed and undeveloped land. The rural land sales segment sells parcels of land included in the Company's holdings of timberlands. The forestry segment produces and sells pine pulpwood, timber and other forest products.

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

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

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

Information by business segment follows:

	2008	2007	2006
OPERATING REVENUES:			
Residential real estate	$ 71,330	$ 161,244	$ 358,439
Commercial real estate	4,011	29,074	52,275
Rural land sales	162,043	161,141	89,990
Forestry	26,606	25,786	24,320
Consolidated operating revenues	$ 263,990	$ 377,245	$ 525,024
(Loss) income from continuing operations before equity in income (loss) of unconsolidated affiliates, income taxes and minority interest:			
Residential real estate(a)	$ (116,014)	$ (44,086)	$ 23,827
Commercial real estate	(2,312)	15,701	24,296
Rural land sales	132,536	99,803	72,528
Forestry	3,825	2,915	5,420
Other(b)	(80,391)	(55,927)	(73,025)
Consolidated (loss) income from continuing operations before equity in income (loss) of unconsolidated affiliates, income taxes and minority interest	$ (62,356)	$ 18,406	$ 53,046

(a) Includes impairment charges of $60.3 million and $13.6 million in 2008 and 2007, respectively.

(b) Includes loss on early extinguishment of debt of $30.6 million in 2008

	2008	2007	2006
CAPITAL EXPENDITURES:			
Residential real estate	$ 28,515	$ 227,675	$ 570,925
Commercial real estate	5,024	15,833	24,309
Rural land sales	66	276	7,357
Forestry	126	663	3,378
Other	871	1,044	1,632
Discontinued operations	55	1,795	322
Total capital expenditures	$ 34,657	$ 247,286	$ 607,923

	December 31, 2008	December 31, 2007
TOTAL ASSETS:		
Residential real estate(c)	$ 817,867	$ 901,771
Commercial real estate	63,109	60,079
Rural land sales	14,590	8,785
Forestry	63,391	90,895
Other	255,332	194,345
Assets held for sale(d)	3,989	8,091
Total assets	$ 1,218,278	$ 1,263,966

(c) Includes $3.5 million of investment in equity method investees

(d) Formerly part of the Forestry segment

The major classes of assets and liabilities held for sale at December 31 included in the Company's consolidated balance sheet and previously reported in the forestry segment were as follows:

	December 31, 2008	December 31, 2007
Assets held for sale:		
Inventory	$ 1,611	$ 5,705
Investment in real estate	1,109	1,300
Other assets	1,269	1,086
Total assets held for sale	$ 3,989	$ 8,091
Liabilities associated with assets held for sale:		
Account payable and accrued liabilities	$ 586	$ 328
Total liabilities associated with assets held for sale	$ 586	$ 328

21. Commitments and Contingencies

The Company has obligations under various noncancelable long-term operating leases for office space and equipment. Some of these leases contain escalation clauses for operating costs, property taxes and insurance. In addition, the Company has various obligations under other office space and equipment leases of less than one year. Total rent expense was $2.7 million, $2.8 million and $2.5 million for the years ended December 31, 2008, 2007, and 2006, respectively.

During 2007, the Company entered into a sale-leaseback transaction involving three office buildings included in the sale of the office building portfolio. The Company's continuing involvement with these properties is in the form of annual rent payments of approximately $2.1 million per year through 2011.

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

2009	$ 2,676
2010	2,470
2011	2,435
2012	73
2013 and thereafter	—

The Company also has purchase commitments with various suppliers for capital expenditures related to the development of various real estate projects. These commitments approximate $8.6 million in 2009.

The Company and its affiliates are involved in litigation on a number of matters and are subject to various claims which arise in the normal course of business, none of which, in the opinion of management, is expected to have a material adverse effect on the Company's consolidated financial position, results of operations or liquidity. When appropriate, the Company establishes estimated accruals for various litigation matters which meet the requirements of SFAS No. 5, *Accounting for Contingencies.* However, it is possible that the actual amounts of liabilities resulting from such matters could exceed such accruals by several million dollars.

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

At December 31, 2008 and 2007, the Company was party to surety bonds of $51.3 million and $48.7 million, respectively, and standby letters of credit in the amounts of $2.8 million and $21.1 million, respectively, which may potentially result in liability to the Company if certain obligations of the Company are not met.

At December 31, 2008 and 2007, the Company was not liable as guarantor on any credit obligations that relate to unconsolidated affiliates or others in accordance with FASB Interpretation No. 45, *Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others*.

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

Pursuant to the terms of various agreements by which the Company disposed of its sugar assets in 1999, the Company is obligated to complete certain defined environmental remediation. Approximately $6.7 million was placed in escrow pending the completion of the remediation. The Company has separately funded the costs of remediation which was substantially completed in 2003. Completion of remediation on one of the subject parcels occurred during the third quarter of 2006, resulting in the release of approximately $2.9 million of the escrowed funds to the Company on August 1, 2006. We expect the remaining $3.8 million held in escrow to be released to the Company in the first quarter of 2009. The release of escrow funds will not have any effect on our earnings.

The Company's former paper mill site in Gulf County and certain adjacent property are subject to various Consent Agreements and Brownfield Site Rehabilitation Agreements with the Florida Department of Environmental Protection. The paper mill site has been assessed and rehabilitated by Smurfit-Stone Container Corporation in accordance with these agreements. The Company is in the process of rehabilitating the adjacent property in accordance with these agreements. Management does not believe the liability for any remaining required rehabilitation on these properties will be material.

Other proceedings involving environmental matters 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, management believes that the ultimate disposition of currently known matters will not have a material effect on the Company's consolidated financial position, results of operations or liquidity.

Aggregate environmental-related accruals were $1.8 million at December 31, 2008 and 2007. During 2007, the Company was advised by the State of Florida it had no on-going liability related to sites for which it had previously provided $1.6 million. Accordingly, the Company reversed the liability in 2007.

22. Quarterly Financial Data (Unaudited)

	Quarters Ended			
	December 31	September 30	June 30	March 31
2008				
Operating revenues	$ 46,695	$ 32,836	$ 67,668	$ 116,791
Operating profit (loss)	(50,685)	(23,721)	(2,520)	51,213
Net income (loss)	(27,921)	(19,198)	(20,818)	32,052
Earnings (loss) per share — Basic	(0.31)	(0.21)	(0.23)	0.40
Earnings (loss) per share — Diluted	(0.31)	(0.21)	(0.23)	0.40
2007				
Operating revenues	$ 93,880	$ 77,440	$ 110,708	$ 95,217
Operating profit (loss)	8,086	(5,350)	(3,837)	24,215
Net income (loss)	1,013	(6,807)	25,318	19,683
Earnings (loss) per share — Basic	0.01	(0.09)	0.34	0.27
Earnings (loss) per share — Diluted	0.01	(0.09)	0.34	0.27

THE St. JOE COMPANY

SCHEDULE III (CONSOLIDATED) — REAL ESTATE AND ACCUMULATED DEPRECIATION
DECEMBER 31, 2008
(in thousands)

	Initial Cost to Company				Carried at Close of Period			
Description	Encumbrances	Land	Buildings & Improvements	Costs Capitalized Subsequent to Acquisition	Land & Land Improvements	Buildings and Improvements	Total	Accumulated Depreciation
Bay County, Florida								
Land with infrastructure	$ 3,346	$ 639	$ —	$ 32,323	$ 32,962	$ —	$ 32,962	$ 75
Buildings	—	—	1,296	11,887	—	13,183	13,183	1,594
Residential	—	2,203	—	62,408	64,611	—	64,611	353
Timberlands	8,165	3,896	—	11,556	15,452	—	15,452	82
Unimproved land	—	1,504	—	16	1,520	—	1,520	—
Broward County, Florida	—	—	—	—	—	—	—	—
Building	—	—	—	—	—	—	—	—
Calhoun County, Florida	—	—	—	—	—	—	—	—
Buildings	—	—	—	181	181	—	181	87
Timberlands	5,245	1,774	—	4,759	6,533	—	6,533	35
Unimproved land	—	979	—	693	1,672	—	1,672	—
Duval County, Florida	—	—	—	—	—	—	—	—
Land with infrastructure	—	255	—	5	260	—	260	—
Buildings	—	—	—	2,743	—	2,743	2,743	2,095
Residential	—	—	—	—	—	—	—	—
Timberlands	—	—	—	—	—	—	—	—
Franklin County, Florida	—	—	—	—	—	—	—	—
Land with infrastructure	—	44	—	10	54	—	54	3
Residential	—	9,003	—	32,215	41,218	—	41,218	—
Timberlands	29	1,241	—	1,307	2,548	—	2,548	13
Unimproved Land	—	210	—	5	215	—	215	—
Buildings	—	—	1,537	2,900	—	4,437	4,437	830
Gadsden County, Florida	—	—	—	—	—	—	—	—
Land with infrastructure	—	—	—	3,290	3,290	—	3,290	—
Timberlands	943	1,302	—	478	1,780	—	1,780	9

THE St. JOE COMPANY
SCHEDULE III (CONSOLIDATED) — REAL ESTATE AND ACCUMULATED DEPRECIATION
DECEMBER 31, 2008
(in thousands)

	Initial Cost to Company				Carried at Close of Period			
Description	Encumbrances	Land	Buildings & Improvements	Costs Capitalized Subsequent to Acquisition	Land & Land Improvements	Buildings and Improvements	Total	Accumulated Depreciation
Unimproved land	—	1,786	—	2	1,788	—	1,788	—
Gulf County, Florida	—	—	—	—	—	—	—	—
Land with infrastructure	—	1,588	—	3,107	4,695	—	4,695	—
Buildings	—	—	930	14,533	—	15,463	15,463	1,459
Residential	—	29,756	—	165,630	195,386	—	195,386	221
Timberlands	12,704	5,238	—	15,352	20,590	—	20,590	109
Unimproved land	—	506	—	693	1,199	—	1,199	—
Jefferson County, Florida	—	—	—	—	—	—	—	—
Buildings	—	—	—	—	—	—	—	—
Timberlands	—	789	—	—	789	—	789	4
Unimproved land	—	215	—	4	219	—	219	—
Leon County, Florida	—	—	—	—	—	—	—	—
Land with infrastructure	672	573	—	3,270	3,843	—	3,843	57
Buildings	—	—	5,718	11,412	—	17,130	17,130	3,559
Residential	984	23	58	40,165	40,188	58	40,246	1,546
Timberlands	—	923	—	1,104	2,027	—	2,027	11
Unimproved land	—	238	—	290	528	—	528	—
Liberty County, Florida	—	—	—	—	—	—	—	—
Buildings	—	—	611	215	—	826	826	209
Timberlands	2,851	3,112	—	380	3,697	—	3,697	95
Unimproved land	—	24	—	—	24	—	24	—

THE St. JOE COMPANY

SCHEDULE III (CONSOLIDATED) — REAL ESTATE AND ACCUMULATED DEPRECIATION
DECEMBER 31, 2008
(in thousands)

	Initial Cost to Company				Carried at Close of Period			
Description	Encumbrances	Land	Buildings & Improvements	Costs Capitalized Subsequent to Acquisition	Land & Land Improvements	Buildings and Improvements	Total	Accumulated Depreciation
Manatee County								
Land with infrastructure		—	—	—	—	—	—	—
Buildings		—	320	67	—	387	387	423
Residential	—	18,952	—	807	19,759	—	19,759	24
Osceola County								—
Land with infrastructure		—	—	—	—	—	—	—
Residential	393	5,588	—	5,606	11,194	—	11,194	—
Buildings	—	—	—	—	—	—	—	—
Palm Beach County, Florida	—	—	—	—	—	—	—	—
Land with infrastructure	—	—	—	—	—	—	—	—
Residential	—	—	—	—	—	—	—	—
Buildings	—	—	5	—	—	5	5	5
Pinellas County, Florida	—	—	—	—	—	—	—	—
Buildings	—	—	—	—	—	—	—	—
St. Johns County, Florida	—	—	—	—	—	—	—	—
Land with infrastructure	—	1,029	—	4,744	5,773	—	5,773	750
Buildings	—	—	1,854	2,633	—	4,487	4,487	1,575
Residential	30,276	9,142	—	68,001	77,143	—	77,143	—
Volusia County, Florida	—	—	—	—	—	—	—	—
Land with infrastructure	—	—	—	—	—	—	—	—
Buildings	—	—	1,644	2,001	—	3,645	3,645	837

THE St. JOE COMPANY

SCHEDULE III (CONSOLIDATED) — REAL ESTATE AND ACCUMULATED DEPRECIATION
DECEMBER 31, 2008
(in thousands)

	Initial Cost to Company				Carried at Close of Period			
Description	Encumbrances	Land	Buildings & Improvements	Costs Capitalized Subsequent to Acquisition	Land & Land Improvements	Buildings and Improvements	Total	Accumulated Depreciation
Residential	—	13,761	—	56,259	70,020	—	70,020	2,211
Wakulla County, Florida	—	—	—	—	—	—	—	—
Land with infrastructure	—	—	—	377	377	—	377	—
Buildings	—	—	—	46	—	46	46	46
Timberlands	—	579	—	—	579	—	579	3
Unimproved Land	—	22	—	—	22	—	22	—
Walton County, Florida	—	—	—	—	—	—	—	—
Land with infrastructure	—	56	—	3,533	3,589	—	3,589	—
Buildings	—	—	29,128	12,100	—	41,228	41,228	8,405
Residential	—	22,676	—	135,404	158,080	—	158,080	6,433
Timberlands	213	354	—	1,008	1,362	—	1,362	7
Unimproved land	—	—	—	—	—	—	—	—
Other Florida Counties	—	—	—	—	—	—	—	—
Land with infrastructure	—	—	—	—	—	—	—	—
Timberlands	—	204	—	—	204	—	204	1
Unimproved land	—	79	—	68	147	—	147	—
Georgia	—	—	—	—	—	—	—	—
Land with infrastructure	—	12,093	—	1,229	13,322	—	13,322	50
Buildings	—	—	36	1,831	—	1,867	1,867	18
Timberlands	—	6,895	—	—	6,895	—	6,895	1

THE St. JOE COMPANY

SCHEDULE III (CONSOLIDATED) — REAL ESTATE AND ACCUMULATED DEPRECIATION
DECEMBER 31, 2008
(in thousands)

	Initial Cost to Company				Carried at Close of Period			
Description	Encumbrances	Land	Buildings & Improvements	Costs Capitalized Subsequent to Acquisition	Land & Land Improvements	Buildings and Improvements	Total	Accumulated Depreciation
Unimproved land	—	103	—	90	193	—	193	—
TOTALS	$ 65,821	$ 159,354	$ 43,137	$ 718,737	$ 815,928	$ 105,505	$ 921,433	$ 33,235

Notes:

(A) The aggregate cost of real estate owned at December 31, 2008 for federal income tax purposes is approximately $857.3 million.

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

	2008	2007	2006
Balance at Beginning of Year	$ 968,469	$ 1,259,130	$ 1,056,475
Amounts Capitalized	1,668	259,319	626,621
Amounts Retired or Adjusted	(48,704)	(549,980)	(423,966)
Balance at Close of Period	$ 921,433	$ 968,469	$ 1,259,130

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

	2008	2007	2006
Balance at Beginning of Year	$ 27,691	$ 54,974	$ 42,328
Depreciation Expense	9,838	12,776	19,831
Amounts Retired or Adjusted	(4,294)	(40,059)	(7,185)
Balance at Close of Period	$ 33,235	$ 27,691	$ 54,974

Exhibit 10.3

SECOND AMENDMENT TO CREDIT AGREEMENT

THIS SECOND AMENDMENT TO CREDIT AGREEMENT (this “Amendment”) is made as of the 20th day of February, 2009, by and among THE ST. JOE COMPANY, a Florida corporation, ST. JOE TIMBERLAND COMPANY OF DELAWARE, L.L.C., a Delaware limited liability company, ST. JOE FINANCE COMPANY, a Florida corporation, ST. JOE RESIDENTIAL ACQUISITIONS, INC., a Florida corporation, the LENDERS listed on the signature pages hereof and BRANCH BANKING AND TRUST COMPANY, as Administrative Agent.

RECITALS:

The Borrower, the Initial Guarantors, the Administrative Agent and the Lenders have entered into a certain Credit Agreement dated as of September 19, 2008, as amended by a First Amendment to Credit Agreement dated October 30, 2008 (referred to herein as the “Credit Agreement”). Capitalized terms used in this Amendment which are not otherwise defined in this Amendment shall have the respective meanings assigned to them in the Credit Agreement.

The Borrower and Initial Guarantors have requested the Administrative Agent and the Lenders to amend Section 5.07 of the Credit Agreement. The Lenders, the Administrative Agent, the Initial Guarantors and the Borrower desire to amend the Credit Agreement upon the terms and conditions hereinafter set forth.

NOW, THEREFORE, in consideration of the Recitals and the mutual promises contained herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Borrower, the Initial Guarantors, the Administrative Agent and the Lenders, intending to be legally bound hereby, agree as follows:

SECTION 1. Recitals. The Recitals are incorporated herein by reference and shall be deemed to be a part of this Amendment.

SECTION 2. Amendments. The Credit Agreement is hereby amended as set forth in this Section 2.

SECTION 2.01. Amendment to Section 5.07. Section 5.07 of the Credit Agreement is amended and restated to read in its entirety as follows:

SECTION 5.07. Minimum Consolidated Tangible Net Worth. Consolidated Tangible Net Worth shall at no time be less than $900,000,000, plus 100% of the cumulative Net Proceeds of Capital Stock/Conversion of Debt received during any period after June 30, 2008, calculated quarterly at the end of each Fiscal Quarter.

SECTION 3. Conditions to Effectiveness. The effectiveness of this Amendment and the obligations of the Lenders hereunder are subject to the following conditions, unless the Required Lenders waive such conditions:

(a) receipt by the Administrative Agent from each of the parties hereto of a duly executed counterpart of this Amendment signed by such party;

(b) the Administrative Agent shall have received resolutions from the Borrower and Initial Guarantors and other evidence as the Administrative Agent may reasonably request, respecting the authorization, execution and delivery of this Amendment; and

(c) the fact that the representations and warranties of the Borrower and Initial Guarantors contained in Section 5 of this Amendment shall be true on and as of the date hereof.

SECTION 4. No Other Amendment. Except for the amendments set forth above, the text of the Credit Agreement shall remain unchanged and in full force and effect. This Amendment is not intended to effect, nor shall it be construed as, a novation. The Credit Agreement and this Amendment shall be construed together as a single agreement. Nothing herein contained shall waive, annul, vary or affect any provision, condition, covenant or agreement contained in the Credit Agreement, except as herein amended, nor affect nor impair any rights, powers or remedies under the Credit Agreement as hereby amended. The Lenders and the Administrative Agent do hereby reserve all of their rights and remedies against all parties who may be or may hereafter become secondarily liable for the repayment of the Notes. The Borrower and Initial Guarantors promise and agree to perform all of the requirements, conditions, agreements and obligations under the terms of the Credit Agreement, as heretofore and hereby amended, and the other Loan Documents being hereby ratified and affirmed. The Borrower and Initial Guarantors hereby expressly agree that the Credit Agreement, as amended, and the other Loan Documents are in full force and effect.

SECTION 5. Representations and Warranties. The Borrower and Initial Guarantors hereby represent and warrant to each of the Lenders as follows:

(a) No Default or Event of Default under the Credit Agreement or any other Loan Document has occurred and is continuing unwaived by the Lenders on the date hereof.

(b) The Borrower and Initial Guarantors have the power and authority to enter into this Amendment and to do all acts and things as are required or contemplated hereunder to be done, observed and performed by them.

(c) This Amendment has been duly authorized, validly executed and delivered by one or more authorized officers of the Borrower and Initial Guarantors and constitutes the legal, valid and binding obligations of the Borrower and Initial Guarantors enforceable against them in accordance with its terms, provided that such enforceability is subject to general principles of equity.

(d) The execution and delivery of this Amendment and the performance by the Borrower and Initial Guarantors hereunder do not and will not require the consent or approval of any regulatory authority or governmental authority or agency having jurisdiction over the Borrower, or any Initial Guarantor, nor be in contravention of or in conflict with the articles of incorporation, bylaws or other organizational documents of the Borrower, or any Initial Guarantor that is a corporation, the articles of organization or operating agreement of any Initial Guarantor that is a limited liability company, or the provision of any statute, or any judgment, order or indenture, instrument, agreement or undertaking, to which any Borrower, or any Initial Guarantor is party or by which the assets or properties of the Borrower and Initial Guarantors are or may become bound.

SECTION 6. Counterparts. This Amendment may be executed in multiple counterparts, each of which shall be deemed to be an original and all of which, taken together, shall constitute one and the same agreement.

SECTION 7. Governing Law. This Amendment shall be construed in accordance with and governed by the laws of the State of North Carolina.

SECTION 8. Effective Date. This Amendment shall be effective as of February 20, 2009.

[The remainder of this page intentionally left blank.]

IN WITNESS WHEREOF, the parties hereto have executed and delivered, or have caused their respective duly authorized officers or representatives to execute and deliver, this Amendment as of the day and year first above written.

THE ST. JOE COMPANY

By: /s/ Stephen W. Solomon
Name: Stephen W. Solomon
Title: Senior Vice President - Treasurer

[CORPORATE SEAL]

ST. JOE TIMBERLAND COMPANY OF DELAWARE, L.L.C.

By: /s/ Stephen W. Solomon
Name: Stephen W. Solomon
Title: Senior Vice President - Treasurer

[CORPORATE SEAL]

ST. JOE FINANCE COMPANY

By: /s/ Stephen W. Solomon
Name: Stephen W. Solomon
Title: Vice President - Treasurer

[CORPORATE SEAL]

ST. JOE RESIDENTIAL ACQUISITIONS, INC.

By: /s/ Stephen W. Solomon
Name: Stephen W. Solomon
Title: Senior Vice President - Treasurer

[CORPORATE SEAL]

BRANCH BANKING AND TRUST COMPANY,
as Administrative Agent and as a Lender

By: /s/ Michael F. Skorich (SEAL)
Name: Michael F. Skorich
Title: Senior Vice President

THE ST. JOE COMPANY
1650 Prudential Drive, Suite 400
Jacksonville, Florida 32201-1380

April 1, 1999

Mr. Stephen W. Solomon
4033 Woodland Creek Drive Southeast
Apartment #202
Kentwood, MI 49512

Dear Steve:

The St. Joe Company (the “Company”) is pleased to offer you employment on the following terms.

1. Position. You will serve in a full-time capacity as Vice President — Treasurer for St. Joe and its wholly owned subsidiaries. You will report directly to Kevin Twomey. Your duties will include those as assigned by the CFO.

2. Salary. You will be paid a salary at the annual rate of $175,000 (the “Base Salary”), payable in accordance with the Company’s standard payroll practices for salaried employees. This salary will be subject to reevaluation annually in March, commencing March, 2000. It may be increased but not reduced during your employment, pursuant to the Company’s employee compensation policies in effect from time to time. You will also receive a car allowance of $650 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. Annual Incentive. You will be eligible to participate in the Company’s Annual Incentive Plan, which is based on overall corporate EBITDA and individual performance for the calendar year with a plan award of 35% of your base salary. Your actual award will vary above or below this percentage based on actual performance. Your award for 1999 will be prorated based on your date of hire.

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 45,000 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 1998 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 Pasadena 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 Moorpark and the purchase of a primary residence in Jacksonville. This includes reimbursement of reasonable and customary closing costs on the sale of your primary residence not to exceed 9% of the contract sales price and origination and discount points not to exceed 3% of your mortgage value on the purchase in Jacksonville. You will receive a cash equivalent of a one way coach airfare from Los Angeles to Jacksonville for you and your wife and 2 children. You will receive temporary housing (not including meals and incidentals) in a Company apartment in Jacksonville through July 1999. 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 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, 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 April 15, 1999.

We look forward to having you join us on or about May 10, 1999.

If you have any questions, please call me at 904/858-5212.

Very truly yours,

THE ST. JOE COMPANY

By: /s/ Michael F. Bayer
Michael F. Bayer
Vice President
Human Resources and Administration

I have read and accept this employment offer:

By: /s/ Stephen W. Solomon
Stephen W. Solomon

Dated: April 25, 1999

**FIRST AMENDMENT TO
EMPLOYMENT AGREEMENT**

This FIRST AMENDMENT to the Employment Agreement (the "Agreement") dated April 1, 1999 by and between **STEPHEN W. SOLOMON** ("Employee") and **THE ST. JOE COMPANY**, a Florida corporation (the "Company"), shall be effective as of January 1, 2008.

WHEREAS, the Company and the Employee previously entered into the Agreement in order to establish the terms and conditions of the Employee's employment with the Company;

WHEREAS, as a result of the enactment of Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), the Company and the Employee desire to amend the Agreement in order that its provisions comply with the requirements of such Code section, including, without limitation, the time and form of payment requirements of Code Section 409A;

NOW THEREFORE, in consideration of the premises and mutual covenants herein contained, and for other good and valuable consideration, the receipt and adequacy of which is hereby acknowledged, the Employee and the Company, intending to be legally bound, hereby amend the Agreement as follows:

1. Section 9 of the Agreement shall be amended by adding the following to the end of the first subsection thereof:

"The amount to which you are entitled under the preceding sentence shall be paid to you in a lump sum within eight days after the date on which your employment with the Company terminates, the actual date of payment within such eight-day period to be determined by the Company in its sole discretion, provided, however, that if you are a "specified employee" within the meaning of Section 409A(a)(2)(B)(i) of the Code as of the date of your termination, then such amount shall be paid instead to you in a lump sum on the earlier of (x) the date which is six months following his date of termination and (y) the date of the Employee's death, and not before."

2. Section 9 of the Agreement shall be amended by adding the following to the end of the second subsection thereof:

For purposes of the preceding sentence, the term "disability insurance coverage" shall have the same meaning as "disability coverage" as provided in §31.3121(v)(2)-1(b)(4)(iv)(C) of the U.S. Treasury Regulations, as modified, however, by the U.S. Treasury Regulations for Section 409A of the Code, it being intended that the disability insurance coverage to which you are entitled hereunder shall not constitute “deferred compensation” subject to Code Section 409A. Any health insurance coverage provided by the Company pursuant to this Section 9 shall either be excludible from gross income pursuant to Code sections 105 or 106 or paid for by you on an after-tax basis.”

3. The Agreement shall be amended by adding the following new Section 17 immediately after Section 16:

17. Determination of Specified Employee. For any amount payable hereunder, the determination of whether you are a “specified employee” within the meaning of Section 409A(a)(2)(B)(i) of the Code as of the date of your termination shall be determined by the Company under procedures adopted by the Company.”

IN WITNESS WHEREOF, the Employee and the Company have executed and delivered this First Amendment on the date(s) set forth below, but effective as of the date set forth above.

	THE ST. JOE COMPANY
Date: January 12, 2009	By: /s/ Rusty Bozman Rusty Bozman Vice President -- Human Resources
	EMPLOYEE
Date: December 31, 2008	/s/ Stephen W. Solomon **Stephen W. Solomon**

Exhibit 10.12

SEVERANCE AGREEMENT

THIS AGREEMENT is entered into as of April 1, 1999, by and between Stephen W. Solomon (the “Employee”) and THE ST. JOE COMPANY, 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 were 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) 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 (1) the date 36 months after the date when the employment termination was effective; 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:

a) The number of years (with a partial year counted as the appropriate fraction) between the date of the termination of the Employee's employment under section 5 and the later of (1) the date 36 months after the date of the employment termination times:

b) The sum of:

(i) The Employee's base compensation at the greater of (A) the annual rate in effect on the date when the termination of the Employee's employment with the Company is effective or (B) the annual rate in effect on the date of the Change in Control; plus

(ii) The greater of (A) 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 (B) 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 (ii) 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.

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.

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 (a) terminates.

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 his 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. F or 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 April 1, 1999, 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 , 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

By: /s/ Stephen W. Solomon
Stephen W. Solomon
Title:

Date: April 25, 1999

THE ST. JOE COMPANY

By: /s/ Michael F. Bayer
Michael F. Bayer
Title: Vice President Human Resources & Administration

Date: March 31, 1999

FIRST AMENDMENT TO
SEVERANCE AGREEMENT

This FIRST AMENDMENT to the Severance Agreement (the "Severance Agreement") dated April 1, 1999 by and between **STEPHEN W. SOLOMON** ("Employee") and **THE ST. JOE COMPANY**, a Florida corporation (the "Company"), shall be effective as of January 1, 2008.

WHEREAS, the Company and the Employee previously entered into the Severance Agreement in order to provide for severance benefits to the Employee in certain circumstances if Employee's employment with the Company terminated in connection with a Change in Control;

WHEREAS, as a result of the enactment of Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), the Company and the Employee desire to amend the Severance Agreement in order that its provisions comply with the requirements of such Code section, including, without limitation, the time and form of payment requirements of Code Section 409A;

NOW THEREFORE, in consideration of the premises and mutual covenants herein contained, and for other good and valuable consideration, the receipt and adequacy of which is hereby acknowledged, the Employee and the Company, intending to be legally bound, hereby amend the Severance Agreement as follows:

1. Section 6 of the Severance Agreement shall be amended by adding the following sentence to the end thereof as flush language:

"Notwithstanding anything in this Section 6 to the contrary, if Employee is a "specified employee" within the meaning of Section 409A(a)(2)(B)(i) of the Code as of the date of his termination, then the lump sum amount payable to the Employee under this Section 6 shall be paid instead to the Employee in a lump sum on the earlier of (x) the date which is six months following his date of termination and (y) the date of the Employee's death, and not before."

2. Section 7 of the Severance Agreement shall be amended by adding the following sentence to the end thereof as additional flush language:

"Notwithstanding anything in this Section 7 to the contrary, if Employee is a "specified employee" within the meaning of Section 409A(a)(2)(B)(i) of the Code as of the date of his termination, then the lump sum amount payable to the Employee under this Section 7 shall be paid instead to the Employee in a lump sum on the earlier of (x) the date which is six months following his date of termination and (y) the date of the Employee's death, and not before."

3. Section 8(b) of the Severance Agreement shall be amended by adding the following to the end thereof:

"The amount payable under this Section 8(b) shall be paid to Employee in a lump sum within eight days after the termination of the Employee's employment under Section 5, provided, however, that if Employee is a "specified employee" within the meaning of Section 409A(a)(2)(B)(i) of the Code as of the date of his termination of employment, then such amount shall be paid instead to the Employee in a lump sum on the earlier of (x) the date which is six months following his date of termination and (y) the date of the Employee's death, and not before."

4. Section 8(c) of the Severance Agreement shall be amended by adding the following to the end thereof:

"For purposes of this Section 8(c), the term "group insurance plans" shall mean and shall be limited to the plans, programs, practices and policies that constitute bona fide welfare benefits within the meaning of U.S. Treasury Regulations Section 1.409A-1(a)(5), it being intended that the amounts to which the Employee or the Employee's family shall be entitled under this Section 8(c) shall not constitute "deferred compensation" subject to Code Section 409A. Any health benefits provided by the Company pursuant to this section shall either be excludible from gross income pursuant to Code sections 105 or 106 or paid for by the Employee on an after-tax basis."

5. Section 9(b) of the Agreement shall be amended by deleting the following sentence from said Section:

"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."

6. Section 9 of the Severance Agreement shall be amended by the addition of the following as new Section 9(e):

"Notwithstanding any provision of this Severance Agreement to the contrary, any Gross-Up Payment due to the Employee under this Severance Agreement shall not be made until Employee has terminated his employment with the Company. Employee shall be paid the initial Gross-Up Payment due to him under this Severance Agreement, if any, in a single sum, within eight days after the later of (i) the receipt of the Accounting Firm's determination, or (ii) Employee's Date of Termination; provided, however, that if Employee is a "specified employee" within the meaning of Section 409A(a)(2)(B)(i) of the Code as of the date of his termination, then any Gross-Up Payment payable upon Employee's termination of employment, if any, shall be paid instead to the Employee in a lump sum on the earlier of (x) the date which is six months following his Date of Termination and (y) the date of the Employee's death, and not before. All Gross-Up Payments by the Company to Employee under this Severance Agreement shall be paid in any event no later than the last day of the Employee's taxable year following the taxable year in which the Employee remits the taxes to which a payment to the Employee by the Company relates."

7. Section 11 of the Severance Agreement shall be amended by adding the following new Section 11(j):

"(j) **Code Section 409A**. For any amount hereunder, the determination of whether the Employee is a "specified employee" within the meaning of Section 409A of the Code as of his date of termination shall be determined by the Company under procedures adopted by the Company."

8. Section 11 of the Severance Agreement shall be amended by adding the following new Section 11(k):

"(f) **Determination of Actual Payment Date**. Whenever the Agreement provides for a payment to the Executive hereunder within a specified number of days (such as "within eight days") the actual date of payment within such period shall be determined by the Company in its sole discretion."

9. The Severance Agreement shall be amended by revising the phrase "within five business days" to read "within eight days" wherever it appears.

IN WITNESS WHEREOF, the Employee and the Company have executed and delivered this First Amendment on the date(s) set forth below, but effective as of the date set forth above.

THE ST. JOE COMPANY

Date: January 12, 2009

By: /s/ Rusty Bozman
Rusty Bozman
Vice President — Human Resources

EMPLOYEE

Date: December 31, 2008

/s/ Stephen W. Solomon
Stephen W. Solomon

Exhibit 10.15

THE ST. JOE COMPANY

DEFERRED CAPITAL ACCUMULATION PLAN

(As Amended and Restated Effective December 31, 2008)

TABLE OF CONTENTS

ARTICLE I

NAME, EFFECTIVE DATE AND PURPOSE

1.1 Name

The name of the Plan is "The St. Joe Company Deferred Capital Accumulation Plan," hereinafter referred to as the "Plan."

1.2 Effective Date of Restatement

The effective date of this amended and restated Plan is December 31, 2008.

1.3 Purpose

The purpose of the Plan is to provide supplemental deferred compensation benefits to certain selected management and highly compensated employees of the Employer. The Plan is not intended to be a tax-qualified retirement plan under Section 401(a) of the Internal Revenue Code of 1986, as amended. The Plan is intended to be an unfunded plan maintained primarily for the purpose of providing deferred compensation benefits for a select group of management or highly compensated employees.

1.4 History

The Plan was originally part of The St. Joe Company Supplemental Executive Retirement Plan ("Prior Plan"), which was established effective January 1, 1998. Effective as of January 1, 2000, the Company established this separate Plan and transferred to it certain benefit liabilities previously accrued under Article IV and Article V of the Prior Plan. The Plan is a continuation of the Prior Plan with respect to such benefit liabilities. Such benefit liabilities shall be held, administered and paid in accordance with the terms of this Plan, as hereinafter amended and in effect.

ARTICLE II

DEFINITIONS

2.1 "Account" or "Participant's Account"

Means the notional account maintained by the Plan Administrator pursuant to Section 5.1 which shall be credited with Employee Deferrals and the Employer Match, as adjusted for Interest and any distributions.

2.2 “Affiliated Employer”

Means a corporation which is a member of a controlled group of corporations (as defined in Code Section 414(b)) which includes the Company; any trade or business (whether or not incorporated) which is under common control (as defined in Code Section 414(c)) with the Company; any organization (whether or not incorporated) which is a member of an affiliated service group (as defined in Code Section 414(m)) which includes the Company; and any other entity required to be aggregated with the Company pursuant to regulations under Code Section 414(o), but only for the period during which such other entity is affiliated with the Company under Code Section (b), (c), (m) or (o).

2.3 “Annuity Starting Date”

Means the date as of which a distribution to a Participant or Beneficiary is made.

2.4 “Beneficiary” or “Beneficiaries”

Means the person or persons who will receive benefits under the Plan after the Participant’s death as determined under Article VII.

2.5 “Board of Directors”

Means the Board of Directors of the Company, or its delegee, as constituted from time to time.

2.6 “Change in Control”

Means:

(a) During any single transaction, or in a series of transactions over a twelve month period, 35% or more of the outstanding voting stock of the Company is acquired by any person or group; or

(b) Stockholders of the Company replace, during any twelve month period, the Board of Directors, and the newly appointed Directors are not endorsed by a majority of the then sitting Board of Directors.

(c) The Company is a party to a merger or similar transaction, as a result of which, a person of group acquires ownership or more that 50% of the total fair market value or total voting power of the stock of the Company.

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.

Notwithstanding the foregoing to the contrary, a transaction or series of transactions that does not constitute a change in ownership, change in effective control or change in the ownership of a substantial portion of the assets of the Company, each as defined in Section 1.409A-3(i)(5) of the U.S. Treasury Regulations (as amended from time to time), shall not constitute a Change in Control for purposes of the Plan.

2.7 "Code"

Means the Internal Revenue Code of 1986, as amended from time to time. Any reference to the Code shall include any regulation and formal guidance issued thereunder.

2.8 "Company"

Means The St. Joe Company and any successor thereto.

2.9 "Compensation"

Means the gross base salary, commissions, and bonuses which are reported on IRS Form W-2; provided, however, regardless of when such remuneration was earned, "Compensation" does not include:

(a) any amounts processed within pay periods which end 31 days or more after termination of employment,

(b) sign-on and new hire referral bonuses,

(c) commissions on sale of own residence,

(d) severance pay,

(e) payments made after the death of the Employee,

(f) recoverable draws,

(g) distributions from any qualified or nonqualified retirement plan, and

(h) gratuities and tips.

The Employer's classification of income and its determination as to the date paid for purposes of this paragraph shall be conclusive and binding on Participants. As used herein, the term "gross base salary" includes overtime and certain wage replacement payments such as PTO, holiday, bereavement, jury duty, disaster pay, volunteer pay, and military duty (in no event less than the amount required by Code Section 414(u)); elective deferrals under Code Section 402(g)(3); amounts contributed or deferred under Code Section 125; and effective January 1, 2001, elective amounts that are not includible in the gross income of the Participant by reason of Code Section 132(f)(4).

2.10 "Compensation Limit"

Means the limit under Code Section 401(a)(17) applicable to the Plan Year, as adjusted under Code Section 401(a)(17)(B).

2.11 "Deferral Election Agreement"

Means the form provided by the Plan Administrator on which the eligible Employee or Participant may elect to defer a percentage of his Compensation and elect the timing and form of distribution of his Account pursuant to Section 4.1.

2.12 "Effective Date of Restatement"

Means December 31, 2008, the effective date of this amended and restated Plan. The Plan was originally effective January 1, 1998.

2.13 "Eligible Spouse"

Means the Participant's surviving legal spouse who is legally married to the Participant on the date of death of the Participant.

2.14 "Employee"

Means a person who is a common law employee of an Employer for federal income tax purposes. In no event shall the following persons be considered to be "Employees" for purposes of the Plan:

(a) Individuals having the status of an independent contractor; and

(b) Persons who are leased employees within the meaning of Section 414(n) of the Code.

2.15 "Employee Deferral"

Means the credits made on behalf of a Participant under the Plan pursuant to the Participant's Deferral Election Agreement.

2.16 "Employee Deferral Account"

Means the subaccount maintained on behalf of a Participant which shall be comprised of Employee Deferrals made on behalf of the Participant, as adjusted for Interest and applicable distributions.

2.17 “Employer”

Means the Company and any other Affiliated Employer which has adopted this Plan with the approval of the Plan Administrator.

2.18 “Employer Match”

Means the credits made on behalf of a Participant pursuant to Section 4.3.

2.19 “Employer Match Account”

Means the subaccount maintained on behalf of a Participant which shall be comprised of the Employer Match made on behalf of a Participant, as adjusted for Interest and applicable distributions.

2.20 “ERISA”

Means the Employee Retirement Income Security Act of 1974, as amended from time to time. Any reference to ERISA shall include any regulations and formal guidance issued thereunder.

2.21 “Interest”

Means a credit made to a Participant’s Account pursuant to Section 5.2.

2.22 “Participant”

Means an Employee to whom or with respect to whom a benefit is payable under the Plan.

2.23 “Performance-Based Compensation”

Means bonus compensation the amount of which, or the entitlement to which, is contingent on the satisfaction of organizational or individual performance criteria that (i) are established in writing by no later than 90 days after the commencement of the period of service to which the criteria relate (the performance period), provided the outcome is substantially uncertain at the time the criteria are established, and (ii) relate to a performance period of at least twelve consecutive months, and which otherwise satisfies the definition of “performance-based compensation” as defined in Section 1.409A-1(e) of the U.S. Treasury Regulations (as amended from time to time).

2.24 “Plan”

Means The St. Joe Company Deferred Capital Accumulation Plan as herein set forth and as it may hereafter be amended from time to time.

2.25 “Plan Administrator”

Means the Plan Administrator appointed pursuant to Section 8.1 of the Plan.

2.26 “Plan Year”

Means the calendar year.

2.27 “Prior Plan”

Means the St. Joe Corporation Supplemental Executive Retirement Plan, as amended and in effect immediately prior to January 1, 2000.

2.28 “Qualified Salary Deferral Plan”

Means The St. Joe Company 401(k) Plan, as amended from time to time.

2.29 “Separation from Service”

Means an Employee’s termination of employment (as defined in Section 1.409A-1(h) of the U.S. Treasury Regulations (as amended from time to time), applying the default terms thereof) on account of death, retirement or any other reason, from his or her Employer and all persons that would be treated as a single employer with his or her Employer under the rules of Code sections 414(b) and (c), but substituting references to “at least 50%” for “at least 80%” each place it is used in Code sections 1563(a)(1), (2) or (3) or Section 1.415(c)-2 of the U.S. Treasury Regulations (as amended from time to time).

2.30 “Valuation Date”

Means the last day of each calendar quarter. The Plan Administrator may establish more frequent Valuation Dates in its discretion.

Any headings used herein are included for ease of reference only, and are not to be construed so as to alter the terms hereof.

ARTICLE III

ELIGIBILITY AND PARTICIPATION

3.1 Eligibility

(a) An Employee of the Employer shall be eligible to participate in the Plan if:

(1) Such Employee is a member of a select group of management or highly compensated employees under Sections 201, 301 and 401 of ERISA;

(2) Such Employee's Compensation exceeds or is expected to exceed the Compensation Limit;

(3) Such Employee is eligible to participate in the Qualified Salary Deferral Plan; and

(4) Such Employee is selected by the Plan Administrator to participate in this Plan.

(b) The Plan Administrator may make such projections or estimates as it deems desirable in applying the eligibility requirements, and its determination shall be conclusive. In the event that it is determined that a Participant has failed to meet the eligibility requirements for participation with respect to a Plan Year, such Participant shall continue to participate in the Plan and make Employee Deferrals and receive Interest, but shall not be entitled to Employee Matches for such Plan Year.

3.2 Notification

The Plan Administrator shall notify in writing each Employee whom it has determined is eligible to participate in the Plan and shall explain the rights, privileges and duties of a Participant in the Plan. The Plan Administrator shall provide to each eligible Employee the forms necessary for the eligible Employee to make the elections provided for in the Plan.

3.3 Date of Participation

An Employee who is eligible to participate as of the Effective Date of Restatement shall be or become a Participant as of January 1, 2009. Each other Employee who becomes eligible to participate in the Plan shall become a Participant on the applicable date provided in Section 4.1 below. An eligible Employee must complete a Deferral Election Agreement to participate in the Plan for any Plan Year.

ARTICLE IV

CREDITS TO ACCOUNTS AND VESTING IN ACCOUNTS

4.1 Deferral Election

(a) General. In order to reduce Compensation and make corresponding Employee Deferrals in any Plan Year, an eligible Employee or Participant must properly complete and file a Deferral Election Agreement with the Plan Administrator prior to the first day of such Plan Year, or such earlier date as may be established by the Plan Administrator. A timely filed Deferral Election Agreement shall apply to Compensation for services performed during the Plan Year to which it relates. Notwithstanding the preceding sentence, Compensation payable after the last day of a Plan Year solely for services performed during the final payroll period containing the last day of the Plan Year under the Employer's normal payroll procedures shall be treated as Compensation for services performed during the subsequent Plan Year in which the payment is made, in accordance with Section 1.409A-2((a)(13) of the U.S. Treasury Regulations (as amended from time to time).

(b) Performance-Based Election. Notwithstanding subsection (a) above to the contrary, a Deferral Election Agreement with respect to Bonus Compensation that qualifies as Performance-Based Compensation may be filed prior to the date which is six months prior to the end of the applicable performance period, or such earlier date as may be established by the Plan Administrator, provided that both (i) the eligible Employee or Participant has performed services continuously from the later of the beginning of the applicable performance period or the date the performance criteria were established through the date the Deferral Election Agreement is filed; and (ii) the amount of the Bonus Compensation is not readily ascertainable as defined in Section 1.409A-2(a)(8) of the U.S. Treasury Regulations (as amended from time to time) on or before the date the Deferral Election Agreement is filed.

(c) Initial Eligibility Election. Notwithstanding subsections (a) or (b) above to the contrary, any Employee who first becomes eligible to participate in the Plan (including, for this purpose, any other similar, account-based plan sponsored by his or her Employer, and all persons that would be treated as a single employer with his or her Employer under the rules of Code sections 414(b) and (c), that is required to be aggregated with the Plan under Section 1.409A-1(c)(2) of the Treasury Regulations) subsequent to the beginning of a Plan Year may elect to make Employee Deferrals under the Plan with respect to Compensation earned for services performed during the remainder of such Plan Year by filing a Deferral Election Agreement with the Plan Administrator. Such election must be filed by no later than thirty (30) days after the date on which such Employee first becomes eligible to participate, or such earlier date as may be established by the Plan Administrator, and shall only apply with respect to Compensation earned for services performed subsequent to the date of such election.

If an eligible Employee who previously participated in the Plan has a Separation from Service or otherwise ceases to be eligible to participate in the Plan and then again becomes eligible to participate in the Plan during a subsequent Plan Year, the Employee shall be eligible to submit a deferral election for that Plan Year in accordance with the paragraph above only if he or she (i) has been paid all amounts previously deferred under the Plan (including, for purposes of this subclause (i) and subclause (ii) below, any other plan that is required to be aggregated with the Plan under Section 1.409A-1(c)(2) of the Treasury Regulations), and on or before the date of the last payment, was not eligible to continue (or to elect to continue) to participate in the Plan for periods after the last payment, or (ii) has not been eligible to participate in the Plan (other than the accrual of earnings) at any time during the 24-month period ending on the date he or she again becomes eligible to participate in the Plan. An Employee who again becomes eligible to participate in the Plan but who is not eligible to or who elects not to submit a deferral election pursuant to this paragraph may nevertheless elect to submit a deferral election for any subsequent Plan Year in accordance with subsections 2(a) and (b) above.

(d) Annual and Special Elections. On the Deferral Election Agreement, the eligible Employee shall:

(i) Annual Election. Authorize or not authorize Employee Deferrals pursuant to Section 4.2. If an eligible Employee or Participant fails to file a Deferral Election Agreement, such Employee or Participant shall be deemed to have elected not to make Employee Deferrals. If Employee Deferrals are not authorized, no Employer Match shall be made on behalf of such eligible Employee or Participant.

(ii) Special Elections. Make a Change in Control election. Before an eligible Employee's first Plan Year of participation or on or before the date an eligible Employee files an initial eligibility election pursuant to Section 4.1(c), he may irrevocably elect to receive a distribution of his Account upon a Change in Control as described in Section 6.1(c). If the eligible Employee or Participant fails to timely make such an election, he shall be deemed to have irrevocably elected not to receive a distribution upon Change in Control.

(e) Deferral Election Irrevocable. A Deferral Election Agreement, or any deemed election, shall remain in effect for the entire Plan Year to which it relates. No changes may be made during the Plan Year.

4.2 Employee Deferrals

Pursuant to Section 4.1, a Participant or eligible Employee may elect to reduce his Compensation and make the following corresponding Employee Deferrals:

(a) Compensation Other Than Bonus Compensation. A minimum amount of 1% and a maximum amount of 50% of Compensation (in whole percentages) exclusive of such Participant's Bonus Compensation.

(b) Bonus Compensation. A minimum amount of 1% and a maximum amount of 75% (in whole percentages) of such Participant's Bonus Compensation. "Bonus Compensation" means the annual cash bonus, if any, payable to the Participant under the Company's Annual Incentive Plan for services performed during the Plan Year to which the Deferral Election Agreement relates. Bonus Compensation does not include any other types of "bonuses" paid by the Company, including without limitation sign-on bonuses.

All Employee Deferrals shall be credited to the Participant's Employee Deferral Account as of the last day of the payroll period in which the Employee Deferrals would have been paid to the Participant had they not been deferred pursuant to the Deferral Election Agreement.

4.3 Employer Match

An Employer Match shall be credited to the Employer Match Account of each Participant in accordance with this Section 4.3. The Employer Match shall be made at the rate of twenty-five percent (25%) of the Participant's Employee Deferrals made with respect to Compensation in excess of the Compensation Limit; provided, however, that in determining the Employer Match to be allocated to a Participant, Employee Deferrals in excess of six percent (6%) of Compensation in excess of the Compensation Limit shall be disregarded. No Employer Match shall be credited to the Employer Match Account of a Participant with respect to Employee Deferrals made with respect to Compensation below the Compensation Limit.

The Employer Match shall be credited to a Participant's Employer Match Account as of the last day of each corresponding payroll period; provided, however, that no Employer Match shall be credited until the Participant's year-to-date Compensation exceeds the Compensation Limit. For purposes of computing the Employer Match, the Participant's Employee Deferrals for the Plan Year shall be divided by the Participant's year-to-date Compensation in excess of the Compensation Limit. The resulting amount shall be the Participant's Employee Deferrals on pay in excess of the Compensation Limit and shall be used to calculate the Employer Match in accordance with the foregoing.

4.4 Vesting in Account

A Participant shall always be one hundred percent (100%) vested in his Account.

4.5 Termination for Unforeseeable Emergency and Hardship Withdrawals

The preceding Sections of this Article IV notwithstanding, the Deferral Election Agreement of a Participant who takes an Unforeseeable Emergency withdrawal (as defined in Section 6.1(f)) or a hardship withdrawal (as defined in Code Section 401(k)(2)(B)(i)(IV)) from the Qualified Salary Deferral Plan or any other qualified plan maintained by the Employer or an Affiliated Employer shall automatically be terminated as of the date such Unforeseeable Emergency withdrawal or hardship withdrawal is distributed. Such a Participant may not make Employee Deferrals or receive corresponding Employer Matches under this Plan for the remainder of that Plan Year or the immediately following Plan Year if the 6 month suspension period (or such longer time as required by law) for deferrals under the Qualified Salary Deferral Plan following the receipt of the hardship withdrawal extends into such following Plan Year. Any later deferral election by such Participant, if eligible, shall be made in accordance with the requirements of Section 4.1.

ARTICLE V

PARTICIPANT ACCOUNTS

5.1 Separate Account

The Plan Administrator shall maintain separate accounts for each Participant in order to reflect his interest in the Plan. Each Participant's Account shall be comprised of his Employee Deferral Account and his Employer Match Account.

5.2 Interest

A Participant's Account shall be credited with interest at the rate determined by the Company's Board of Directors for a given Plan Year (hereinafter the "Annual Yield"). Such Annual Yield shall be credited in the following manner:

(a) Employee Deferrals and the Employer Match made on behalf of a Participant during the Plan Year of reference shall be credited with the Annual Yield for such Plan Year based on the assumption that the Annual Yield will be earned proportionally throughout the Plan Year.

(b) The Participant's Account balance as of the first day of the Plan Year shall be credited with the Annual Yield for the entire Plan Year.

For Plan Years beginning prior to January 1, 2000, the Annual Yield shall be determined in accordance with the terms of the Prior Plan.

5.3 Valuation of the Account

As of each Valuation Date, the Plan Administrator shall adjust the previous Account balance for Employee Deferrals, Employer Match, Interest and distributions. Upon complete distribution of a Participant's Account, the Participant's Account shall be cancelled.

5.4 Participant Statement

The Plan Administrator may, in its sole discretion and at such times as it shall determine, provide the Participant with a statement of the value of his Account.

ARTICLE VI

PAYMENT OF VESTED ACCOUNTS

6.1 Timing of Payment

A Participant's Account will be automatically paid to him (or if the Participant has died, his Beneficiary) as of the earliest of the following (or as soon as administratively possible but in any event within 90 days thereafter):

(a) Separation from Service

Except in the case of a Participant who began receiving a distribution of his Account in installments beginning in the 2005 Plan Year or earlier, if a Participant has a Separation from Service for any reason other than death, such Participant's Account shall be paid to him by the Employer in a single lump sum. Payment of such benefits shall be made on or as soon as administratively practicable (but in any event within 90 days) after the date which is six (6) months following such Separation from Service. The amount of any lump sum distribution shall equal the value of the Participant's Account as of the immediately preceding Valuation Date.

A Participant who began receiving a distribution of his Account in installments beginning in the 2005 Plan Year or earlier shall continue to have his Account distributed to him under the applicable installment schedule, as previously provided in the Plan.

(b) Death

(1) If a Participant dies while in service, the Participant's Beneficiary shall be entitled to a death benefit payable as a lump sum amount equal to the Participant's vested Account. Such death benefit shall be paid to the Participant's Beneficiary on or as soon as administratively practicable (but in any event within 90 days) after the date of the Participant's death and shall be equal to the value of the Participant's Account as of the Valuation Date immediately preceding such payment date.

(2) If the Participant dies following his termination of service and before receiving all benefits payable to him under the Plan, the balance of the Participant's vested Account shall be paid by the Employer to the Participant's Beneficiary in a lump sum amount. Such death benefit shall be paid to the Participant's Beneficiary on or as soon as administratively practicable (but in any event within 90 days) after the date of the Participant's death and shall be equal to the undistributed value of the

Participant's Account as of the Valuation Date immediately preceding such payment date.

(c) Change in Control

In the event that a Change in Control occurs with respect to the Company, if a Participant has timely elected pursuant to Section 4.1(d)(ii) to receive a distribution upon a Change in Control, his Account shall be paid to him by the Employer in a lump sum. Payment of such benefit shall be on the first day of the calendar month immediately following the Change in Control, with the amount of such distribution equal the value of the Participant's Account as of the Valuation Date immediately preceding such payment date.

(d) Disability

In the event of a Participant's Disability, the Participant's Account shall be paid to him by the Employer in a lump sum. Payment of such benefit shall be made as soon as administratively possible (but in any event within 90 days) after the date on which the Participant's is deemed to have experienced a Disability, and the amount of such distribution shall equal the value of the Participant's Account as of the Valuation Date immediately preceding such payment date.

Disability means (i) the Participant's inability to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months or (ii) the Participant's receipt, by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, of income replacement benefits for a period of not less than 3 months under a disability plan covering employees of the Participant's Employer. The Plan Administrator shall determine whether a Participant is disabled for this purpose in its sole discretion, provided that a Participant will be deemed disabled if determined to be totally and permanently disabled by the Social Security Administration.

(e) Unforeseeable Emergency

If a Participant experiences an Unforeseeable Emergency, the Participant may request a distribution of all or any portion of his or her entire Account balance in an amount necessary in the Plan Administrator's judgment to satisfy the emergency need (including any amounts necessary to pay any federal, state, local or foreign taxes or penalties reasonably anticipated to result from such distribution). Whether an Unforeseeable Emergency has occurred will be determined solely by the Plan Administrator, which has the complete and exclusive discretion and authority to make such determination. Distributions in the event of an Unforeseeable Emergency may be made by and with the approval of the Plan Administrator, upon written request submitted by the Participant.

An Unforeseeable Emergency is defined as a severe financial hardship to the Participant resulting from an illness or accident of the Participant, the Participant's spouse, the Participant's designated beneficiary, or the Participant's dependent (as defined in Section 152 of the Code, without regard to Sections 152(b)(1), (b)(2) and (d)(1)(B) thereof), loss of the Participant's property due to casualty, or other similar or extraordinary and unforeseeable circumstances arising as a result of events beyond the Participant's control. The circumstances that will constitute an Unforeseeable Emergency will depend upon the facts of each situation, but, in any event, any distribution under this Section shall not exceed the amount required by the Participant to resolve the hardship after: (i) reimbursement or compensation through insurance or otherwise; (ii) obtaining liquidation of the Participant's assets, to the extent such liquidation would not itself cause a severe financial hardship; and (iii) termination of the Participant's deferral election under the Plan as provided in Section 4.5 above.

ARTICLE VII

BENEFICIARY DESIGNATION FOR DEATH BENEFITS

7.1 Beneficiary Designation

Each Participant shall designate a person or persons or a trust to be his Beneficiary or Beneficiaries to whom his Account under this Plan shall be paid to in event of the Participant's death prior to the complete distribution of such Account under the Plan. A beneficiary designation can only be made on the form provided by the Plan Administrator for such purpose and shall only be effective when filed with the Plan Administrator during the Participant's lifetime.

7.2 Change in Beneficiary Designation

Any beneficiary designation may be changed by the Participant without the consent of any designated Beneficiary by filing a new beneficiary designation with the Plan Administrator. The filing of a new beneficiary designation election will cancel the previous beneficiary designation. However, any beneficiary designation shall remain in effect until a new beneficiary designation election is made in accordance with the foregoing.

7.3 Lack of Beneficiary Designation or Surviving Beneficiary

If a Participant has not designated a Beneficiary under this Plan or there is no surviving Beneficiary under this Plan, the Beneficiary shall be the same as designated by the Participant under the Qualified Salary Deferral Plan. If a Beneficiary has not been designated under the Plan or the Qualified Salary Deferral Plan, or if no designated Beneficiary is surviving, distribution shall be made to the Participant's Eligible Spouse, and if there is no Eligible Spouse in equal shares to any surviving children of the

Participant. In the event none of the above-named individuals survives the Participant, distribution shall be made in a lump sum to the Participant's estate.

ARTICLE VIII

ADMINISTRATION OF THE PLAN

8.1 Responsibility of the Plan Administrator

Except for the functions reserved to the Company, an Employer, or the Board of Directors, the Plan Administrator shall be responsible for the general operation and administration of the Plan and for carrying out the provisions hereof. The Compensation Committee of the Board of Directors has the authority to appoint, remove or replace the Plan Administrator. In the absence of a specific appointment, the Company shall be the Plan Administrator.

8.2 Powers and Duties of Plan Administrator

The Plan Administrator, subject to the limitations herein contained and to such other restrictions as the Board of Directors may make, shall have the power and the duty to take all action and to make all decisions necessary or proper to carry out the provisions of Plan. The determination of the Plan Administrator as to any question involving the general administration and interpretation of the Plan shall be final, conclusive and binding. Any discretionary actions to be taken under the Plan by the Plan Administrator with respect to the classification of Employees, Participants, Beneficiaries, contributions, or benefits shall be uniform in their nature and applicable to all persons similarly situated. Without limiting the generality of the foregoing, the Plan Administrator shall have the following powers and duties:

(a) To require any person to furnish such information as it may request for the purpose of the proper administration of the Plan as a condition of receiving any benefits under the Plan;

(b) To make and enforce such rules and regulations and prescribe the use of such forms as it shall deem necessary for the efficient administration of the Plan;

(c) To interpret the Plan, and to resolve ambiguities, inconsistencies and omissions, which findings shall be binding, final and conclusive;

(d) To decide on questions concerning the Plan and the eligibility of any Employee to participate in the Plan, in accordance with the provisions of the Plan;

(e) To determine the amount of benefits which shall be payable to any person in accordance with the provisions of the Plan. The Plan Administrator may require claims for benefits to be filed in writing, on such forms and containing such information as the Plan Administrator may deem necessary. Adequate notice shall be provided in writing to any Participant or Beneficiary whose claim for benefits under the Plan has been wholly or partially denied. The Plan's claims review procedure is more particularly described in Section 8.7. Notice of denial of a claim shall be written in a manner calculated to be understood by the Participant or his Beneficiary and shall afford reasonable opportunity to the Participant or his Beneficiary whose claim for benefits has been denied for a full and fair review of the decision denying the claim;

(f) To allocate any such powers and duties to or among individual members of any administrative committee serving as the Plan Administrator; and

(g) To designate persons other than the Plan Administrator to carry out any duty or power which would otherwise be a responsibility of the Plan Administrator, under the terms of the Plan.

8.3 Expenses of the Plan Administrator and Plan Costs

The expenses of administering the Plan, including the printing of literature and forms related thereto, the disbursement of benefits thereunder, and the compensation of administrative organizations, agents, consultants, actuaries, legal counsel, or other professional counselor, shall be paid by the Employer.

8.4 Selection of Plan Professional Counselors

The Plan Administrator may employ legal counsel, a qualified public accountant, consultant, actuary and such clerical and other accounting services as it may require in carrying out the provisions of the Plan or in complying with requirements imposed by ERISA and the Code.

8.5 Records of the Plan Administrator

The Plan Administrator shall keep a record of all its proceedings, which shall be open to inspection by the Employer.

8.6 Plan Administrator’s Right to Administer and Interpret the Plan

The Plan Administrator shall have the absolute power, discretion, and authority to administer and interpret the Plan and to adopt such rules and regulations as in the opinion of the Plan Administrator are necessary or advisable to implement, administer, and interpret the Plan, or to transact its business. Any decision by the Plan Administrator or interpretation of the Plan by the Plan Administrator shall be given the fullest deference permitted by law. Such rules and regulations as are adopted by the Plan Administrator shall be binding upon any persons having an interest in or under the Plan.

8.7 Claims Procedure

A claim for benefits under the Plan must be made to the Plan Administrator in writing. The Plan Administrator shall provide adequate notice electronically or in writing to any Participant or Beneficiary whose claim for benefits under the Plan has been denied, setting forth the specific reasons for such denial, written in a manner calculated to be understood by the Participant or Beneficiary. Such notice shall be provided within a reasonable period of time, but not later than ninety (90) days after receipt of the claim by the Plan unless the Plan Administrator determines that special circumstances require additional time, in which case written notice indicating the special circumstances and expected determination date shall be furnished to the claimant prior to the termination of the initial 90-day period, but in no event shall such extension exceed 90 days from the end of the initial period. If a claim is denied, in whole or in part, the Plan Administrator shall send electronically or in writing the claimant a notice of denial explaining the reasons for denial of the claim. A claimant whose claim has been denied, or his authorized representative, may request a review of the denial, but such a request must be sent electronically or in writing, and must be submitted to the Plan Administrator within sixty (60) days after the claimant's receipt of the notice of denial. The review of a claim which has been denied shall be made by the Plan Administrator within sixty (60) days of the receipt of the request for review, unless the Plan Administrator determines that special circumstances require additional time, in which case a decision shall be rendered not later than one hundred twenty (120) days after receipt of the request for review. The decision on the review shall be sent electronically or in writing and shall include specific reasons for the decision, written in a manner calculated to be understood by the claimant, and specific reference to the pertinent Plan provisions on which the decision is based. If a claim is denied on appeal by the Plan Administrator, the claimant may appeal such denial to the Compensation Committee of the Board of Directors by filing a written or electronic request for review with the Compensation Committee within sixty (60) days after the claimant's receipt of the notice of denial. The Compensation Committee shall render a decision on the appeal, electronically or in writing, within one hundred twenty (120) days after receipt of the request for review. The Plan Administrator and Compensation Committee of the Board of Directors shall have absolute authority and discretion to adjudicate claims under this Section and any such adjudication shall be given the fullest deference permitted by law.

8.8 Indemnity of the Plan Administrator

The Employer shall indemnify and hold harmless the Plan Administrator against any and all claims, loss, damage, expense or liability arising from any action or failure to act with respect to this Plan, except in the case of gross negligence or willful misconduct.

ARTICLE IX

AMENDMENT AND TERMINATION

9.1 Amendment

The Company, although it intends the Plan to be permanent, reserves the right to amend the Plan at any time. However, no amendment shall have the effect of reducing the amount of the benefit which has accrued to a Participant as of the amendment date. Furthermore, no amendment shall cause a forfeiture of the benefit accrued as of the amendment date or make the vesting provisions of the Plan more restrictive with regard to such benefit. Any such amendment shall be made pursuant to a resolution of the Board of Directors.

9.2 Termination

The Company reserves the right to terminate the Plan at any time. However, no termination shall have the effect of reducing the amount of the benefit which has accrued to a Participant as of the termination date. The Plan may only be terminated by resolution of the Board of Directors. Upon such termination, a Participant shall remain vested in the benefit which has accrued to him or her under the Plan as of the date of such termination, but no further benefits, other than Interest, shall accrue after the date of termination. After termination of the Plan, each Participant's Account shall be held and disbursed in accordance with the otherwise applicable terms of the Plan, unless the Board of Directors authorizes an earlier distribution in accordance with the requirements of Section 1.409A-3(j)(4)(ix) of the U.S. Treasury Regulations.

ARTICLE X

MISCELLANEOUS

10.1 Unsecured Creditor

Participants and their Beneficiaries under this Plan shall have solely those rights of unsecured creditors of the Employer. Except to the extent otherwise provided in any trust established by the Employer to pay Plan benefits, as described in Section 10.2, any and all assets of the Employer shall not be deemed to be held in trust for any Participant or his Beneficiary, nor shall any assets be considered security for the performance of obligations of the Employer and said assets shall at all times remain unpledged, unrestricted general assets of the Employer. The Employer's obligation under the Plan shall be an unsecured and unfunded promise to pay benefits at a future date.

10.2 Unfunded Plan

The Employer may contribute assets to a trust fund in order to pay some or all benefits to Participants and their Beneficiaries. However, no funds or assets shall be segregated or physically set aside with respect to the Employer's obligations under the Plan in a manner which would cause the Plan to be "funded" for purposes of ERISA and/or the Internal Revenue Code. This Plan shall be maintained to provide supplemental retirement benefits for a select group of management and highly compensated employees. Any Participant's Account under the Plan is maintained for recordkeeping purposes only and is not to be construed as funded for tax or ERISA purposes.

If the Employer establishes a trust fund in connection with the Plan, the assets of such trust fund shall be subject to the claims of the general creditors of the Employer in the event that the Employer becomes insolvent.

10.3 Non-Assignability

Except as may otherwise be required by law, no distribution or payment under the Plan to any Participant or Beneficiary shall be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance or charge, whether voluntary or involuntary, and any attempt to so anticipate, alienate, sell, transfer, assign, pledge, encumber or charge the same shall be void; nor shall any such distribution or payment be in any way liable for or subject to the debts, contracts, liabilities, engagements or torts of any person entitled to such distribution or payment. If any Participant or Beneficiary is adjudicated bankrupt or purports to anticipate, alienate, sell, transfer, assign, pledge, encumber or charge any such distribution or payment, voluntarily or involuntarily, the Plan Administrator, in its discretion, may cancel such distribution or payment or may hold or cause to be held or applied such distribution or payment or any part thereof to or for the benefit of such Participant or Beneficiary in such manner as the Plan Administrator shall direct.

10.4 Not a Contract of Employment

This Plan shall not be deemed to constitute an employment contract between the Employer and any Employee or other person whether or not in the employ of the Employer, nor shall anything herein contained be deemed to give any Employee or other person whether or not in the employ of the Employer any right to be retained in the employ of the Employer, or to interfere with the right of the Employer to discharge any Employee at any time and to treat him without any regard to the effect which such treatment might have upon him as a Participant of the Plan.

10.5 Source of Plan Benefits

The Employer shall be the sole source of benefit under this Plan, and each Employee, Participant, Beneficiary, or any other person who shall claim the right to any payment or benefit under this Plan shall be entitled to look only to the Employer for payment of benefits.

10.6 Binding Agreement

This Plan shall be binding on the parties hereto, their heirs, executors, administrators, and successors in interest.

10.7 Invalidity of Certain Provisions

If any provision of this Plan is held invalid or unenforceable, such invalidity or unenforceability shall not affect any other provision hereof and this Plan shall be construed and enforced as if such provision had not been included.

10.8 Incapacity

If the Plan Administrator determines that any person entitled to payments under the Plan is a minor or incompetent by reason of physical or mental disability, it may cause all payments thereafter becoming due to such person to be made to any other person for his benefit, without responsibility to follow application of amounts so paid. Payments made pursuant to this provision shall completely discharge the Plan, the Company, any Employer, and the Plan Administrator.

10.9 Masculine, Feminine, Singular and Plural

The masculine shall include the feminine and the singular shall include the plural and the plural the singular wherever the person or entity or context shall plainly so require.

10.10 Taxes

It is the intent of the Company that amounts deferred under the Plan shall not be subject to federal income tax until distributed from the Plan. However, the Company does not guarantee or warrant that Plan benefits will be excludable from a Participant's gross income for federal or state income tax purposes until distributed, and the Participant (or Beneficiary) shall in all cases be liable for any taxes due on benefits attributable to such Participant or Beneficiary.

The Plan Administrator shall make appropriate arrangements to (a) withhold FICA/FUTA taxes due on amounts accrued and vested under the Plan and (b) withhold federal and state income taxes due on amounts distributed from the Plan. Further, the Plan Administrator may make appropriate arrangements to withhold for any other taxes required to be withheld by any government or governmental agency.

10.11 Governing Law

The provisions of the Plan shall be construed, administered and governed under applicable Federal law and, to the extent not preempted by Federal law, the laws of the State of Florida.

IN WITNESS WHEREOF, the undersigned has caused the Plan to be executed on its behalf this 17th day of December, 2008, to be effective as of December 31, 2008.

THE ST. JOE COMPANY

By /s/ Rusty Bozman
Rusty Bozman
Vice President-Human Resources and
Plan Administrator

Exhibit 10.16

THE ST. JOE COMPANY

SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN

(As Amended and Restated Effective December 31, 2008)

TABLE OF CONTENTS

TABLE OF CONTENTS
(continued)

TABLE OF CONTENTS
(continued)

ARTICLE I

NAME, EFFECTIVE DATE AND PURPOSE

1.1 Name

The name of the Plan is "The St. Joe Company Supplemental Executive Retirement Plan," hereinafter referred to as the "Plan."

1.2 Effective Date of Restatement

The effective date of this amended and restated Plan is December 31, 2008. The Plan was originally effective January 1, 1998 and previously restated effective January 1, 2002.

1.3 Purpose

The purpose of the Plan is to provide supplemental retirement benefits to certain selected management and highly compensated employees of the Employer. The Plan is not intended to be a tax-qualified retirement plan under Section 401(a) of the Internal Revenue Code of 1986, as amended. The Plan is intended to be an unfunded plan maintained primarily for the purpose of providing deferred compensation benefits for a select group of management or highly compensated employees.

1.4 Relationship to The St. Joe Company Deferred Capital Accumulation Plan

Effective as of January 1, 2000, The St. Joe Company established "The St. Joe Company Deferred Capital Accumulation Plan" (the "Deferred Capital Accumulation Plan") and transferred to it certain benefit liabilities previously accrued under Article IV and Article V of this Plan as amended and in effect on December 31, 1999. Such benefit liabilities shall be held, administered and paid in accordance with the terms of the Deferred Capital Accumulation Plan, as hereinafter amended and in effect.

ARTICLE II

DEFINITIONS

2.1 "Account" or "Participant's Account"

Means the notional account maintained by the Plan Administrator pursuant to Section 4.1 which shall be credited with Employer Credits and Interest and adjusted for distributions.

2.2 "Affiliated Employer"

Means a corporation which is a member of a controlled group of corporations (as defined in Code Section 414(b)) which includes the Company; any trade or business (whether or not incorporated) which is under common control (as defined in Code Section 414(c)) with the Company; any organization (whether or not incorporated) which is a member of an affiliated service group (as defined in Code Section 414(m)) which includes the Company; and any other entity required to be aggregated with the Company pursuant to regulations under Code Section 414(o) but only for the period during which such other entity is affiliated with the Company under Code Section (b), (c), (m) or (o).

2.3 "Age"

Means age at last birthday.

2.4 "Annuity Starting Date"

Means the dates as of which a lump sum distribution is made to a Participant or Beneficiary.

2.5 "Applicable Interest Rate"

Means, (a) for each Plan Year beginning on or after January 1, 2000, the annual rate of interest used to determine the interest credit under Section 5.2(e) of the Qualified Pension Plan for such Plan Year and (b) for any period prior to January 1, 2000, an annual interest rate of 5.16%.

2.6 "Beneficiary" or "Beneficiaries"

Means the person or persons who will receive benefits under the Plan after the Participant's death as determined under Article VII.

2.7 "Board of Directors"

Means the Board of Directors of the Company, or its delegee, as constituted from time to time.

2.8 "Change in Control"

Means:

(a) During any single transaction, or in a series of transactions over a twelve month period, 35% or more of the outstanding voting stock of the Company is acquired by any person or group; or

(b) Stockholders of the Company replace, during any twelve month period, the Board of Directors, and the newly appointed Directors are not endorsed by a majority of the then sitting Board of Directors.

(c) The Company is a party to a merger or similar transaction, as a result of which, a person of group acquires ownership or more that 50% of the total fair market value or total voting power of the stock of the Company.

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.

Notwithstanding the foregoing to the contrary, a transaction or series of transactions that does not constitute a change in ownership, change in effective control or change in the ownership of a substantial portion of the assets of the Company, each as defined in Section 1.409A-3(i)(5) of the U.S. Treasury Regulations (as amended from time to time), shall not constitute a Change in Control for purposes of the Plan.

2.9 "Code"

Means the Internal Revenue Code of 1986, as amended from time to time. Any reference to the Code shall include any regulation and formal guidance issued thereunder.

2.10 "Company"

Means The St. Joe Company and any successor thereto.

2.11 "Compensation"

Means the gross base salary, commissions, and bonuses which are reported on IRS Form W-2; provided, however, regardless of when such remuneration was earned, "Compensation" does not include:

(a) any amounts processed within pay periods which end 31 days or more after termination of employment,

(b) sign-on and new hire referral bonuses,

(c) commissions on sale of own residence,

(d) severance pay,

(e) payments made after the death of the Employee,

(f) recoverable draws,

(g) distributions from any qualified or nonqualified retirement plan, and

(h) gratuities and tips.

The Employer's classification of income and its determination as to the date paid for purposes of this paragraph shall be conclusive and binding on Participants. As used herein, the term "gross base salary" includes overtime and certain wage replacement payments such as PTO, holiday, bereavement, jury duty, disaster pay, volunteer pay, and military duty (in no event less than the amount required by Code Section 414(u)); elective deferrals under Code Section 402(g)(3); elective deferrals to The St. Joe Company Deferred Capital Accumulation Plan; amounts contributed or deferred under Code Section 125; and effective January 1, 2001, elective amounts that are not includible in the gross income of the Participant by reason of Code Section 132(f)(4).

2.12 "Compensation Limit"

Means the limit under Code Section 401(a)(17) applicable to the Plan Year, as adjusted under Code Section 401(a)(17)(B).

2.13 "Disability"

Except as provided in Section 6.4 below, "Disability" means the same as in the Qualified Pension Plan. A Participant shall not have a Disability unless the Participant is determined to have a Disability under the Qualified Pension Plan.

2.14 "Effective Date of Restatement"

Means December 31, 2008, the effective date of this amended and restated Plan. The Plan was originally effective January 1, 1998.

2.15 "Eligible Spouse"

Means the Participant's surviving legal spouse who is legally married to the Participant on the date of death of the Participant.

2.16 "Employee"

Means a person who is a common law employee of an Employer for federal income tax purposes. The following persons shall in no event be considered to be Employees for purposes of this Plan:

(a) Individuals having the status of an independent contractor; and

(b) Persons who are leased employees within the meaning of Code Section 414(n).

2.17 "Employer"

Means the Company and any other Affiliated Employer which has adopted this Plan with the approval of the Plan Administrator.

2.18 "Employer Credit"

Means a credit made to a Participant's Account pursuant to Section 4.2.

2.19 “Employment Date”

Means the same as in the Qualified Pension Plan.

2.20 “ERISA”

Means the Employee Retirement Income Security Act of 1974, as amended from time to time. Any reference to ERISA shall include any regulations and formal guidance issued thereunder.

2.21 “Interest”

Means a credit made to a Participant’s Account pursuant to Section 4.3.

2.22 “Participant”

Means an Employee to whom or with respect to whom a benefit is payable under the Plan.

2.23 “Plan”

Means The St. Joe Company Supplemental Executive Retirement Plan as herein set forth and as it may hereafter be amended from time to time.

2.24 “Plan Administrator”

Means the Plan Administrator appointed pursuant to Section 8.1 of the Plan.

2.25 “Plan Year”

Means the calendar year.

2.26 “Prior Plan”

Means the St. Joe Corporation Supplemental Executive Retirement Plan, as amended and in effect immediately prior to January 1, 2000.

2.27 “Qualified Pension Plan”

Means The St. Joe Company Pension Plan, as amended from time to time.

2.28 “Separation from Service”

Means an Employee’s termination of employment (as defined in Section 1.409A-1(h) of the U.S. Treasury Regulations (as amended from time to time), applying the default terms thereof) on account of death, retirement or any other reason, from his or her Employer and all persons that would be treated as a single employer with his or her Employer under the rules of Code Sections 414(b) and (c), but substituting references to “at least 50%” for “at least 80%" each place it is used in Code Sections 1563(a)(1), (2) or (3) or Section 1.415(c)-2 of the U.S. Treasury Regulations (as amended from time to time).

2.29 "Valuation Date"

Means the last day of each calendar quarter. The Plan Administrator may establish more frequent Valuation Dates in its discretion.

2.30 "Year(s) of Benefit Service"

Means the same as in the Qualified Pension Plan.

2.31 "Year(s) of Vesting Service"

Means the same as in the Qualified Pension Plan, but shall not be subject to any provisions in the Qualified Pension Plan which accelerate vesting thereunder.

Any headings used herein are included for ease of reference only, and are not to be construed so as to alter the terms hereof.

ARTICLE III

ELIGIBILITY AND PARTICIPATION

3.1 Eligibility

(a) An Employee of the Employer shall be eligible to participate in the Plan if:

(1) Such Employee is a member of a select group of management or highly compensated employees under Sections 201, 301 and 401 of ERISA;

(2) Such Employee's Compensation paid or deferred in a Plan Year exceeds the Compensation Limit;

(3) Such Employee participates in the Qualified Pension Plan; and

(4) Such Employee is selected by the Plan Administrator to participate in this Plan.

Each eligible Employee shall be designated as a "Tier 1 Participant" or a "Tier 2 Participant" by the Plan Administrator. If a Tier 2 Participant is re-designated as a Tier 1 Participant, or vice versa, in any Plan Year, any change in benefits resulting therefrom shall apply effective as of the beginning of such Plan Year.

(b) The Plan Administrator may make such projections or estimates as it deems desirable in applying the eligibility requirements, and its determination shall be conclusive. In the event that it is determined that a Participant has failed to meet the eligibility requirements for participation with respect to a Plan Year, such

Participant shall continue to participate in the Plan, but no benefits, other than Interest, shall accrue on behalf of such Participant under the Plan during such Plan Year.

3.2 Notification

The Plan Administrator shall notify in writing each Employee whom it has determined is eligible to participate in the Plan and shall explain the rights, privileges and duties of a Participant in the Plan. The Plan Administrator shall provide to each eligible Employee a Change in Control election form as described in Section 3.4 and the beneficiary designation form necessary for the eligible Employee to make the beneficiary designation election provided for in the Plan.

3.3 Date of Participation and Enrollment

An Employee who is eligible to participate as of the Effective Date of Restatement shall be or become a Participant as of such date. Each other Employee who becomes eligible to participate in the Plan shall become a Participant on the date determined by the Plan Administrator as set forth in the notice described in Section 3.2.

3.4 Change in Control Election

Within no more than thirty (30) days after the date on which the Plan Administrator notifies an Employee that he or she is eligible to participate in the Plan, the Employee may irrevocably elect to receive a distribution of his Account upon a Change in Control as described in Section 6.3. Any Participant in the Plan who is an active Employee as of the Effective Date of Restatement may, on or prior to December 31, 2008 (or such earlier date as may be established by the Plan Administrator), make the same election described in the preceding sentence to receive a distribution of his or her Account upon a Change in Control, provided such election shall not take effect until January 1, 2009, and shall not cause any amounts that would not otherwise be paid in 2008 to be paid in 2008. If the eligible Employee or Participant fails to timely make such an election, he shall be deemed to have irrevocably elected not to receive a distribution upon a Change in Control.

ARTICLE IV

PARTICIPANT ACCOUNTS AND PLAN CREDITS

4.1 Separate Account

The Plan Administrator shall maintain a separate Account for each Participant in order to reflect his interest in the Plan. Such Account shall be established and maintained solely for purposes of recording the Employer Credits and Interest which are credited to such Participant under the Plan, and no person shall accrue any right or interest to any specific asset of the Employer as a result thereof.

4.2 Employer Credits

(a) Employer Annual Credit

As of the last day of each Plan Year beginning on or after January 1, 2000, the Account of each Participant shall be credited with a dollar amount equal to a percentage, as determined from the table set forth below, of his Compensation for such Plan Year paid or deferred while a Participant in the Plan, less any Base Credit allocated to such Participant under Section 5.2(b) of the Qualified Pension Plan for such Plan Year. Notwithstanding the foregoing, in the event a Participant terminates employment prior to the last day of the Plan Year on account of death, Disability, retirement or other termination of employment, then his Account shall be credited, as of the Valuation Date following such termination of employment, with a dollar amount based on the amount of Compensation paid or deferred while a Participant in such Plan Year and the Employer Credit percentage determined from the table below, less any Base Credit allocated to such Participant under Section 5.2(b) of the Qualified Pension Plan for such Plan Year.

Attained Age as of First Day of Plan Year	Employer Credit for a Tier 1 Participant Stated as a Percentage of Compensation	Employer Credit for a Tier 2 Participant Stated as a Percentage of Compensation
Less than Age 25	8%	8%
Age 25, but not Age 35	9%	9%
Age 35, but not Age 45	10%	10%
Age 45, but not Age 55	14%	11%
Age 55 or older	18.25%	12%

(b) Employer Transition Credit

In addition to annual Employer Credits described in (a) above, each Participant shall be entitled to Employer Transition Credits as described herein; provided, however, that no Employer Transition Credits shall be made on behalf of a Participant unless he is entitled to Transition Credits under Section 5.2(c) of the Qualified Pension Plan. As of the last day of each of the nine (9) Plan Years beginning on and after January 1, 2000, the Account of each Participant shall be credited with a dollar amount equal to a percentage, determined in accordance with the table set forth below of his Compensation paid or deferred in such Plan Year while a Participant in the Plan, less any Transition Credit allocated to such Participant under Section 5.2(c) of the Qualified Pension Plan for such Plan Year.

Attained Age as of February 1, 1999	Years of Benefit Service as of February 1, 1999	Transition Credit Stated as a Percentage of Compensation
N/A	20 or more	26%
At least Age 40	10 but not 20	23%
Less than Age 40	10 but not 20	19%
N/A	5 but not 10	16%

Employer Transition Credits will only be made for nine (9) Plan Years with the first Plan Year beginning January 1, 2000, and the last Plan Year in which a Transition Credit will be made beginning January 1, 2008. Notwithstanding the foregoing, a Transition Credit will be made with respect to an eligible Participant's Compensation paid or deferred while a Participant in the calendar month beginning January 1, 2009 and ending January 31, 2009. The Employer Transition Credit, if any, to be made on behalf of a Participant shall be determined based on the Participant's Age and credited Years of Benefit Service as of February 1, 1999 and shall not change as a result of a Participant's increase in Age or credited Years of Benefit Service after that date.

Employer Transition Credits shall only be made as of the last day of the Plan Year; provided, however, in the event a Participant terminates employment prior to the last day of the Plan Year on account of death, Disability, retirement or other termination of employment, then his Account shall be credited, as of the Valuation Date following such termination of employment, with a dollar amount based on the amount of Compensation paid or deferred while a Participant in such Plan Year and the Employer Transition Credit percentage determined from the table above, if any, less any Transition Credit allocated to such Participant under Section 5.2(c) of the Qualified Pension Plan for such Plan Year.

(c) Initial Account Balance Credit (Applies only to Participants on January 1, 2000)

The Account of an Employee who is a Participant as of January 1, 2000 (including a Tier 1 and Tier 2 Participant) shall be credited with an Initial Account Balance Credit as described herein. The Initial Account Balance Credit shall be the dollar amount which would have been credited to the Participant's Account had the provisions of (a) above been in effect since such Participant's Employment Date, calculated by using the Participant's Compensation paid during any Plan Year from his Employment Date to December 31, 1999. The Initial Account Balance Credit of a Participant who is entitled to an Employer Transition Credit pursuant to (b) above, shall include an amount calculated under the table set forth in (b) above for the period from February 1, 1999 to December 31, 1999 using the Participant's Compensation paid or deferred during such period of time.

In addition, the Initial Account Balance Credit shall include an Interest credit to be made to a Participant's Account as of January 1, 2000. Such Interest credit shall be equal to the dollar amount of Interest credit which would have been made to the Participant's Account had the provisions of Section 4.2(a) and (b) above and the provisions of Section 4.3(a) below been in effect since such Participant's Employment Date.

4.3 Interest

(a) A Participant's Account shall be credited with Interest for the Plan Year. Interest shall be credited (except as hereinafter provided) on the last day of the Plan Year and shall be determined by multiplying the balance in the Participant's Account as of the first day of the Plan Year by the Applicable Interest Rate for the Plan Year. If the Participant's Annuity Starting Date occurs in a Plan Year, Interest shall be credited as of the Participant's Annuity Starting Date by prorating the otherwise Applicable Interest Rate based upon the number of complete calendar months which have elapsed from the beginning of the Plan Year to the Participant's Annuity Starting Date.

(b) Interest shall be credited in accordance with the foregoing on behalf of all Participants.

4.4 Adjustments

(a) Prior Accrued Benefits. The Account balance determined in accordance with the foregoing provisions of this Article IV on behalf of a Participant who participated in the Prior Plan shall constitute such Participant's total benefit under the Plan and shall be paid, as provided in this Plan, in lieu of any benefit accrued by such Participant under Article VIII of the Prior Plan prior to January 1, 2000 and in full satisfaction of any liability to such Participant for such Plan benefits.

(b) Special Credits. Notwithstanding any other provision of the Plan to the contrary, a Participant's Account shall be reduced by the portion of the balance of the Participant's account under the Qualified Pension Plan attributable to any Special Credits (as defined in the Qualified Pension Plan) made to the Participant's account under the Qualified Pension Plan for Plan Years commencing on or after January 1, 2000 and before January 1, 2006, including the portion of the Participant's Qualified Pension Plan account attributable to any Interest Credits (as defined in the Qualified Pension Plan) credited with respect thereto. The Participant's net Account after such reduction shall be the Participant's Account for purposes of the Plan.

4.5 Valuation of the Account

As of each Valuation Date, and at such other dates as the Plan Administrator shall select, the Plan Administrator shall adjust each Participant's previous Account balance for Employer Credits, Interest and distributions. Upon complete distribution of a Participant's Account, the Participant's Account shall be cancelled.

4.6 Participant Statement

The Plan Administrator may, in its sole discretion and at such times as it shall determine, provide the Participant with a statement of the value of his Account.

ARTICLE V

VESTING

5.1 Vesting in Account

A Participant shall be vested in his Account in accordance with the following schedule:

Years of Vesting Service	Vested Percentage
Less than 1 Year	0%
1 Year	10%
2 Years	20%
3 Years	30%
4 Years	40%
5 Years	50%
6 Years	60%
7 Years	70%
8 Years	80%
9 Years	90%
10 or More Years	100%

Notwithstanding the foregoing, a Participant shall have a 100% vested interest in his Account upon the earliest to occur of the following:

(a) the attainment of age sixty-two (62) while in the service of the Employer;

(b) the attainment of age fifty-five (55) while in the service of the Employer, if the Participant was a SERP Participant under the Prior Plan (prior to January 1, 2000);

(c) the later of (i) the attainment of age fifty-five (55) while in the service of the Employer or (ii) upon being credited with five (5) Years of Vesting Service, if the Participant was an “Excess Participant” under the Prior Plan (as defined below);

(d) upon the Participant’s Disability or death; or

(e) upon a Change in Control.

An “Excess Participant” is defined in the Prior Plan as a Participant who is not a “SERP Participant.” A “SERP Participant” is defined in the Prior Plan as a Participant who is the Chief Executive Officer or a Participant who reports directly to the Chief Executive Officer and who is designated as a SERP Participant by the Plan Administrator.

5.2 No Vested Interest in Account

If a Participant terminates employment without having a vested interest in his Account, no benefit shall be payable to or on behalf of such Participant under the Plan. Upon termination of employment without a vested interest, the Participant's non-vested interest in the Plan shall be permanently forfeited.

5.3 Special Adjustment to Account

If a Participant has received Special Credits pursuant to Section 5.2(f) of the Qualified Pension Plan and if the Participant is less than 100% vested in his Account pursuant to Section 5.1 hereof, his vested Account for all purposes under the Plan as of any date of determination shall be equal to (P times (AB+SC))—SC where:

P is the Participant's vested percentage determined pursuant to Section 5.1 as of the date of determination;

AB is the Participant's Account balance as of the date of determination;

SC is the sum of the Special Credits the Participant received pursuant to Section 5.2(f), adjusted with Interest Credits pursuant to Section 5.2(e) of the Qualified Pension Plan to the date of determination.

The amount computed in accordance with the foregoing shall be the Participant's vested Account for all purposes under the Plan.

ARTICLE VI

PAYMENT OF VESTED ACCOUNTS

6.1 Payment upon Separation from Service

If a Participant has a Separation from Service for any reason other than death, such Participant's vested Account shall be paid to him by the Employer. Payment of such benefits shall be made on or as soon as administratively practicable (but in any event within 90 days) after the date which is six (6) months following such termination. The amount of any lump sum distribution shall be based on the value of the Participant's vested Account as of the Valuation Date immediately preceding the payment date.

6.2 Payment upon Death

(a) If a Participant dies while in service, the Participant's Beneficiary shall be entitled to a death benefit payable as a lump sum amount equal to the Participant's vested Account. Such death benefit shall be paid to the Participant's Beneficiary on or as soon as administratively practicable (but in any event within 90 days) after the date of the Participant's death. Such death benefit shall be equal to the value of the Participant's vested Account as of the Valuation Date immediately preceding such payment date.

(b) If the Participant dies following his termination of service and before receiving all benefits payable to him under the Plan, the balance of the Participant's vested Account shall be paid by the Employer to the Participant's Beneficiary in a lump sum amount. Such death benefit shall be paid in accordance with paragraph (a) and shall be equal to the undistributed value of the Participant's vested Account as of the Valuation Date as of which payment is made..

6.3 Change in Control

In the event that a Change in Control occurs with respect to the Company, if a Participant has timely elected pursuant to Section 3.4 to receive a distribution upon a Change in Control, his Account shall be paid to him by the Employer in a lump sum. Payment of such benefit shall be on or as soon as administratively practicable (but in any event within 90 days) after the first day of the calendar month immediately following the Change in Control, with the amount of such distribution equal the value of the Participant's vested Account as of the Valuation Date immediately preceding such payment date

6.4 Disability

In the event of a Participant's Disability, the Participant's Account shall be paid to him by the Employer in a lump sum. Payment of such benefit shall be made as soon as administratively possible (but in any event within 90 days) after the date on which the Participant's is deemed to have experienced a Disability, and the amount of such distribution shall equal the value of the Participant's Account as of the Valuation Date immediately preceding such payment date.

Solely for purposes of this Section 6.4, and notwithstanding any other provision of the Plan to the contrary, "Disability" means (i) the Participant's inability to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months or (ii) the Participant's receipt, by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, of income replacement benefits for a period of not less than 3 months under a disability plan covering employees of the Participant's Employer. The Plan Administrator shall determine whether a Participant is disabled for this purpose in its sole discretion, provided that a Participant will be deemed disabled if determined to be totally and permanently disabled by the Social Security Administration.

6.5 Mode of Payment

Except in the case of a Participant who began receiving a distribution of his account in installments beginning in the 2005 Plan year or earlier, any vested Account payable under the Plan shall be paid as a lump sum.

ARTICLE VII

BENEFICIARY DESIGNATION FOR DEATH BENEFITS BASED ON ACCOUNTS

7.1 Beneficiary Designation

Each Participant shall designate a person or persons or a trust to be his Beneficiary or Beneficiaries to whom his Account under this Plan shall be paid in the event of the Participant's death prior to the complete distribution of such Account under the Plan. A beneficiary designation can only be made on the form provided by the Plan Administrator for such purpose and shall only be effective when filed with the Plan Administrator during the Participant's lifetime.

7.2 Change in Beneficiary Designation

Any beneficiary designation may be changed by the Participant without the consent of any designated Beneficiary by filing a new beneficiary designation with the Plan Administrator. The filing of a new beneficiary designation election will cancel the previous beneficiary designation. However, any beneficiary designation shall remain in effect until a new beneficiary designation election is made in accordance with the foregoing.

7.3 Lack of Beneficiary Designation or Surviving Beneficiary

If a Participant has not designated a Beneficiary under this Plan or there is no surviving Beneficiary under this Plan, the Beneficiary shall be the same as designated by the Participant under the Qualified Pension Plan. If a Beneficiary has not been designated under the Plan or the Qualified Pension Plan, or if no designated Beneficiary is surviving, distribution shall be made to the Participant's Eligible Spouse, and if there is no Eligible Spouse in equal shares to any surviving children of the Participant. In the event none of the above-named individuals survives the Participant, distribution shall be made in a lump sum to the Participant's estate.

ARTICLE VIII

ADMINISTRATION OF THE PLAN

8.1 Responsibility of the Plan Administrator

Except for the functions reserved to the Company, an Employer, or the Board of Directors, the Plan Administrator shall be responsible for the general operation and administration of the Plan and for carrying out the provisions thereof. The Compensation Committee of the Board of Directors has the authority to appoint, remove or replace the Plan Administrator. In the absence of a specific appointment, the Company shall be the Plan Administrator.

8.2 Powers and Duties of Plan Administrator

The Plan Administrator, subject to the limitations herein contained and to such other restrictions as the Board of Directors may make, shall have the power and the duty to take all actions and to make all decisions necessary or proper to carry out the provisions of Plan. The determination of the Plan Administrator as to any question involving the general administration and interpretation of the Plan shall be final, conclusive and binding. Any discretionary actions to be taken under the Plan by the Plan Administrator with respect to the classification of Employees, Participants, Beneficiaries, contributions, or benefits shall be uniform in their nature and applicable to all persons similarly situated. Without limiting the generality of the foregoing, the Plan Administrator shall have the following powers and duties:

(a) To require any person to furnish such information as it may request for the purpose of the proper administration of the Plan as a condition of receiving any benefits under the Plan;

(b) To make and enforce such rules and regulations and prescribe the use of such forms as it shall deem necessary for the efficient administration of the Plan;

(c) To interpret the Plan, and to resolve ambiguities, inconsistencies and omissions, which findings shall be binding, final and conclusive;

(d) To decide on questions concerning the Plan and the eligibility of any Employee to participate in the Plan, in accordance with the provisions of the Plan;

(e) To determine the amount of benefits which shall be payable to any person in accordance with the provisions of the Plan. The Plan Administrator may require claims for benefits to be filed in writing, on such forms and containing such information as the Plan Administrator may deem necessary. Adequate notice shall be provided in writing to any Participant or Beneficiary thereof whose claim for benefits under the Plan has been wholly or partially denied. The Plan claim review procedure is more particularly described in Section 8.7. Notice of denial of a claim shall be written in a manner calculated to be understood by the Participant or his Beneficiary and shall afford reasonable opportunity to the Participant or his Beneficiary whose claim for benefits has been denied for a full and fair review of the decision denying the claim;

(f) To allocate any such powers and duties to or among individual members of any administrative committee serving as the Plan Administrator; and

(g) To designate persons other than the Plan Administrator to carry out any duty or power which would otherwise be a responsibility of the Plan Administrator, under the terms of the Plan.

8.3 Expenses of the Plan Administrator and Plan Costs

The expenses of administering the Plan, including the printing of literature and forms related thereto, the disbursement of benefits thereunder, and the compensation of administrative organizations, agents, consultants, actuaries, legal counsel, or other professional counselor, shall be paid by the Employer.

8.4 Selection of Plan Professional Counselors

The Plan Administrator may employ legal counsel, qualified public accountants, consultants, actuaries and such clerical and other accounting services as it may require in carrying out the provisions of the Plan or in complying with requirements imposed by ERISA and the Code.

8.5 Records of the Plan Administrator

The Plan Administrator shall keep a record of all its proceedings, which shall be open to inspection by the Employer.

8.6 Plan Administrator’s Right to Administer and Interpret the Plan

The Plan Administrator shall have the absolute power, discretion, and authority to administer and interpret the Plan and to adopt such rules and regulations as in the opinion of the Plan Administrator are necessary or advisable to implement, administer, and interpret the Plan, or to transact its business. Any decision by the Plan Administrator or interpretation of the Plan by the Plan Administrator shall be given the fullest deference permitted by law. Such rules and regulations as are adopted by the Plan Administrator shall be binding upon any persons having an interest in or under the Plan.

8.7 Claims Procedure

A claim for benefits under the Plan must be made to the Plan Administrator in writing. The Plan Administrator shall provide adequate notice electronically or in writing to any Participant or Beneficiary whose claim for benefits under the Plan has been denied, setting forth the specific reasons for such denial, written in a manner calculated to be understood by the Participant or Beneficiary. Such notice shall be provided within a reasonable period of time, but not later than ninety (90) days after receipt of the claim by the Plan unless the Plan Administrator determines that special circumstances require additional time, in which case written notice indicating the special circumstances and expected determination date shall be furnished to the claimant prior to the termination of the initial 90-day period, but in no event shall such extension exceed 90 days from the end of the initial period. If a claim is denied, in whole or in part, the Plan Administrator shall send electronically or in writing the claimant a notice of denial explaining the reasons for denial of the claim. A claimant whose claim has been denied, or his authorized representative, may request a review of the denial, but such a request must be sent electronically or in writing, and must be submitted to the Plan Administrator within sixty (60) days after the claimant's receipt of the notice of denial. The review of a claim which has been denied shall be made by the Plan Administrator within sixty (60) days of the receipt of the request for review, unless the Plan Administrator determines that special circumstances require additional time, in which case a decision shall be rendered not later than one hundred twenty (120) days after receipt of the request for review. The decision on the review shall be sent electronically or in writing and shall include specific reasons for the decision, written in a manner calculated to be understood by the claimant, and specific reference to the pertinent Plan provisions on which the decision is based. If a claim is denied on appeal by the Plan Administrator, the claimant may appeal such denial to the Compensation Committee of the Board of Directors by filing a written or electronic request for review with the Compensation Committee within sixty (60) days after the claimant's receipt of the notice of denial. The Compensation Committee shall render a decision on the appeal, electronically or in writing, within one hundred twenty (120) days after receipt of the request for review. The Plan Administrator and Compensation Committee of the Board of Directors shall have absolute authority and discretion to adjudicate claims under this Section and any such adjudication shall be given the fullest deference permitted by law.

8.8 Indemnity of the Plan Administrator

The Employer shall indemnify and hold harmless the Plan Administrator against any and all claims, loss, damage, expense or liability arising from any action or failure to act with respect to this Plan, except in the case of gross negligence or willful misconduct.

ARTICLE IX

AMENDMENT AND TERMINATION

9.1 Amendment

The Company, although it intends the Plan to be permanent, reserves the right to amend the Plan at any time. However, no amendment shall have the effect of reducing the amount of the benefit which has accrued to a Participant as of the amendment date without the written consent of the Participant. Furthermore, no amendment shall cause a forfeiture of the benefit accrued as of the amendment date or make the vesting provisions of the Plan more restrictive with regard to such benefit. Any such amendment shall be made pursuant to a resolution of the Board of Directors.

9.2 Termination

The Company reserves the right to terminate the Plan at any time. However, no termination shall have the effect of reducing the amount of the benefit which has accrued to a Participant as of the termination date. The Plan may only be terminated by resolution of the Board of Directors. Upon such termination, a Participant shall become vested in the benefit which has accrued to him or her under the Plan as of the date of such termination, but no further benefits, other than Interest, shall accrue after the date of termination. After termination of the Plan, each Participant's Account shall be held and disbursed in accordance with the otherwise applicable terms of the Plan unless the Board of Directors authorizes an earlier distribution in accordance with the requirements of Section 1.409A-3(j)(4)(ix) of the U.S. Treasury Regulations.

ARTICLE X

MISCELLANEOUS

10.1 Unsecured Creditor

Participants and their Beneficiaries under this Plan shall have solely those rights of unsecured creditors of the Employer. Except to the extent otherwise provided in any trust established by the Employer to pay Plan benefits, as described in Section 10.2, any and all assets of the Employer shall not be deemed to be held in trust for any Participant or his Beneficiary, nor shall any assets be considered security for the performance of obligations of the Employer and said assets shall at all times remain unpledged, unrestricted general assets of the Employer. The Employer's obligation under the Plan shall be an unsecured and unfunded promise to pay benefits at a future date.

10.2 Unfunded Plan

The Employer may contribute assets to a trust fund in order to pay some or all benefits to Participants and their Beneficiaries. However, no funds or assets shall be segregated or physically set aside with respect to the Employer's obligations under the Plan in a manner which would cause the Plan to be "funded" for purposes of ERISA and/or the Internal Revenue Code. This Plan shall be maintained to provide supplemental retirement benefits for a select group of management and highly compensated employees. Any Participant's Account under the Plan is maintained for recordkeeping purposes only and is not to be construed as funded for tax or ERISA purposes.

If the Employer establishes a trust fund in connection with the Plan, the assets of such trust fund shall be subject to the claims of the general creditors of the Employer in the event that the Employer becomes insolvent.

10.3 Non-Assignability

Except as may otherwise be required by law, no distribution or payment under the Plan to any Participant or Beneficiary shall be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance or charge, whether voluntary or involuntary, and any attempt to so anticipate, alienate, sell, transfer, assign, pledge, encumber or charge the same shall be void; nor shall any such distribution or payment be in any way liable for or subject to the debts, contracts, liabilities, engagements or torts of any person entitled to such distribution or payment. If any Participant or Beneficiary is adjudicated bankrupt or purports to anticipate, alienate, sell, transfer, assign, pledge, encumber or charge any such distribution or payment, voluntarily or involuntarily, the Plan Administrator, in its discretion, may cancel such distribution or payment or may hold or cause to be held or applied such distribution or payment or any part thereof to or for the benefit of such Participant or Beneficiary in such manner as the Plan Administrator shall direct.

10.4 Not a Contract of Employment

This Plan shall not be deemed to constitute an employment contract between the Employer and any Employee or other person whether or not in the employ of the Employer, nor shall anything herein contained be deemed to give any Employee or other person whether or not in the employ of the Employer any right to be retained in the employ of the Employer, or to interfere with the right of the Employer to discharge any Employee at any time and to treat him without any regard to the effect which such treatment might have upon him as a Participant of the Plan.

10.5 Source of Plan Benefits

The Employer shall be the sole source of benefit under this Plan, and each Employee, Participant, Beneficiary, or any other person who shall claim the right to any payment or benefit under this Plan shall be entitled to look only to the Employer for payment of benefits.

10.6 Binding Agreement

This Plan shall be binding on the parties hereto, their heirs, executors, administrators, and successors in interest.

10.7 Invalidity of Certain Provisions

If any provision of this Plan is held invalid or unenforceable, such invalidity or unenforceability shall not affect any other provision hereof and this Plan shall be construed and enforced as if such provision had not been included.

10.8 Incapacity

If the Plan Administrator determines that any person entitled to payments under the Plan is a minor or incompetent by reason of physical or mental disability, it may cause all payments thereafter becoming due to such person to be made to any other person for his benefit, without responsibility to follow application of amounts so paid. Payments made pursuant to this provision shall completely discharge the Plan, the Company, any Employer, and the Plan Administrator from any liability for payment under this Plan.

10.9 Masculine, Feminine, Singular and Plural

The masculine shall include the feminine, the singular shall include the plural, and the plural shall include the singular wherever the person or entity or context shall plainly so require.

10.10 Taxes

It is the intent of the Company that amounts deferred under the Plan shall not be subject to federal income tax until distributed from the Plan. However, the Company does not guarantee or warrant that Plan benefits will be excludable from a Participant’s gross income for federal or state income tax purposes until distributed, and the Participant (or Beneficiary) shall in all cases be liable for any taxes due on benefits attributable to such Participant or Beneficiary.

The Plan Administrator shall make appropriate arrangements to (a) withhold FICA/FUTA taxes due on amounts accrued and vested under the Plan and (b) withhold federal and state income taxes due on amounts distributed from the Plan. Further, the Plan Administrator may make appropriate arrangements to withhold for any other taxes required to be withheld by any government or governmental agency.

10.11 Governing Law

The provisions of the Plan shall be construed, administered and governed under applicable Federal law and, to the extent not preempted by Federal law, the laws of the State of Florida.

IN WITNESS WHEREOF, the undersigned has caused the Plan to be executed on its behalf this 17th day of December, 2008, to be effective as of December 31, 2008.

THE ST. JOE COMPANY

By /s/ Rusty Bozman

Rusty Bozman
Vice President-Human Resources and
Plan Administrator

FORM OF
FIRST AMENDMENT TO RESTRICTED STOCK AGREEMENT

This First Amendment to Restricted Stock Agreement (the "Amendment") is entered into by and between ____________________ (the "Participant") and The St. Joe Company, a Florida corporation (the "Company"), and shall be effective upon joint execution by the parties.

WHEREAS, the Company and Participant have previously entered into that certain Restricted Stock Agreement dated as of February 12, 2008 evidencing the grant to Participant on February 12, 2008 of Restricted Shares with performance-based vesting conditions (the "2008 Agreement");

WHEREAS, the Company and Participant now desire to amend the 2008 Agreement as set forth in this Amendment;

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

1. In Exhibit A, Section 1, the second and third paragraphs shall be deleted and replaced with the following:

Determination of Peer Groups:

The "Peer Groups" used for purposes of this Exhibit A shall be those companies included in each of the S&P Super Composite Homebuilder Index (the "Homebuilder Group") and the S&P 500 Index (the "S&P 500 Group") on the first day of the Performance Period, subject to change as described below. The Homebuilder Group shall be weighted as 60% of the final vesting calculation described below, and the S&P 500 Group shall be weighted as 40% of the final vesting calculation described below.

If a company in a Peer Group experiences a bankruptcy event during the Performance Period, the company will remain in the Peer Group and its stock price will continue to be tracked for purposes of the Total Shareholder Return calculation. If the company is subsequently acquired or goes private, the provisions below will apply. If the company liquidates, the company will remain in the Peer Group and its Ending Stock Price will be reduced to zero.

If a company in a Peer Group is acquired by another company in the same Peer Group, the acquired company will be removed from the Peer Group and the surviving company will remain in the Peer Group.

If a company in a Peer Group is acquired by a company not in the same Peer Group, the acquired company will remain in the Peer Group, and its Ending Stock Price will be equal to the value per share of the consideration paid to the shareholders of the acquired company in the transaction. The surviving company in such transaction will not be added to the Peer Group.

If a company in a Peer Group ceases to be a public company due to a going private transaction, the company will remain in the Peer Group, and its Ending Stock Price shall be equal to the value per share of the consideration paid to the shareholders of the target company in the transaction.

Changes in the S&P 500 Index and the S&P Super Composite Homebuilder Index during the Performance Period will not affect the Peer Groups, except as described above.

2. In Exhibit A, Section 1, under the heading "Calculation of Total Shareholder Return," the definition of "Dividends Paid" shall be deleted and replaced with the following:

"Dividends Paid" shall mean the total of all cash and in-kind dividends paid on one (1) share of stock during the Performance Period.

3. In Exhibit A, Section 1, under the heading "Calculation of Total Shareholder Return," the definition of "Ending Stock Price" shall be deleted and replaced with the following:

"Ending Stock Price" shall mean the average closing price of one (1) share of common stock for the ten (10) trading days immediately prior to the last day of the Performance Period, except as otherwise provided under "Determination of Peer Groups" above. Such closing prices shall be as reported on the New York Stock Exchange, such other national securities exchange, or as reported by an applicable automated quotation system, the OTC Bulletin Board, or otherwise, as applicable.

4. In Exhibit A, Section 1, under the heading "Calculation of Weighted Average Percentile Rank," the references to the "S&P Super Composite Homebuilder Index" shall be deleted and replaced with the phrase "Homebuilder Group," and the references to the "S&P 500 Index" shall be deleted and replaced with the phrase "S&P 500 Group."

5. In Exhibit A, Section 2, the following sentence shall be added to the end of Subsection (b)(1):

A Participant shall not be "Retired" for purposes of this definition if the Participant performs, or plans to perform, services (as an employee, independent contractor or in another capacity) on a substantially full-time basis (as determined by the Committee) for any third party.

6. The 2008 Agreement shall not be amended except as specifically set forth herein, and all terms and conditions of the 2008 Agreement not affected by this Amendment shall remain in full force and effect.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties have caused this Amendment to be duly executed on the dates set forth below.

PARTICIPANT

Date: ______________________________

____
Participant Signature

THE ST. JOE COMPANY

Date: ______________________________

By: ______________________________
Rusty Bozman
Vice President — Corporate
Development and Human Resources

<u>RESTRICTED STOCK AGREEMENT</u>

Award Details:

Participant:	________________
Plan Year:	________________
Number of Restricted Shares:	________________
Performance Period:	February 10, 2009 through January 31, 2012
Date of Grant:	February 10, 2009
Fair Market Value (at close of business on Date of Grant):	$________________

Agreement:

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

WHEREAS, the Company desires to grant, and the Participant desires to receive, an award of Restricted Shares pursuant to the terms and conditions of the Plan and this Agreement,

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

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

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

3. <u>Vesting and Forfeiture of Restricted Shares</u>. The Restricted Shares shall vest, or shall be forfeited and canceled, in whole or in part, as provided on **Exhibit A** attached hereto.

4. <u>Restrictions on Transfer of Restricted Shares</u>. If and until the Restricted Shares become vested pursuant to **Exhibit A**, the Restricted Shares shall not be sold, pledged or otherwise transferred (whether by operation of law or otherwise) by the Participant and shall not be subject to sale under execution, attachment, levy or similar process.

5. <u>Stock Certificates</u>. The Participant hereby acknowledges that stock certificate(s) for the Restricted Shares awarded under this Agreement will not be delivered by the Company to the Participant until such Restricted Shares vest.

6. Voting and Dividend Rights. The Participant shall have the same voting and dividend rights with respect to the Restricted Shares as the Company's other shareholders, provided, however, that any dividends paid as Common Shares shall be subject to the same transfer restrictions and forfeiture provisions as the Restricted Shares.

7. Regulation by the Committee. This Agreement and the Restricted Shares shall be subject to such administrative procedures and rules as the Committee shall adopt. All decisions of the Committee upon any question arising under the Plan or under this Agreement shall be conclusive and binding upon the Participant.

8. Compliance with Laws and Regulations. The obligations of the Company hereunder are subject to all applicable Federal and state laws and to the applicable rules, regulations and other requirements of the Securities and Exchange Commission, any stock exchange upon which the Common Stock is then listed and any other government or regulatory agency. The Company shall not be required to remove restrictions from Restricted Shares prior to (a) the listing of the Common Shares on any such stock exchange and (b) the completion of any registration or qualification of such Common Shares under any Federal or state law, or any rule, regulation or other requirement of any government or regulatory agency which the Company shall, in its sole discretion, determine to be necessary or advisable. In making such determination, the Company may rely upon an opinion of counsel for the Company. The Participant shall not have the right to compel the Company to register or qualify the Common Shares subject to this award under Federal or state securities laws.

9. Conditions of Acceptance. As a condition of accepting the Restricted Shares, Participant agrees as follows:

(a) Company Policies. Participant agrees that he or she has read and will comply with the Company's Insider Trading Policy and Code of Conduct. Copies of such policies are available on the Company's website, through the Human Resources Department or through the Legal Department.

(b) Restrictions on Resale and Marital Property Settlements. Participant agrees not to sell any vested Restricted Shares if applicable laws or Company policies prohibit such a sale. Regardless of any marital property settlement agreement, the Company is not obligated to honor or recognize Participant's former spouse's interest in unvested Restricted Shares.

10. Amendment of Severance and Employment Agreements. By executing this Agreement, the Participant and the Company hereby agree that this Agreement constitutes an amendment to the Participant's employment agreement and/or severance agreement (if any) with the Company to the effect that any provision of such employment or severance agreement that grants accelerated vesting and/or lapse of restrictions on restricted stock in the event of a "change in control" (as defined therein) shall not apply to the Restricted Shares awarded under this Agreement. Participant agrees to execute any additional documentation requested by the Company to further evidence such amendment.

11. Adjustments. In the event of a stock split, a stock dividend or any other event described in the Article of the Plan entitled "Protection Against Dilution," the number of Common Shares subject to this award may be adjusted pursuant to the Plan if deemed appropriate by the Committee in its sole discretion.

12. Term of Agreement. This Agreement shall terminate when all Restricted Shares are either vested or forfeited and canceled as provided in the Plan and this Agreement.

13. Tax Matters.

(a) Participant shall be liable for any and all taxes, including withholding taxes, arising out of this grant or the vesting of Restricted Shares hereunder. Participant acknowledges that, at his or her option, Participant (i) shall be entitled to make the election permitted under section 83(b) of the Internal Revenue Code of 1986, as amended (the "Code"), to include in gross income in the taxable year in which the Restricted Shares are granted, the fair market value of such shares at the time of grant, notwithstanding that such shares may be subject to a substantial risk of forfeiture within the meaning of the Code, or (ii) may elect to include in gross income the fair market value of the Restricted Shares as of the date on which such restriction lapses.

(b) The Participant may elect to satisfy any withholding tax obligation arising out of the grant or the vesting of Restricted Shares hereunder (unless Participant shall make an election under Section 83(b) of the Code with respect thereto) by having the Company retain vested Restricted Shares having a fair market value equal to the Company's minimum withholding obligation (which amount may be rounded to the next highest whole share).

14. No Retention Rights. Neither the Restricted Shares nor anything contained in this Agreement shall give Participant the right to be retained by the Company or a subsidiary of the Company as an employee or in any other capacity. The Company and its subsidiaries reserve the right to terminate Participant's service at any time, with or without Cause.

15. Applicable Law. This Agreement will be interpreted and enforced under the laws of the State of Florida.

16. Participant's Access to the Plan. Participant may obtain an additional copy of the Plan by contacting the Company's Human Resources Department.

[Signature Page Follows]

This Agreement and the Plan constitute the entire understanding between Participant and the Company regarding this award. Any prior agreements, commitments or negotiations concerning this award are superseded. This Agreement may be amended only by another written agreement, signed by both parties.

PARTICIPANT

Date ______________________

____
Participant Signature

THE ST. JOE COMPANY

Date ______________________

By: ____
Rusty Bozman
Vice President Corporate Development and
Human Resources

EXHIBIT A

VESTING OF RESTRICTED SHARES

1. **Vesting of Restricted Shares**.

The number of Restricted Shares that shall vest under this Agreement shall be based upon the following performance goal: the Company's Total Shareholder Return as compared to the Total Shareholder Returns of the Company's Peer Groups during the Performance Period, as further described below. Upon (i) the expiration of the Performance Period, and (ii) the Committee's determination and certification of the extent to which the performance goal has been achieved, the Participant shall become vested in the number of Restricted Shares that corresponds to the level of achievement of the performance goal set forth below that is certified by the Committee. Such determination and certification shall occur no later than sixty (60) days after the conclusion of the Performance Period. If the Participant's employment terminates prior to the end of the Performance Period, all Restricted Shares shall automatically be forfeited and canceled as of the date of the Participant's termination of employment; provided, however, that the Participant may be eligible for a cash payment as described in Section 2 below.

Determination of Peer Groups:

The "Peer Groups" used for purposes of this **Exhibit A** shall be those companies included in each of the S&P Super Composite Homebuilder Index (the "Homebuilder Group") and the S&P 500 Index (the "S&P 500 Group") on the first day of the Performance Period, subject to change as described below. The Homebuilder Group shall be weighted as 60% of the final vesting calculation described below, and the S&P 500 Group shall be weighted as 40% of the final vesting calculation described below.

If a company in a Peer Group experiences a bankruptcy event during the Performance Period, the company will remain in the Peer Group and its stock price will continue to be tracked for purposes of the Total Shareholder Return calculation. If the company is subsequently acquired or goes private, the provisions below will apply. If the company liquidates, the company will remain in the Peer Group and its Ending Stock Price will be reduced to zero.

If a company in a Peer Group is acquired by another company in the same Peer Group, the acquired company will be removed from the Peer Group and the surviving company will remain in the Peer Group.

If a company in a Peer Group is acquired by a company not in the same Peer Group, the acquired company will remain in the Peer Group, and its Ending Stock Price will be equal to the value per share of the consideration paid to the shareholders of the acquired company in the transaction. The surviving company in such transaction will not be added to the Peer Group.

If a company in a Peer Group ceases to be a public company due to a going private transaction, the company will remain in the Peer Group, and its Ending Stock Price shall be equal to the value per share of the consideration paid to the shareholders of the target company in the transaction.

Changes in the S&P 500 Index and the S&P Super Composite Homebuilder Index during the Performance Period will not affect the Peer Groups, except as described above.

Calculation of Total Shareholder Return:

"Total Shareholder Return" for the Company and each company in the Peer Groups shall include dividends paid and shall be determined as follows:

$$\text{Total Shareholder Return} = \frac{\text{Change in Stock Price + Dividends Paid}}{\text{Beginning Stock Price}}$$

"Beginning Stock Price" shall mean the average closing sale price as reported on the New York Stock Exchange Composite Tape of one (1) share of common stock for the ten (10) trading days immediately prior to the first day of the Performance Period. The Beginning Stock Price shall be appropriately adjusted to reflect any stock splits, reverse stock splits or stock dividends during the Performance Period.

"Change in Stock Price" shall mean the difference between the Ending Stock Price and the Beginning Stock Price.

"Dividends Paid" shall mean the total of all cash and in-kind dividends paid on one (1) share of stock during the Performance Period.

"Ending Stock Price" shall mean the average closing sale price of one (1) share of common stock for the ten (10) trading days immediately prior to the last day of the Performance Period, except as otherwise provided under "Determination of Peer Groups" above. Such closing sale prices shall be as reported on the New York Stock Exchange, such other national securities exchange, or as reported by an applicable automated quotation system, the OTC Bulletin Board, or otherwise, as applicable.

"Performance Period" shall mean the period commencing on February 10, 2009, and ending on January 31, 2012.

Calculation of Weighted Average Percentile Rank:

Following the Total Shareholder Return determination for the Company and the companies in each Peer Group, the "Company Rank" for each Peer Group shall be determined by listing each company in each Peer Group (including the Company) from highest Total Shareholder Return to lowest Total Shareholder Return and counting up to the Company from the company with the lowest Total Shareholder Return.

The Company's separate "Percentile Rank" for each Peer Group shall then be determined as follows:

$$\text{Percentile Rank for each Peer Group} = \frac{\text{Company Rank in each Peer Group}}{\text{Total Number of companies in each Peer Group including the Company}}$$

The Company's "Weighted Average Percentile Rank" shall then be calculated as the sum of (i) the Company's Percentile Rank in the Homebuilder Group multiplied by 60%, and (ii) the Company's Percentile Rank in the S&P 500 Group multiplied by 40%. For example, at the conclusion of the Performance Period, if the Company's Percentile Rank in the Homebuilder Group were 65%, and the Company's Percentile Rank in the S&P 500 Group were 50%, the Company's Weighted Average Percentile Rank would be calculated as follows: [(.65 x .60) + (.50 x .40)] x 100 = 59%.

Calculation of Number of Vested Restricted Shares:

The percent of Restricted Shares that vest shall then be determined based on the following chart:

Company's Weighted Average Percentile Rank	Percent of Restricted Shares to Vest
75th and above	100%
70th	90%
65th	80%
60th	70%
55th	60%
50th	50%
45th	42.5%
40th	35%
35th	27.5%
30th	20%
25th	12.5%
Below 25th	0%

Interpolation shall be used to determine the percent of Restricted Shares that vest in the event the Company's Weighted Average Percentile Rank does not fall directly on one of the ranks listed in the above chart. Once the percent of Restricted Shares to vest has been determined, the percent shall be multiplied by the number of Restricted Shares awarded to determine the actual number of Restricted Shares that vest, rounded to the next highest whole share. All Restricted Shares that do not vest in accordance with this **Exhibit A** shall be automatically forfeited and canceled.

2. **Termination Provisions**.

(a) Generally. The Restricted Shares awarded under this Agreement shall vest only if the Participant's employment with the Company is continuous (as defined below) through the end of the Performance Period.

(b) Disability, Death or Retirement. If prior to the end of the Performance Period, a Participant (i) becomes totally or permanently disabled (as those terms are defined in the Company's long-term disability plan, as in effect on the date of such determination), (ii) dies, or (iii) Retires, all Restricted Shares awarded under this Agreement shall be immediately forfeited and canceled. Notwithstanding the foregoing, however, a Participant subject to any of the foregoing events shall be eligible for a cash payment based on the fair market value of a pro rata portion of their Restricted Shares that would have vested at the end of the Performance Period, which payment, if any, shall be made after the conclusion of the Performance Period. The determination of a cash payment, if any, made by the Committee pursuant to this Section 2(b) of this **Exhibit A** shall be made at the same time as the vesting determination shall be made for Participants who remained employed through the last day of the Performance Period. The cash payment, if any, shall be determined by multiplying the number of Restricted Shares that would have vested had the Participant remained an employee through the last day of the Performance Period by a fraction, the numerator of which is equal to the number of days of the Performance Period that the Participant was employed by the Company, and the denominator of which is the number of days in the Performance Period, multiplied by the closing price of a share of Company common stock on the date that the vesting determination is made by the Committee. Any cash payment shall be paid by the Company within thirty (30) days following the Committee's vesting determination and shall be subject to any tax or other withholding requirements deemed appropriate by the Company.

(1) For purposes of this **Exhibit A**, "Retire" shall mean (i) to terminate employment for other than Cause after completion of five continuous years of service with the Company and attainment of age 55, or (ii) as otherwise determined by the Committee. A Participant shall not be "Retired" for purposes of this definition if the Participant performs, or plans to perform, services (as an employee, independent contractor or in another capacity) on a substantially full-time basis (as determined by the Committee) for any third party.

(2) A Participant's service remains "continuous" for purposes of vesting under this **Exhibit A** even if the Participant goes on military leave, sick leave, or another bona fide leave of absence, if the leave was approved by the Company in writing and if continued crediting of service is required by the terms of the leave or by applicable law. However, the Participant must return to active work promptly, for a substantial period of time, upon the termination of such approved leave, or an interruption of service will be deemed to have occurred as of the date such leave began.

(c) Other Termination of Employment. In the event of the termination of Participant's employment other than as described in Section 2(b) above, all Restricted Shares awarded under this Agreement shall be forfeited and canceled. The Participant's transfer of employment to the Company or any subsidiary of the Company from another subsidiary of the Company or the Company during the Performance Period shall not constitute a termination of employment.

(d) Corporate Event. If there is a Corporate Event, the Restricted Shares shall become vested in full on the date of the Corporate Event. For purposes of this Section, "Corporate Event" means (1) the consummation of a merger or similar transaction as a result of which the Company's stockholders own 50% or less of the surviving entity's voting securities after such merger or similar transaction, (2) the sale, transfer, exchange or other disposition of all or substantially all of the Company's assets, or (3) the liquidation or dissolution of the Company. A transaction shall not constitute a Corporate Event if its sole purpose is to create a holding company that will be owned in substantially the same proportions by the persons who held the Company's securities immediately before such transaction. If prior to a Corporate Event occurring during the Performance Period, a Participant (i) becomes totally or permanently disabled (as those terms are defined in the Company's long-term disability plan, as in effect on the date of such determination), (ii) dies, or (iii) Retires, the Participant shall be eligible to receive a cash payment under this Section 2(d) in an amount determined by multiplying the total number of Restricted Shares (prior to forfeiture pursuant to Section 2(b) above) by a fraction, the numerator of which is equal to the number of days of the Performance Period that the Participant was employed by the Company, and the denominator of which is the number of days in the Performance Period, multiplied by the closing price of a share of Company common stock on the date of the Corporate Event, or if the Company ceases to be a publicly traded company as a result of the Corporate Event, the amount of the consideration paid for each share of outstanding common stock of the Company in connection with the Corporate Event. Any cash payment shall be paid by the Company or its successor within thirty (30) days following the date of the Corporate Event and shall be subject to any tax or other withholding requirements deemed appropriate by the Company or its successor. If a cash payment is made to the Participant pursuant to this Section 2(d), the Participant shall not receive a cash payment pursuant to Section 2(b).

(e) Section 409A Compliance. Notwithstanding any provision to the contrary in this Agreement, with respect to a Participant who terminates employment prior to the end of the Performance Period on account of either (i) total or permanent disability (as those terms are defined in the Company's long-term disability plan, as in effect on the date of such determination) or (ii) Retirement, and thereafter becomes entitled to a payment under Sections 2(b) or 2(d) of this **Exhibit A**, if such Participant was a "specified employee" within the meaning of Section 409A(a)(2)(B)(i) of the Internal Revenue Code of 1986, as amended (the "Code"), as of the date of the termination of such Participant's employment, then any cash amounts payable under Section 2(b) or 2(d) shall be paid instead to the Participant on the later of (x) the date on which a cash payment, if any, would otherwise be paid to the Participant pursuant to the terms of Section 2(b) or 2(d), and (y) the date which is six months following the Participant's date of termination, and not before. Furthermore, notwithstanding any provision to the contrary in this Agreement, with respect to a Participant who, prior to the end of the Performance Period, either (i) becomes totally or permanently disabled (as those terms are defined in the Company's long-term disability plan, as in effect on the date of such determination), (ii) dies or (iii) Retires, and thereafter a Corporate Event occurs, the Participant shall not be eligible to receive any cash payment pursuant to Section 2(d) if the Corporate Event does not also qualify as a change in the ownership or effective control of a corporation or a change in the ownership of a substantial portion of the assets of a corporation for purposes of Section 409A(a)(2)(A)(v) of the Code and the applicable Treasury regulations under that section. If, pursuant to the preceding sentence, a Corporate Event occurs but fails to qualify as a Qualifying Change of Control, the terms of this Agreement shall remain in effect after the date of such Corporate Event, and the Participant shall remain eligible for a cash payment at the end of the Performance Period pursuant to Section 2(b) or upon a subsequent Corporate Event that also qualifies as a Qualifying Change of Control pursuant to Section 2(d), in each case subject to and in accordance with the terms and conditions of this Agreement.

2009 Election Form – Board Compensation

____

Name (Last, First, Middle Initial)

Annual Retainer for all Directors

I irrevocably elect to receive my base **2009** annual retainer fee in the form of: (check one)

- o Cash Only ($50,000);
- o Stock Only — such number of shares of common stock of the Company equal in aggregate value to $62,500, valued at the closing price on the New York Stock Exchange on the day on which such board compensation is payable; or
- o $20,000 cash plus such number of shares of common stock of the Company equal in aggregate value to $42,500, valued at the closing price on the New York Stock Exchange on the day on which such board compensation is payable.

Additional Retainer for Chairman of the Board

I irrevocably elect to receive my **2009** additional retainer for service as the Chairman of the Board in the form of: (check one)

- o Cash Only ($50,000); or
- o Such number of shares of common stock of the Company equal in aggregate value to $62,500, valued at the closing price on the New York Stock Exchange on the day on which the board compensation is payable.

Additional Retainer for Chairperson of Audit and Finance Committee

I irrevocably elect to receive my **2009** additional retainer for service as the Chairperson of the Audit and Finance Committee in the form of: (check one)

- o Cash Only ($15,000); or
- o Such number of shares of common stock of the Company equal in aggregate value to $18,750, valued at the closing price on the New York Stock Exchange on the day on which the board compensation is payable.

Additional Retainer for Chairperson of Compensation Committee

I irrevocably elect to receive my **2009** additional retainer for service as the Chairperson of the Compensation Committee in the form of: (check one)

- o Cash Only ($7,500); or
- o Such number of shares of common stock of the Company equal in aggregate value to $9,375, valued at the closing price on the New York Stock Exchange on the day on which the board compensation is payable.

Additional Retainer for Chairperson of Governance Committee

I irrevocably elect to receive my **2009** additional retainer for service as the Chairperson of the Governance Committee in the form of: (check one)

- o Cash Only ($5,000); or
- o Such number of shares of common stock of the Company equal in aggregate value to $6,250, valued at the closing price on the New York Stock Exchange on the day on which the board compensation is payable.

I understand that my retainer election hereunder excludes reimbursed expenses. I also understand that I am agreeing to retain ownership of any shares I receive, including shares received in connection with any annual grant of common stock, until the earlier of five years or retirement from the board.

INSTRUCTIONS FOR DELIVERY OF SHARES (if electing to receive shares)

Please deliver my shares to the following brokerage account:

Broker DTC number: ______________________________
My personal account number: ______________________________
Broker's name and phone number: ______________________________

ACKNOWLEDGED AND AGREED:

______________________________ ______________________________
Signature **Date**

Exhibit 21.1

THE ST. JOE COMPANY
LIST OF SUBSIDIARIES
(includes 100% directly owned entities, indirectly owned entities and joint venture entities of
which we may be a majority, equal or minority partner)

COMPANY NAME	STATE OF ORGANIZATION
Artisan Park, L.L.C.	DE
Crooked Creek Utility Company	FL
Eagle Point, L.L.C.	FL
East San Marco, LLC	FL
Florida Timber Finance I, LLC	DE
Florida Timber Finance II, LLC	DE
Florida Timber Finance III, LLC	DE
Georgia Timber Finance I, LLC	DE
Panama City Beach Venture, LLC	DE
Paradise Pointe, L.L.C.	FL
Park Point Land, LLC	FL
Paseos, LLC	DE
Paseos Title, LLC	DE
Plume Street, LLC	DE
Plume Street Manager, LLC	DE
Residential Community Title Company	DE
Rivercrest, LLC	DE
Rivercrest Title, LLC	DE

COMPANY NAME	STATE OF ORGANIZATION
Southeast Bonded Homebuilder Warranty Association, L.L.C.	FL
St. James Island Utility Company	FL
St. Joe Capital I, Inc.	DE
St. Joe Central Florida Contracting, Inc.	FL
St. Joe Community Sales, Inc.	FL
St. Joe Finance Company	FL
St. Joe Residential Acquisitions, Inc.	FL
St. Joe-Southwood Properties, Inc.	FL
St. Joe Timberland Company of Delaware, L.L.C.	DE
St. Joe Utilities Company	FL
Sunshine State Cypress, Inc.	FL
SweetTea Publishing, L.L.C.	FL
Talisman Sugar Corporation	FL

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

The Board of Directors
The St. Joe Company:

We consent to the incorporation by reference in the registration statements (No 333-23571, No. 333-43007, No. 333-57126, No. 333-51728, No. 333-106046, No. 333-127344, and No. 333-127345) on Forms S-8 of The St. Joe Company of our reports dated February 24, 2009, with respect to the consolidated balance sheets of The St. Joe Company as of December 31, 2008 and 2007, and the related consolidated statements of income, changes in stockholders' equity, and cash flow for each of the years in the three-year period ended December 31, 2008, and the related financial statement schedule as of December 31, 2008 and the effectiveness of internal control over financial reporting as of December 31, 2008, which reports appear in the December 31, 2008 annual report on Form 10-K of The St. Joe Company.

/s/ KPMG LLP

February 24, 2009
Jacksonville, Florida
Certified Public Accountants

Exhibit 31.1

CERTIFICATION

I, Wm. Britton Greene, certify that:

1. I have reviewed this annual report on Form 10-K for the year ended December 31, 2008 of The St. Joe Company;

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

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

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

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

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

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

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

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

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

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

Date: February 24, 2009

/s/ Wm. Britton Greene
Wm. Britton Greene
Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, William S. McCalmont, certify that:

1. I have reviewed this annual report on Form 10-K for the year ended December 31, 2008 of The St. Joe Company;

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

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

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

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

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

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

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

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

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

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

Date: February 24, 2009

/s/ William S. McCalmont
William S. McCalmont
Chief Financial Officer

Exhibit 32.1

CERTIFICATION

Pursuant to 18 USC §1350, the undersigned officer of The St. Joe Company (the "Company") hereby certifies that the Company's Annual Report on Form 10-K for the year ended December 31, 2008 (the "Report") fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Wm. Britton Greene
Wm. Britton Greene
Chief Executive Officer

Dated: February 24, 2009

Exhibit 32.2

CERTIFICATION

Pursuant to 18 USC §1350, the undersigned officer of The St. Joe Company (the "Company") hereby certifies that the Company's Annual Report on Form 10-K for the year ended December 31, 2008 (the "Report") fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ William S. McCalmont
William S. McCalmont
Chief Financial Officer

Dated: February 24, 2009