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

Form 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2013

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to .

Commission file number: 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.)
133 South WaterSound Parkway **WaterSound, Florida** (Address of principal executive offices)	**32413** (Zip Code)

(850) 231-6400
(Registrant's telephone number, including area code)

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 ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES ☑ NO ☐

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

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

As of May 3, 2013, there were 92,302,299 shares of common stock, no par value, issued of which 92,282,030 were outstanding, and 20,269 are shares of treasury stock.

THE ST. JOE COMPANY
INDEX

PART I—FINANCIAL INFORMATION

Item 1. *Financial Statements*

THE ST. JOE COMPANY
CONDENSED CONSOLIDATED BALANCE SHEETS
(Dollars in thousands)
(Unaudited)

	March 31, 2013	December 31, 2012
ASSETS		
Investment in real estate	$ 370,935	$ 370,647
Cash and cash equivalents	168,652	165,980
Notes receivable, net	5,131	3,975
Pledged treasury securities	26,676	26,818
Prepaid pension asset	33,374	33,356
Property and equipment, net of accumulated depreciation of $37.6 million	12,121	12,149
Deferred tax asset	11,957	11,957
Other assets	22,475	20,639
Total assets	$ 651,321	$ 645,521
LIABILITIES AND EQUITY		
LIABILITIES:		
Debt	$ 35,752	$ 36,062
Accounts payable	17,590	14,773
Accrued liabilities and deferred credits	47,345	42,352
Total liabilities	100,687	93,187
EQUITY:		
Common stock, no par value; 180,000,000 shares authorized; 92,302,299 issued at March 31, 2013 and December 31, 2012; 92,282,030 and 92,285,408 outstanding at March 31, 2013 and December 31, 2012, respectively	891,793	891,798
Retained deficit	(333,335)	(330,861)
Accumulated other comprehensive loss	(8,555)	(8,652)
Treasury stock at cost, 20,269 and 16,891 shares held at March 31, 2013 and December 31, 2012, respectively	(285)	(260)
Total stockholders' equity	549,618	552,025
Noncontrolling interest	1,016	309
Total equity	550,634	552,334
Total liabilities and equity	$ 651,321	$ 645,521

See notes to condensed consolidated financial statements.

THE ST. JOE COMPANY
CONDENSED CONSOLIDATED BALANCE SHEETS
(Dollars in thousands)
(Unaudited)

The following presents the portion of the condensed consolidated balances presented above attributable to the Company's consolidated variable interest entities. The Company's consolidated variable interest entities include the Pier Park North joint venture and Artisan Park, L.L.C. See Note 3, *Variable Interest Entities.* The following assets may only be used to settle obligations of the consolidated variable interest entities and these liabilities are only obligations of the variable interest entities and do not have recourse to the general credit of the Company.

	March 31, 2013	December 31, 2012
ASSETS		
Investment in real estate	$ 4,922	$ —
Cash and cash equivalents	2,229	2,107
Other assets	143	166
	$ 7,294	$ 2,273
LIABILITIES AND EQUITY		
Accounts payable and accrued liabilities	$ 1,654	$ 1,073
Total liabilities	$ 1,654	$ 1,073

See notes to condensed consolidated financial statements.

Table of Contents

THE ST. JOE COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Dollars in thousands except shares and per share amounts)
(Unaudited)

	Three Months Ended March 31, 2013	Three Months Ended March 31, 2012
Revenues:		
Real estate sales	$ 8,056	$ 14,055
Resort, leisure and leasing revenues	9,022	6,969
Timber sales	9,695	9,494
Total revenues	**26,773**	**30,518**
Expenses:		
Cost of real estate sales	5,040	7,732
Cost of resort, leisure and leasing revenues	8,285	7,493
Cost of timber sales	6,035	6,336
Other operating expenses	2,925	3,744
Corporate expense	4,388	4,486
Depreciation, depletion and amortization	2,325	2,328
Total expenses	**28,998**	**32,119**
Operating Loss	**(2,225)**	**(1,601)**
Other (expense) income:		
Investment income, net	107	476
Interest expense	(600)	(831)
Other, net	250	1,734
Total other (expense) income	(243)	1,379
Loss before equity in loss from unconsolidated affiliates and income taxes	**(2,468)**	**(222)**
Equity in loss from unconsolidated affiliates	(12)	(11)
Income tax expense	—	(647)
Net loss	**$ (2,480)**	**$ (880)**
Less: Net loss attributable to noncontrolling interest	(6)	(6)
Net loss attributable to the Company	**$ (2,474)**	**$ (874)**
LOSS PER SHARE		
Basic and Diluted		
Weighted average shares outstanding	92,284,265	92,265,059
Net loss per share attributable to the Company	**$ (0.03)**	**$ (0.01)**

See notes to condensed consolidated financial statements.

THE ST. JOE COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(Dollars in thousands)
(Unaudited)

	Three Months Ended March 31,	
	2013	2012
Net loss:	**$ (2,480)**	**$ (880)**
Other comprehensive income, net of tax:		
Prior service cost arising during the period	—	438
Amortization of loss included in net periodic cost	97	—
Total other comprehensive income, net of tax	97	438
Total comprehensive loss	**$ (2,383)**	**$ (442)**

See notes to condensed consolidated financial statements.

Table of Contents

THE ST. JOE COMPANY
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
(Dollars in thousands, except shares)
(Unaudited)

	Common Stock						
	Outstanding Shares	Amount	Retained Earnings (Deficit)	Accumulated Other Comprehensive Loss	Treasury Stock	Noncontrolling Interest	Total
Balance at December 31, 2012	**92,285,408**	**$891,798**	**$(330,861)**	**$ (8,652)**	**$ (260)**	**$ 309**	**$552,334**
Net loss	—	—	(2,474)	—	—	(6)	(2,480)
Other comprehensive income	—	—	—	97	—	—	97
Capital contributions from noncontrolling interest	—	—	—	—	—	713	713
Amortization of stock based compensation	—	3	—	—	—	—	3
Reduction in excise tax benefits on stock options	—	(8)	—	—	—	—	(8)
Treasury shares received in lieu of taxes to be remitted on vesting of restricted stock awards	(3,378)	—	—		(25)	—	(25)
Balance at March 31, 2013	**92,282,030**	**$891,793**	**$(333,335)**	**$ (8,555)**	**$ (285)**	**$ 1,016**	**$550,634**

See notes to condensed consolidated financial statements.

THE ST. JOE COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in thousands)
(Unaudited)

	Three Months Ended March 31, 2013	Three Months Ended March 31, 2012
Cash flows from operating activities:		
Net loss	$ (2,480)	$ (880)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation, depletion and amortization	2,325	2,328
Stock based compensation	3	491
Accretion income	(188)	(110)
Equity in loss from unconsolidated joint ventures	12	11
Deferred income tax benefit	5	647
Pension charges (benefit)	79	(247)
Cost of operating properties sold	4,866	7,162
Expenditures for operating properties	(5,070)	(8,296)
Expenditures for Pier Park North joint venture	(1,534)	—
Changes in operating assets and liabilities:		
Notes receivable, net	(1,156)	440
Other assets	(1,876)	249
Accounts payable and accrued liabilities	7,338	1,836
Net cash provided by operating activities	2,324	3,631
Cash flows from investing activities:		
Purchases of property and equipment	(528)	(181)
Cash receipts from retained interest investments	196	—
Net cash used in investing activities	(332)	(181)
Cash flows from financing activities:		
Contribution to Pier Park North joint venture from noncontrolling interest	713	—
Taxes paid on behalf of employees related to stock based compensation and reduction in excise tax benefits on stock options	(33)	(152)
Net cash provided by (used in) financing activities	680	(152)
Net increase in cash and cash equivalents	2,672	3,298
Cash and cash equivalents at beginning of the period	165,980	162,391
Cash and cash equivalents at end of the period	$ 168,652	$ 165,689
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Interest	$ 608	$ 1,802
Income taxes	—	118
Non-cash financing and investment activities:		
Net decrease in Community Development District Debt	$ 168	$ 172
Net decrease in pledged treasury securities related to defeased debt	142	510
Expenditures of operating properties and property and equipment and financed	472	439

See notes to condensed consolidated financial statements.

THE ST. JOE COMPANY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands, unless otherwise stated)
(Unaudited)

1. Description of Business and Basis of Presentation

Description of Business

The St. Joe Company (the "Company") is a Florida-based real estate developer and manager. The Company owns approximately 567,000 acres of land concentrated primarily in Northwest Florida and has significant residential and commercial land-use entitlements in hand or in process. The majority of land not under development or part of the Company's various commercial, resort, leisure and leasing operations is used for the growing and selling of timber.

The Company conducts primarily all of its business in five reportable operating segments: 1) residential real estate, 2) commercial real estate, 3) rural land, 4) resorts, leisure and leasing operations and 5) forestry.

Basis of Presentation

The accompanying unaudited interim condensed consolidated financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC") for reporting on Form 10-Q. Accordingly, certain information and footnotes required by U.S. generally accepted accounting principles ("GAAP") for complete financial statements are not included herein. The interim condensed consolidated financial statements include the accounts of the Company and all of its majority-owned and controlled subsidiaries and variable interest entities that the Company is the primary beneficiary. The equity method of accounting is used for investments in which the Company has significant influence, but not a controlling financial interest. All significant intercompany accounts and transactions have been eliminated in consolidation. The December 31, 2012 balance sheet amounts have been derived from the Company's December 31, 2012 audited consolidated financial statements.

The statements reflect all normal recurring adjustments that, in the opinion of management, are necessary for fair presentation of the information contained herein. The interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2012. The Company adheres to the same accounting policies in preparation of its interim condensed consolidated financial statements. As permitted under GAAP, interim accounting for certain expenses, including income taxes, are based on full year assumptions. For interim financial reporting purposes, income taxes are recorded based upon estimated annual income tax rates.

Recently Issued and Adopted Accounting Pronouncements

In February 2013, the Financial Accounting Standards Board ("FASB") issued an accounting standards update ("ASU") that requires enhanced disclosures around the amounts reclassified out of accumulated other comprehensive income. The amendments do not change the requirements for reporting net income or other comprehensive income. The ASU requires an entity to present information about significant reclassifications out of accumulated other comprehensive income and their corresponding effects on the respective line items in net income. The Company adopted the ASU's disclosure provisions in Note 9, *Accumulated Other Comprehensive Loss*.

Table of Contents

2. Investment in Real Estate

Real estate by property type and segment includes the following:

	March 31, 2013	December 31, 2012
Operating property:		
Residential real estate	$ 2,786	$ 2,792
Resorts, leisure and leasing operations	153,048	152,906
Forestry	55,334	54,984
Rural land	139	139
Other	45	179
Total operating property	**211,352**	**211,000**
Development property:		
Residential real estate	133,000	133,835
Commercial real estate	57,018	59,851
Resorts, leisure and leasing operations	5,129	351
Rural land	5,768	5,768
Corporate	2,280	2,268
Total development property	**203,195**	**202,073**
Investment property:		
Commercial real estate	700	700
Resorts, leisure and leasing operations	255	255
Forestry	953	953
Other	3,208	3,216
Total investment property	**5,116**	**5,124**
Investment in unconsolidated affiliates[1]	2,210	2,222
Total real estate investments	**421,873**	**420,419**
Less: Accumulated depreciation	50,938	49,772
Investment in real estate	**$370,935**	**$ 370,647**

(1) Recorded in the Company's resorts, leisure and leasing operation's segment.

Operating property includes property that the Company uses for daily operations and activities. The resorts, leisure and leasing operating property includes the WaterColor Inn, golf courses, marinas, and property developed by the Company and used for residential and commercial rental purposes. Forestry operating property includes the Company's timberlands.

Development property consists of real estate land on which we have incurred development costs. Residential real estate includes mixed-use resort, primary and seasonal residential communities and includes costs directly associated with the land, development and construction of these communities, including common development costs such as roads, sewers, and amenities and indirect costs such as development overhead, capitalized interest, marketing and project administration. Commercial real estate includes land for commercial and industrial uses within large and small scale commerce parks, including land holdings near the Northwest Florida Beaches International Airport, as well as a wide range of multi-family rental projects and includes costs directly associated with the land and development costs, which also include common development costs such as roads and sewers. Rural land includes land with minimal development costs. Resorts, leisure and leasing development property primarily includes the land and construction under development for the consolidated joint venture at Pier Park North.

The capitalization period relating to direct and indirect development project costs is the period in which activities necessary to ready a property for its intended use are in progress. The period begins when such activities commence, typically when the Company begins the entitlement processes for land already owned, and ends when the asset is substantially complete and ready for its intended use. Determination of when construction of a project is substantially complete and ready for its intended use requires judgment. The Company determines when the capitalization period begins and ends through communication with project and other managers responsible for the tracking and oversight of individual projects. In the event that the activities to ready the asset for its intended use are suspended, the capitalization period will cease until such activities are resumed. If we determine not to complete a project, any previously capitalized costs are expensed in the period in which the determination is made and recovery is not deemed reasonable. During the three months ended March 31, 2013 and 2012, the Company has capitalized primary direct development costs.

Investment property includes the Company’s land held for future use that has not been allocated to a specific project.

Investment in unconsolidated affiliates reflects the Company’s investment in the East San Marco joint venture. See Note 3, *Variable Interest Entities.*

Impairment of Long Lived Assets

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. Long lived assets include the Company’s investments in operating, development and investment property. Some of the events or changes in circumstances that are considered by the Company as indicators of potential impairment include:

- a prolonged decrease in the market price or demand for the Company’s properties;
- a change in the expected use or development plans for the Company’s properties;
- a current period operating or cash flow loss for an operating property; and,
- an accumulation of costs in a development property that significantly exceeds its historical basis in property held long-term.

There were no events or changes in circumstances that would indicate that the carrying value of the Company’s assets would not be recoverable, and, therefore, the Company did not record any impairment charges during the three months ended March 31, 2013 and 2012.

3. Variable Interest Entities

The Company enters into real estate joint ventures for the purpose of developing real estate in which the Company may or may not have a controlling financial interest. GAAP requires consolidation of variable interest entities (“VIE”) in which an enterprise has a controlling financial interest and is the primary beneficiary. A controlling financial interest will have both of the following characteristics: (a) the power to direct the VIE activities that most significantly impact economic performance and (b) the obligation to absorb the VIE losses and right to receive benefits that are significant to the VIE. The Company examines specific criteria and uses judgment when determining whether the Company is the primary beneficiary and must consolidate a VIE. The Company performs this review initially at the time the Company enters into joint venture agreements and subsequently when reconsideration events occur.

Consolidated VIEs

During 2012, the Company entered into a joint venture agreement with a partner to develop a retail lifestyle center at Pier Park North. The Company and its partner will contribute total cash of approximately $15.0 million to the joint venture, of which the Company will contribute approximately $9.9 million or 66% of the cash contributions. As of May 3, 2013, the Company has contributed approximately $1.4 million of cash and land with an agreed upon value of $6.0 million to the joint venture.

In February 2013, the joint venture entered into a construction loan agreement for $40.5 million that matures in February 2016. As of March 31, 2013, no amounts were outstanding on the construction loan. The construction loan requires the Company to provide the following: (i) completion guarantee until substantial completion; (ii) principal repayment guarantee limited to 33% of the outstanding balance of the loan; (iii) guarantee covering, among other things, operating deficits and accrued and unpaid interest; and (iv) customary non-recourse covenants covering items like misrepresentation, misappropriation of funds and fraud. In addition, the construction loan includes covenants that the Company maintains minimum liquidity, which is defined as unencumbered and unrestricted cash or cash equivalents of $25 million and net worth of $350 million, which is defined as total assets less the Company's direct liabilities.

During the three months ended March 31, 2013, the Company has contributed $0.9 million in cash and land with an agreed upon value of $6.0 million, representing over 90% of the total equity in the joint venture. The Company's partner has contributed cash of $0.7 million into the joint venture during the three months ended March 31, 2013. In addition, the Company and its partner have provided the above guarantee on the VIE's construction loan. The construction loan requires additional capital contributions from the partners as specified in the construction loan agreement before amounts under the construction loan can be disbursed. In accordance with the joint venture agreement, additional cash contributions will be made 66% and 34% by the Company and its partner, respectively. The Company's partner is responsible for the day-to-day activities; however, the Company has significant involvement in the design of the related development plan and approves all major decisions including the project development and annual budgets. In accordance with the joint venture agreement, the Company will be entitled to 66% of the profits or losses of the VIE. The Company has evaluated the VIE consolidation requirements with respect to this transaction and has determined that the Company is the primary beneficiary as the Company has both the power to direct the activities that most significantly affect the VIE's economic performance and the obligation to absorb losses of and the right to receive benefits that are significant to the VIE. Therefore, the results of the VIE have been consolidated within the financial results of the Company.

In addition, the Company is the primary beneficiary of another real estate joint venture, Artisan Park, L.L.C, that is consolidated within the financial results of the Company. The Company is entitled to 74% of the profits or losses of this VIE and is responsible for the day-to-day activities of the joint venture; therefore, the Company has determined that the Company is the primary beneficiary as it has both the power to direct the activities that most significantly affect the joint venture's economic performance and the obligation to absorb losses of and the right to receive benefits that are significant to the VIE. If it is determined by the joint venture's executive committee that an additional capital contribution is needed, the partners shall be afforded the right, but shall not have the obligation, to make a capital contribution based on the partner's respective percentage interest.

As of March 31, 2013, the carrying amounts of the VIEs' assets and non-recourse liabilities that are consolidated were $7.3 million and $1.7 million, respectively. The VIEs' assets can only be used to settle obligations of that VIE. Those assets are owned by, and those liabilities are obligations of, the VIEs, and not the Company.

Unconsolidated VIEs

The Company is a partner in the following three real estate joint ventures that are accounted for using the equity method: East San Marco L.L.C., Rivercrest L.L.C., and ALP Liquidating Trust. These joint ventures were entered into to develop and sell certain mixed use residential and commercial projects, which only East San Marco L.L.C. still has real estate investments remaining in the joint venture. The Company has evaluated the VIE consolidation requirements with respect to these joint ventures and has determined that the Company is not the primary beneficiary, since the Company does not have the power to direct the activities that most significantly impact the economic performance of the VIE or the control is shared equally with the other partner. The Company's maximum exposure to losses in the VIEs is generally limited to its investment in the joint venture and the Company and the other partner do not have an obligation to make capital contributions without a mutual agreement. The Company's investments in unconsolidated joint ventures are recorded in real estate investments and were $2.2 million at March 31, 2013 and December 31, 2012.

Summarized financial information for the unconsolidated investments on a combined 100% basis is as follows:

	March 31, 2013	December 31, 2012
BALANCE SHEETS:		
Investment in real estate	$ 12,381	$ 12,381
Cash and cash equivalents	18,098	18,523
Other assets	357	130
Total assets	$ 30,836	$ 31,034
Accounts payable and other liabilities	$ 827	$ 761
Equity(1)	30,009	30,273
Total liabilities and equity	**$ 30,836**	**$ 31,034**

(1) The majority of the equity in unconsolidated investments relates to ALP Liquidating Trust ("The Trust). In 2008, the Company wrote-off its investment in the Trust as a result of the Trust reserving its assets to satisfy potential claims and obligations in accordance with its publicly reported liquidation basis of accounting. Subsequently, the Trust changed its method of accounting to a going concern basis and reinstated its equity and stated it would report certain expenses as they are incurred. The Company has not recorded any additional equity income as a result of the trust's change in accounting.

	For the Three Months Ended March 31, 2013	2012
STATEMENTS OF OPERATIONS:		
Total expenses	$ 332	$ 248
Net loss	**$ (332)**	**$ (248)**

4. Notes Receivable, net

Notes receivable, net consists of the following:

	March 31, 2013	December 31, 2012
Pier Park Community Development District notes, non-interest bearing, due December 2024, net of unamortized discount of $0.1 million, effective rates 5.73% — 8.0%	$ 2,759	$ 2,758
Interest bearing builder note — 4.0% at March 31, 2013, due February 2015, net of deferred profit of $1.2 million	1,184	—
Various mortgage notes, secured by certain real estate bearing interest at various rates	1,188	1,217
Total notes receivable, net	**$ 5,131**	**$ 3,975**

Deferred profit of $1.2 million at March 31, 2013 represents deferred profit on a transaction in which an insufficient down payment was received and the buyer does not have a contractual obligation to make an annual principal and interest payment on the mortgage note receivable of $2.4 million financed by the Company. The Company will recognize the $1.2 million of deferred profit when the Company receives the principal payments on the mortgage note receivable.

The Company evaluates the carrying value of the notes receivable and the need for an allowance for doubtful notes receivable at each reporting date. Notes receivable balances are adjusted to net realizable value based upon a review of entity specific facts or when terms are modified.

5. Financial Instruments and Fair Value Measurements

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 a liability. A three-tier fair value hierarchy is established as a basis for considering such assumptions and for inputs used in the valuation methodologies in measuring fair value:

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, such as internally-developed valuation models which require the reporting entity to develop its own assumptions.

Fair Value of Financial Instruments

The Company uses the following methods and assumptions in estimating fair value for financial instruments:

- The fair values of cash and cash equivalents, accounts receivable, accounts payable and accrued expenses, approximate their carrying values at March 31, 2013 and December 31, 2012, due to the short-term nature of these assets and liabilities. The Company's debt is at rates that approximate current market rates for these instruments. These financial instruments would be categorized as level 1.
- The fair value of the Company's pledged treasury securities are based on quoted market rates.
- The fair value of the Company's retained interest investment is the present value of the expected future cash flows at the effective yield.

The carrying amount and fair value of the Company's financial instruments were as follows (the table below excludes financial instruments with carrying values that approximate their fair values):

	March 31, 2013			December 31, 2012		
	Carrying value	Fair value	Level	Carrying value	Fair value	Level
Assets						
Pledged treasury securities	$ 26,676	$ 29,969	1	$ 26,818	$ 30,432	1
Retained interest investment	9,473	12,433	3	9,481	12,392	3

Pledged Treasury Securities

In connection with a sale of a commercial building in 2007, the Company completed an in-substance defeasance of approximately $29.3 million of mortgage debt that was collateralized by the commercial building. The Company assigned the mortgage debt and deposited sufficient funds with a trustee solely to satisfy the principal and remaining interest obligations on the mortgage debt when due. The interest yield on the pledged securities and the interest expense on the debt are closely related. The transaction did not qualify as an extinguishment of debt, since the Company is responsible if there would be a shortfall in the funds deposited into the trust, which are invested in government backed securities. The trust is not in the Company's control and the trustee cannot sell the securities prior to maturity.

As such, the government backed securities and the related debt (see Note 7, *Debt*) remain on the Company's Condensed Consolidated Balance Sheets at March 31, 2013 and December 31, 2012. The government backed securities are recorded as Pledged treasury securities on the Company's Condensed Consolidated Balance Sheets and are classified as held-to-maturity because the Company has both the intent and the ability since it is a contractual obligation of the assuming entity to hold the securities to maturity. Accordingly, the Company has recorded the pledged treasury securities at cost, adjusted for the amortization of the discount.

Retained Interest Investments

During 2008 and 2007, the Company sold 132,055 acres of timberland in exchange for fifteen year installment notes receivables in the aggregate amount of $183.3 million. The installment notes are fully backed by irrevocable letters of credit. The Company contributed the installment notes to bankruptcy remote qualified special purpose entities (the "entities").

During 2008 and 2007, the entities monetized $183.3 million of installment notes by issuing debt securities to third party investors equal to approximately 90% of the value of the installment notes. The Company received approximately $163.0 million in net proceeds during 2008 and 2007. The debt securities are payable solely out of the assets of the entities and proceeds from the letters of credit. The investors in the entities have no recourse against the Company for payment of the debt securities or related interest expense. The entities' financial position and results of operations are not consolidated in the Company's financial statements, since the Company is not the primary decision maker with respect to activities that could significantly impact the economic performance of the entities, nor does the Company perform any service activity related to the entities.

At the time of monetization the initial retained interest recorded was an estimate based on the present value of future excess cash flows expected to be received over the life of the retained interest, using management's best estimate of underlying assumptions, including credit risk and discount rates. The Company's continuing involvement with the entities is the receipt of the net interest payments and the remaining principal at the end of the note's fifteen year maturity period, in 2022 through 2024.

As of March 31, 2013 and December 31, 2012, the Company had a retained interest investment balance of $9.5 million recorded in Other assets on the Company's Condensed Consolidated Balance Sheets. The Company has classified its retained interest investment as held-to-maturity because the Company has both the intent and the ability to hold its interest in the entities to maturity. Accordingly, the Company has recorded the retained interest investment at cost, adjusted for the accretion of investment income over the life of the retained interest using the effective yield method with rates ranging from 3.7%-11.9%. The Company continues to update the expectation of cash flows to be collected over the term of the retained interest. Changes to the previously projected cash flows are accounted for prospectively, unless based on management's assessment of current information and events, it is determined that there is an other-than-temporary impairment. The Company has not recorded an other-than-temporary impairment related to its retained interest investments during the three months ended March 31, 2013 and 2012.

In the event of a failure and liquidation of the counterparties involved in the installment sales, the Company could be required to write-off the remaining retained interest recorded on its condensed consolidated balance sheets in connection with the installment sale monetization transactions.

6. Accrued Liabilities and Deferred Credits

Accrued liabilities and deferred credits consist of the following:

	March 31, 2013	December 31, 2012
Accrued compensation	$ 1,962	$ 3,529
Deferred revenue	27,846	27,962
Environmental and insurance liabilities	1,610	1,621
Other accrued liabilities	15,927	9,240
Total accrued liabilities and deferred credits	$47,345	$ 42,352

Deferred revenue at March 31, 2013 and December 31, 2012 includes $23.5 million related to a 2006 sale of approximately 3,900 acres of rural land to the Florida Department of Transportation. Revenue is recognized when title to a specific parcel is legally transferred. As of March 31, 2013, 1,595 acres remained to be transferred.

7. Debt

Debt at March 31, 2013 and December 31, 2012 consists of the following:

	March 31, 2013	December 31, 2012
In-substance defeased debt, interest payable monthly at 5.62% at March 31, 2013 and December 31, 2012, secured and paid by pledged treasury securities, due October 1, 2015	$26,676	$ 26,818
Community Development District debt, secured by certain real estate and standby note purchase agreements, due May 1, 2016 — May 1, 2039, bearing interest at 6.70% to 7.15% at March 31, 2013 and December 31, 2012	9,076	9,244
Total debt	$35,752	$ 36,062

Community Development District ("CDD") bonds financed the construction of infrastructure improvements at several of the Company's 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. The Company has recorded a liability for CDD assessments that are associated with platted property, which is the point at which the assessments become fixed or determinable. Additionally, the Company has recorded a liability for the balance of the CDD assessment that is associated with unplatted property if it is probable and reasonably estimable that the Company will ultimately be responsible for repaying either as the property is sold by the Company or when assessed to the Company by the CDD. The Company has recorded debt of $9.1 million and $9.2 million related to CDD assessments as of March 31, 2013 and December 31, 2012, respectively. Total outstanding CDD assessments were $34.6 million and $34.8 million at March 31, 2013 and December 31, 2012, respectively.

In connection with the sale of the Company's office building portfolio in 2007, the Company completed an in-substance defeasance of debt of approximately $29.3 million of mortgage debt, which has a final balloon payment in 2015. The Company purchased treasury securities sufficient to satisfy the scheduled interest and principal payments contractually due under the mortgage debt agreement. 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 Condensed Consolidated Balance Sheets at March 31, 2013 and December 31, 2012 since the transaction was not considered to be an extinguishment of debt because the Company is liable if, for any reason, the government securities are insufficient to repay the debt.

8. Employee Benefit Plan

The Company sponsors a cash balance defined benefit pension plan that covers substantially all of its salaried employees (the "Pension Plan"). In November 2012, the Board of Directors approved the termination of the Company's Pension Plan. In March 2013, the Pension Plan was frozen until the final regulatory approvals are received and the Pension Plan's assets will be distributed, used to pay excise taxes and the remaining assets will revert back to the Company. Upon settlement, the Company expects to recognize further estimated losses that will significantly affect the Company's Condensed Consolidated Statement of Operations once the final regulatory approvals are received and the Pension Plan assets are distributed, which is expected to occur in 2014 or early 2015.

A summary of the components of net periodic pension cost (benefit) is as follows:

	Three Months Ended March 31, 2013	2012
Service cost	$ 258	$ 1,040
Interest cost	170	881
Expected return on assets	(446)	(2,606)
Prior service costs	—	438
Amortization of loss	97	—
Net periodic pension cost (benefit)	$ 79	$ (247)

9. Accumulated Other Comprehensive Loss

Following is a summary of the changes in Accumulated other comprehensive loss for the Company's Pension Plan items during the three months ended March 31, 2013:

Accumulated other comprehensive loss at December 31, 2012	**$(8,652)**
Other comprehensive income before reclassifications	
Amounts reclassified from accumulated other comprehensive loss	97
Net current period other comprehensive income	97
Accumulated other comprehensive loss at March 31, 2013	**$(8,555)**

The Company reclassified $0.1 million from accumulated other comprehensive loss to net periodic cost for the amortization of loss related to the Company's Pension Plan.

10. Income Taxes

At March 31, 2013, the Company had a federal net operating loss carryforward of $89.5 million and a state net operating loss carryforward of $602.9 million. At December 31, 2012, the Company had a federal net operating loss carryforward of $83.5 million and a state net operating loss carryforward of $596.8 million. These net operating losses are available to offset future taxable income through 2031.

In general, a valuation allowance is recorded if, based on the weight of available evidence, it is more likely than not that some portion or all of the deferred tax asset will not be realized. Realization of the Company's 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 recent history of losses and future expectations of reporting taxable losses, management does not believe it met the requirements to realize the benefits of certain of its deferred tax assets, therefore the Company has maintained a valuation allowance. During the three month period ended March 31, 2013, the valuation allowance has increased by $0.8 million. The valuation allowance was $93.4 million at March 31, 2013 and $92.6 million at December 31, 2012.

The valuation allowance to offset the deferred tax component recognized in Accumulated other comprehensive loss was $3.3 million at March 31, 2013 and December 31, 2012.

11. Segment Information

The Company currently conducts primarily all of its business in five reportable operating segments: 1) residential real estate, 2) commercial real estate, 3) rural land, 4) resorts, leisure and leasing operations and 5) forestry. The residential real estate segment generates revenues from the development and sale of homesites. The commercial real estate segment sells undeveloped or developed land. The rural land segment sells parcels of land included in the Company's holdings of timberlands. The resorts, leisure and leasing operations segment generates service revenue and rental fees associated with the WaterColor Inn, WaterColor and WaterSound Beach vacation rental programs and other resort, golf club, marina and retail/commercial leasing operations. The forestry segment produces and sells woodfiber, sawtimber and other forest products.

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.

The Company uses loss from operations before equity in loss from unconsolidated affiliates, income taxes and non-controlling 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 herein and in the Company's Form 10-K. Total revenues represent sales to unaffiliated customers, as reported in the Company's Condensed Consolidated Statements of Operations. All intercompany transactions have been eliminated. The caption entitled "Other" consists of non-allocated corporate general and administrative expenses, net of investment income.

Information by business segment is as follows:

	Three Months Ended March 31, 2013	Three Months Ended March 31, 2012
OPERATING REVENUES:		
Residential real estate	$ 7,781	$ 3,746
Commerical real estate	226	6,026
Rural land	—	4,283
Resorts, leisure and leasing operations	9,022	6,969
Forestry	9,695	9,494
Other	49	—
Consolidated operating revenues	$ 26,773	$ 30,518
Loss before equity in loss from unconsolidated affiliates and income taxes:		
Residential real estate	$ 295	$ (2,207)
Commercial real estate	(676)	1,827
Rural land	(20)	2,140
Resorts, leisure and leasing operations	(945)	(1,525)
Forestry	3,525	2,761
Other	(4,647)	(3,218)
Consolidated loss before equity in loss from unconsolidated affiliates and income taxes	$ (2,468)	$ (222)

	March 31, 2013	December 31, 2012
TOTAL ASSETS:		
Residential real estate	$ 141,962	$ 141,526
Commerical real estate	62,305	64,961
Rural land	6,175	6,219
Resorts, leisure and leasing operations	129,946	125,596
Forestry	52,006	53,839
Other	258,927	253,380
Total assets	$ 651,321	$ 645,521

12. Commitments and Contingencies

In accordance with GAAP, the Company establishes an accrued liability for litigation and regulatory matters when those matters present loss contingencies that are both probable and estimable. In such cases, there may be an exposure to loss in excess of any amounts accrued. When a loss contingency is not both probable and estimable, the Company does not establish an accrued liability. As a litigation or regulatory matter develops, the Company, in conjunction with any outside counsel handling the matter, evaluates on an ongoing basis whether such matter presents a loss contingency that is probable and estimable. If, at the time of evaluation, the loss contingency related to a litigation or regulatory matter is not both probable and estimable, the matter will continue to be monitored for further developments that would make such loss contingency both probable and estimable. Once the loss contingency related to litigation or regulatory matter is deemed to be both probable and estimable, the Company will establish an accrued liability with respect to such loss contingency and record a corresponding amount of litigation-related expense. The Company continues to monitor the matter for further developments that could affect the amount of the accrued liability that has been previously established.

Regardless of whether an accrued liability has been established for a loss contingency, the Company estimates and discloses a range of possible loss for matters in which a loss is probable or reasonably possible in future periods. In such cases, the Company reviews and evaluates its material litigation and regulatory matters on an ongoing basis, in conjunction with any outside counsel handling the matter, in light of potentially relevant factual and legal developments. In cases in which the Company possesses sufficient appropriate information to develop an estimate of loss or range of possible loss, that estimate is aggregated and disclosed below. There may be other disclosed matters for which a loss is probable or reasonably possible but such an estimate may not be possible. For those matters where an estimate is possible, management currently estimates the aggregate range of possible loss below in excess of the accrued liability (if any) related to those matters. This estimated range of possible loss is based upon currently available information and is subject to significant judgment and a variety of assumptions, and known and unknown uncertainties. The matters underlying the estimated range will change from time to time, and actual results may vary significantly from the current estimate. Those matters for which an estimate is not possible are not included within this estimated range. Therefore, this estimated range of possible loss represents what the Company believes to be an estimate of possible loss only for certain matters meeting these criteria. It does not represent the Company's maximum loss exposure. Information is provided below regarding the nature of all of these contingencies and, where specified, the amount of the claim associated with these loss contingencies. Based on current knowledge, management does not believe that loss contingencies arising from pending matters, including the matters described herein, will have a material adverse effect on the consolidated financial position or liquidity of the Company. However, in light of the inherent uncertainties involved in these matters, some of which are beyond the Company's control, and the very large or indeterminate damages sought in some of these matters, an adverse outcome in one or more of these matters could be material to the Company's results of operations or cash flows for any particular reporting period.

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.

The Company's former paper mill site in Gulf County and certain adjacent properties are subject to various Consent Agreements and Brownfield Site Rehabilitation Agreements with the Florida Department of Environmental Protection. The paper mill site has been rehabilitated by Smurfit-Stone Container Corporation in accordance with these agreements. The Company is in the process of assessing and rehabilitating certain adjacent properties. Management is unable to quantify the rehabilitation costs at this time.

Other proceedings and litigation involving environmental matters are pending against the Company. Aggregate environmental-related accruals were $1.6 million at March 31, 2013 and December 31, 2012, respectively. Although the final resolution of the environmental litigation matters or governmental proceedings is not expected to have a material effect on the Company's consolidated financial condition, it is possible that any final judgment could have a material impact on the results of operations or cash flows of the Company for the particular reporting period in which the adjustment is recorded.

On November 3, 2010, a securities class action lawsuit was filed against St. Joe and certain of our current and former officers in the United States District Court for the Northern District of Florida (Meyer v. The St. Joe Company et al., No. 5:11-cv-00027). A consolidated class action complaint was filed in the case on February 24, 2011 alleging various securities laws violations primarily related to our accounting for our real estate assets. The complaint seeks an unspecified amount in damages. We filed a motion to dismiss the case on April 6, 2011, which the court granted without prejudice on August 24, 2011. Plaintiff filed an amended complaint on September 23, 2011. The Company filed a motion to dismiss the amended complaint on October 24, 2011. On January 12, 2012, the Court granted the motion to dismiss with prejudice and entered judgment in favor of St. Joe and the individual defendants. On February 9, 2012, plaintiff filed a motion to alter or amend the judgment, which the Court denied on February 14, 2012. On March 15, 2012, the plaintiff filed a notice of appeal to the United States Court of Appeal for the Eleventh Circuit. On February 25, 2013, the United States Court of Appeals for the Eleventh Circuit filed its decision affirming the trial court's dismissal of the complaint. On March 18, 2013, the plaintiff filed a petition for rehearing and rehearing en banc. On April 30, 2013, the Eleventh Circuit Court of Appeals denied plaintiff's petition for rehearing or rehearing en banc.

On March 29, 2011 and July 21, 2011, two separate derivative lawsuits were filed by shareholders on behalf of St. Joe against certain of its officers and directors in the United States District Court for the Northern District of Florida (Nakata v. Greene et. al., No. 5:11-cv-00090 and Packer v. Greene, et al., No. 3:11-cv-00344). The complaints allege breaches of fiduciary duties, waste of corporate assets and unjust enrichment arising from substantially similar allegations as those described above in the Meyer case. On June 6, 2011, the court granted the parties' motion to stay the Nakata action pending the outcome of the Meyer action. On September 12, 2011, a third derivative lawsuit was filed in the Northern District of Florida (Shurkin v. Berkowitz, et al., No. 5:11-cv-304) making similar claims as those in the Nakata and Packer actions. On September 16, 2011, plaintiffs in Nakata and Packer filed a joint motion to consolidate all derivative actions and appoint lead counsel. On October 3, 2011, plaintiff in Shurkin filed a cross motion seeking separate lead counsel for Shurkin and coordination of Shurkin with the other derivative cases. On October 6, 2011, the Company filed a response in which it stated that all derivative cases should be consolidated. On October 14, 2011, Nakata and Packer plaintiffs filed an amended joint motion seeking consolidation of those two cases only. On October 21, 2011, the court issued an order consolidating the Nakata and Packer lawsuits. On June 4, 2012, the court granted the parties a motion to stay the Shurkin action pending the outcome of the Meyer action. Further action in the Nakata, Packer, and Shurkin actions await final resolution of the Meyer action discussed above.

The Company believes that it has meritorious defenses to the above claims and intends to defend the actions vigorously. The Company believes that the probability of loss related to this litigation and an estimate of the amount of loss, if any, are not determinable at this time. The Company cannot evaluate the likelihood of an unfavorable outcome related to this litigation to be either "probable" or "remote", nor can they predict the amount or range of possible loss from an unfavorable outcome to give an estimated range.

On January 4, 2011 the SEC notified the Company it was conducting an inquiry into the Company's policies and practices concerning impairment of investment in real estate assets. On June 24, 2011, the Company received notice from the SEC that it has issued a related order of private investigation. The order of private investigation covers a variety of matters for the period beginning January 1, 2007 including (a) the antifraud provisions of the Federal securities laws as applicable to the Company and its past and present officers, directors, employees, partners, subsidiaries, and/or affiliates, and/or other persons or entities, (b) compliance by past and present reporting persons or entities who were or are directly or indirectly the beneficial owner of more than 5% of the Company's common stock (which includes Fairholme Funds, Inc., Fairholme Capital Management L.L.C. and the Company's current Chairman Bruce R. Berkowitz) with their reporting obligations under Section 13(d) of the Exchange Act, (c) internal controls, (d) books and records, (e) communications with auditors and (f) financial reports. The order designates officers of the SEC to take the testimony of the Company and third parties with respect to any or all of these matters. The Company is cooperating with the SEC on historical matters as well as communicating and providing relevant information regarding the Company's recent change in investment strategy and impairments. The Company believes that the probability of loss related to this matter and an estimate of the amount of loss, if any, are not determinable at this time. The Company cannot evaluate the likelihood of an unfavorable outcome related to this matter to be either "probable" or "remote", nor can they predict the amount or range of possible loss from an unfavorable outcome to give an estimated range.

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

At March 31, 2013 and December 31, 2012, the Company was party to surety bonds related to certain development projects of $10.4 million and $10.3 million and standby letters of credit in the amount of $1.1 million at March 31, 2013 and December 31, 2012, which may potentially result in liability to the Company if certain obligations of the Company are not met.

13. Concentration of Risks and Uncertainties

The Company's real estate investments are concentrated in the State of Florida, particularly Northwest Florida in a number of specific development projects. Uncertainty of the duration of the weakened economy could have an adverse impact on the Company's real estate values and could cause the Company to sell assets at depressed values in order to pay ongoing expenses.

Financial instruments that potentially subject the Company to a concentration of credit risk consist of cash, cash equivalents, notes receivable, investments in retained interests and pledged securities held as collateral for payment of the in-substance defeased debt. The Company deposits and invests excess cash with a major financial institution in the United States. Balances exceed the amount of F.D.I.C. insurance provided on such deposits.

In April 2013, the Company engaged Fairholme Capital Management, L.L.C. ("Fairholme"), to serve as the Company's investment advisor for a portion of the Company's cash and cash equivalents. Fairholme owns approximately 27.7% of the

Company's common stock. Mr. Bruce Berkowitz is the Managing Member of Fairholme and the Chairman of the Company's Board of Directors. Fairholme will receive no compensation for their services as the Company's investment advisor. In April 2013, the Company transferred $100.0 million of cash into an investment account managed by Fairholme, which will be invested in accordance with investment guidelines approved by the Investment Committee of the Board of Directors. The investment guidelines require that the investment account as of the trade date has a maximum of 50% of fixed income securities, which may be investment grade or non-investment grade, and 10% of any one issuer, excluding the U.S. Government, and the remaining balance of the account is to be held in investment grade cash and cash equivalents, which are required to be a minimum of 50% of the investment account.

Some of the Company's notes receivable are from homebuilders and other entities associated with the real estate industry. As with many entities in the real estate industry, revenues have contracted for these companies, and they may be increasingly dependent on their lenders' continued willingness to provide funding to maintain ongoing liquidity. The Company evaluates the need for an allowance for doubtful notes receivable at each reporting date.

RockTenn's Panama City, Florida mill is the largest consumer of pine Pulpwood logs within the immediate area in which most of the Company's timberlands are located. Under the terms of a supply agreement, RockTenn would be liable for any monetary damages as a result of the closure of the mill due to economic reasons for a period of one year from the date of the closure. Nevertheless, if the RockTenn mill in Panama City were to permanently cease operations, the price for the Company's pulpwood may decline, and the cost of delivering logs to alternative customers could increase.

Item 2. ***Management's Discussion and Analysis of Financial Condition and Results of Operations***

You should read the following discussion and analysis in conjunction with our unaudited Condensed Consolidated Financial Statements and the related notes thereto included in Item 1 of this Quarterly Report on Form 10-Q and our audited Consolidated Financial Statements and the related notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2012.

As used throughout this Quarterly Report on Form 10-Q, the terms "St. Joe," the "Company," "we," "our," or "us" include The St. Joe Company and its consolidated subsidiaries unless the context indicates otherwise.

Business Overview

We own land, timber and resort assets located primarily in Northwest Florida and in and around the Jacksonville and Tallahassee regions of North Florida, including significant Gulf of Mexico beach frontage and waterfront properties. We seek higher and better uses for our assets through a range of activities from forestry to strategic land planning and development, infrastructure improvements and promoting economic development in the region where we operate. We may explore the sale of such assets when they reach their highest and best use.

We have five operating segments: residential real estate, commercial real estate, rural land, resorts, leisure and leasing operations and forestry. The table below sets forth the relative contribution of these operating segments to our consolidated operating revenues:

	Three Months Ended	
	March 31, 2013	March 31, 2012
Segment Operating Revenues		
Residential real estate	29.1%	12.5%
Commercial real estate	0.7%	19.7%
Rural land	—	14.1%
Resorts, leisure and leasing operations	33.6%	22.6%
Forestry	36.2%	31.1%
Other	0.4%	—
Consolidated operating revenues	100.0%	100.0%

Residential Real Estate

Our residential real estate segment typically plans and develops mixed-use resort, primary and seasonal residential communities of various sizes, primarily on our existing land.

Our residential real estate segment generates revenues from:

- the sale of developed homesites;
- the sale of parcels of entitled, undeveloped lots;
- a lot residual on homebuilder sales that provides us a percentage of the sale price of the completed home if the home price exceeds a negotiated threshold; and
- fees on certain transactions.

Our residential real estate segment incurs cost of revenues from:

- costs directly associated with the land, development and construction of real estate sold, indirect costs such as development overhead, capitalized interest, marketing, project administration, and selling costs; and
- brokerage fees.

Commercial Real Estate

In our commercial real estate segment we plan, develop and entitle our land holdings, often in conjunction with strategic partners, for a broad range of retail, office, hotel, industrial and multi-family uses. We sell land for commercial and light industrial uses within large and small-scale commerce parks, as well as for multi-family rental projects.

Our commercial real estate segment generates revenues from the sale of developed and undeveloped land for retail, multi-family, office, hotel and industrial uses and from the sale of undeveloped land or land with limited development, and easements. Our commercial real estate segment incurs costs of revenues from costs directly associated with the land, development costs and selling costs.

Rural Land

Our rural land segment markets and sells tracts of land of varying sizes for rural recreational, conservation and timberland uses. Our rural land segments prepares land for sale for these uses through harvesting, thinning and other siviculture practices, and in some cases, limited infrastructure development. Our rural land segment generates revenues from the sale of undeveloped land, land with limited development and easements. Our rural land segment incurs costs of revenue from the cost of land, minimal development costs and selling costs.

Resorts, Leisure and Leasing Operations

Our resorts, leisure and leasing operations segment generates revenues from our recurring revenue streams, which primarily include the WaterColor Inn and vacation rentals, golf courses, marinas and leasing operations.

WaterColor Inn and Vacation Rentals – Our resorts, leisure and leasing operations segment generates revenues from the WaterColor Inn and Resort, an award winning boutique hotel, the WaterSound Beach club and our vacation rental business. The WaterColor Inn incurs costs from the cost of services and goods provided, personnel costs and third party management fees. Our vacation rental business generates revenues from the rental of private homes to families vacationing in the area. The vacation rental business incurs costs from marketing, personnel and general maintenance for the homeowner. Also included in the vacations rental business' costs are amounts owed to the homeowner for their percentage of revenue.

Golf Courses – Our golf courses generate revenues from memberships, daily play, merchandise sales and food and beverage and incur costs from the services provided, maintenance of the golf course facilities, personnel costs and third party management fees.

Marinas – Our marinas generate revenues from boat slip rentals and fuel sales, and incur costs from cost of services provided, maintenance of the marina facilities and personnel costs.

Leasing Operations – Our leasing operations generate revenues from leasing retail and commercial property and incur costs primarily from maintenance of the properties and personnel costs.

Forestry

Our forestry segment focuses on the management and harvesting of our extensive timber holdings. We grow, harvest and sell sawtimber, wood fiber and forest products and provide land management services for conservation properties. Our forestry segment generates revenues from the sale of wood fiber, sawtimber, standing timber and forest products and conservation land management services. Our forestry segment incurs costs of revenues from internal costs of forestry management, external logging costs, and property taxes.

A significant portion of the revenue from our forestry segment is generated pursuant to our supply agreement entered into in November 2010 with RockTenn ("RockTenn Supply Agreement"), under which we sell delivered wood (trees that we cut and deliver). Under the terms of the RockTenn Supply Agreement, the price for timber is based upon the average of the market price for stumpage and the market price for delivered wood, each as set forth in an established index. In addition, pursuant to the RockTenn Supply Agreement, Smurfit-Stone Container Corporation and RockTenn would be liable for any monetary damages as a result of the closure of the mill due to economic reasons for a period of one year from the date of closure. Nevertheless, if the RockTenn mill in Panama City, Florida, were to permanently cease operations, the price for pulpwood may decline, and the cost of delivering logs to alternative customers would increase.

Critical Accounting Estimates

The discussion and analysis of our financial condition and results of operations are based upon our condensed 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, revenues and expenses, and related disclosures of contingent assets and liabilities. We base these estimates on historical experience, available current market information 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, and our accounting estimates are subject to change.

The critical accounting policies that we believe reflect our more significant judgments and estimates used in the preparation of our consolidated financial statements are set forth in Item 7 of our Annual Report on Form 10-K for the year ended December 31, 2012. There have been no significant changes in these policies during the first three months of 2012, however there is no assurance that these policies will not change in the future.

Recently Issued and Adopted Accounting Standards

See Note 1 to our unaudited condensed consolidated financial statements included in this report for recently issued and adopted accounting standards, including the date of adoption and effect on our condensed consolidated financial statements.

Seasonality

Our residential real estate business and our resorts, leisure and leasing operation's businesses are affected by seasonal fluctuations. Revenues from our resorts, leisure and leasing operation's businesses are typically higher in the second and third quarters; however, they can vary depending on the timing of holidays and school breaks, including spring break. Our residential real estate business revenues are typically higher in the second and third quarters than the first and fourth quarters due to customer traffic and sales.

Results of Operations

Consolidated Results

Revenues and expenses. The following table sets forth a comparison of the results of our operations for the three months ended March 31, 2013 and 2012:

	Three Months Ended March 31, 2013	2012
	(Dollars in millions)	
Revenues:		
Real estate sales	$ 8.1	$ 14.1
Resort, leisure and leasing revenues	9.0	6.9
Timber sales	9.7	9.5
Total	$ 26.8	$ 30.5
Expenses:		
Cost of real estate sales	$ 5.1	$ 7.7
Cost of resort, leisure and leasing revenues	8.3	7.5
Cost of timber sales	6.0	6.3
Other operating expenses	2.9	3.8
Corporate expenses	4.4	4.5
Depreciation, depletion and amortization	2.3	2.3
Total	29.0	32.1
Operating Loss	**(2.2)**	**(1.6)**
Other (expense) income	(0.3)	1.4
Loss before equity in loss from unconsolidated affiliates and income taxes	(2.5)	(0.2)
Equity in loss from unconsoldiated affiliates	—	—
Income tax expense	—	0.7
Net loss	$ (2.5)	$ (0.9)

Real Estate Revenues. Real estate sales decreased $6.0 million or 43% in the three months ended March 31, 2013 as compared to the same period in 2012 primary due to the following:

- There were no significant rural land sales during the three months ended March 31, 2013 due to our strategy to only sell rural land opportunistically as compared to one rural land sale for $4.3 million during the three months ended March 31, 2012.
- There were no significant commercial real estate sales during the three months ended March 31, 2013 as compared to two commercial real estate sales for a total of $6.0 million, which included one sale for $5.4 million, during the three months ended March 31, 2012; offset by
- Higher volumes of homesite sales resulting in an increase in residential real estate revenue of approximately $4.0 million or 111%.

Cost of Real Estate Sales. For the three month period ended March 31, 2013, the $2.6 million or 34% decrease in cost of real estate sales over the same period in 2012 was driven by the overall decrease in commercial and rural land sales with a corresponding decrease in cost of sales of $5.1 million for commercial and rural land sales. This decrease is offset by an increase of $2.4 million or 100% in our residential real estate due to the increase in residential real estate sales.

Resorts, Leisure and Leasing Revenues. Resorts, leisure and leasing revenues increased $2.1 million or 30% during the three months ended March 31, 2013 and compared to the same period in 2012 due to several factors:

- higher average room rates and increased food and beverage sales at the WaterColor Inn,
- an increase in the number of homes in our vacation rental program, and
- an earlier spring break season, which accelerated revenue into the first quarter of 2013 from the second quarter of 2013.

Timber Revenues and Costs of Sales. For the three month period ended March 31, 2013, revenues increased by approximately $0.2 million or 2.1% as compared to the same period in 2012 as a result of increased prices of pine pulpwood and sales under the RockTenn Supply Agreement. Timber costs decreased during the three months ended March 31, 2013 as compared to the same period in 2012 due to a decrease in volume of tons harvested combined with lower costs.

Other Operating and Corporate Expenses. Other operating and corporate expenses decreased by $1.0 million or 12% during the three months ended March 31, 2013 as compared to the same period in 2012. The $1.0 million decrease was driven primarily by decrease in employee costs, including stock based compensation of $0.5 million.

Income Tax Expense. We had no income tax expense during the three months ended March 31, 2013 as compared to income tax expense of $0.7 million during the three months ended March 31, 2012. Our income tax expense can vary due to timing of temporary differences and may not correlate with our book loss.

Segment Results

Residential Real Estate

We believe our residential sales are showing signs of recovery in many of our Northwest Florida projects. However, with the U.S. and Florida economies still battling the adverse effects of home foreclosures, restrictive credit, significant inventories of unsold homes and weak economic conditions, the timing of a sustainable recovery at all our residential projects remains uncertain.

The table below sets forth the results of operations of our residential real estate segment for the three months ended March 31, 2013 and 2012:

	Three Months Ended March 31, 2013	Three Months Ended March 31, 2012
	(Dollars in millions)	
Revenues:		
Real estate sales	$ 7.6	$ 3.6
Other	0.2	0.1
Total revenues	**$ 7.8**	**$ 3.7**
Expenses:		
Cost of real estate sales	$ 4.8	$ 2.4
Other operating expenses	2.0	2.4
Depreciation and amortization	0.2	0.4
Total expenses	7.0	5.2
Operating income (loss)	**0.8**	**(1.5)**
Other expense	(0.5)	(0.7)
Income (loss)	**$ 0.3**	**$ (2.2)**

Table of Contents

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

	Three Months Ended March 31, 2013	Three Months Ended March 31, 2012
	(Dollars in millions)	
Sales	$ 7.6	$ 3.6
Cost of sales:		
Direct costs	4.3	2.0
Indirect costs	0.4	0.3
Selling costs	0.1	0.1
Total cost of sales	4.8	2.4
Gross profit	$ 2.8	$ 1.2
Gross profit margin	36.8%	33.3%
Total units sold	80	31
Units sold with deferred profit	19	—

The following table sets forth homesite sales activity by geographic region and property type:

	Three Months Ended March 31, 2013				Three Months Ended March 31, 2012			
	Closed Units	Revenues	Cost of Sales	Gross Profit	Closed Units	Revenues	Cost of Sales	Gross Profit
				(Dollars in millions)				
Northwest Florida:								
Resort homesites	41	$ 5.7	$ 3.4	$ 2.3	13	$ 2.7	$ 1.7	$ 1.0
Primary homesites	25	1.4	1.0	0.4	15	0.8	0.6	0.2
Northeast Florida:								
Primary homesites	14	0.5	0.4	0.1	3	0.1	0.1	—
Total	80	$ 7.6	$ 4.8	$ 2.8	31	$ 3.6	$ 2.4	$ 1.2

Real estate sales in our residential segment increased $4.0 million or 111% to $7.6 million during the three months ended March 31, 2013 as compared to the same period in 2012. The primary drivers of the increase in real estate sales are as follows:

- Increase in volumes of homesites sold in our WaterColor, WaterSound Beach and WaterSound West Beach Northwest Florida resort communities. This increase in volume includes a sale of 19 lots in our WaterSound West Beach resort community for approximately $3.0 million, which we recorded deferred profit of $1.2 million. We will recognize the $1.2 million of deferred profit when we receive the principal payments on the $2.4 million mortgage note that we financed.
- Increase in volumes of homesites sold in our Breakfast Point community and increased homesite prices in our SouthWood community, both of which are located in Northwest Florida.
- Increase in volumes of homesites sold in our RiverTown community in Northeast Florida.

Other operating expenses include salaries and benefits, marketing, project administration, support personnel and other administrative expenses. Other operating expenses were $2.0 million for the three months ended March 31, 2013 as compared to $2.4 million for three months ended March 31, 2012. The decrease of $0.4 million in operating expenses was primarily due to reductions in employee costs.

Commercial Real Estate

The table below sets forth the results of operations of our commercial real estate segment for the three months ended March 31, 2013 and 2012:

	Three Months Ended March 31, 2013	2012
	(In millions)	
Revenues:		
Commerical real estate sales	$ 0.2	$ 6.0
Expenses:		
Cost of commercial real estate sales	0.2	3.3
Other operating expenses	0.6	0.8
Depreciation	—	0.1
Total expenses	0.8	4.2
Operating loss (income)	(0.6)	1.8
Other expense	(0.1)	—
Net (loss) income	**$ (0.7)**	**$ 1.8**

During the three months ended March 31, 2013, there were no significant transactions of commercial real estate as compared to two commercial land sales for a total of $6.0 million during the three months ended March 31, 2012, which included one sale for $5.4 million.

Other operating expenses include salaries and benefits, professional fees and other administrative expenses, and these expenses declined $0.2 million during the three months ended March 31, 2013 as compared to the same period in 2012 primarily due to reduced employee costs.

Rural Land

During the three months ended March 31, 2013, there were no significant transactions in our rural land segment as compared to one rural land sale for $4.3 million during the three months ended March 31, 2012. Revenues can vary drastically in our rural land segment based on our strategy to only sell rural land opportunistically.

Resorts, Leisure and Leasing Operations

The table below sets forth the results of operations of our resorts, leisure and leasing operations segment for the three months ended March 31, 2013 and 2012.

	Three Months Ended March 31, 2013	2012
	(Dollars in millions)	
Revenues:		
Resort and vacation rentals	$ 5.6	$ 4.2
Golf courses	2.0	1.7
Marinas	0.4	0.4
Leasing operations	1.0	0.6
Total resort, leisure and leasing	**$ 9.0**	**$ 6.9**
Expenses:		
Cost of resort and vacation rentals	$ 5.6	$ 4.8
Cost of golf courses	1.9	1.8
Cost of marina revenues	0.3	0.3
Cost of leasing operations	0.5	0.6
Other operating expenses	0.1	—
Depreciation	1.6	1.2
Total	**10.0**	**8.7**
Operating loss	**(1.0)**	**(1.8)**
Other income	—	0.3
Net loss	**$ (1.0)**	**$ (1.5)**

Revenues from resort and vacation rentals increased $1.4 million or 33% in 2013 as compared to the same period in 2012 due to several factors:

- higher average room rates and increased food and beverage sales at the WaterColor Inn,
- an increase in the number of homes in our vacation rental program, and
- an earlier spring break season, which accelerated revenue into the first quarter of 2013 from the second quarter of 2013.

Revenues from our golf courses increased due to an earlier spring break season, which accelerated revenue into the first quarter of 2013 from the second quarter of 2013.

Revenues from our leasing operations increased $0.4 million due to rent commencing from build-to-suit leases.

Forestry

The table below sets forth the results of operations of our forestry segment for the three months ended March 31, 2013 and 2012.

	Three Months Ended March 31, 2013	2012
	(In millions)	
Revenues:		
Timber sales	$ 9.7	$ 9.5
Expenses:		
Cost of timber sales	6.0	6.3
Other operating expenses	0.2	0.4
Depreciation and depletion	0.5	0.5
Total expenses	6.7	7.2
Other income	0.5	0.5
Net income	**$ 3.5**	**$ 2.8**

The relative contribution to our timber sales by major item for the three months ended March 31, 2013 and 2012 are as follows:

	Three Months Ended March 31, 2013	2012
Percent of total tons sold:		
Pine pulpwood	69%	69%
Pine sawtimber	26%	24%
Pine grade logs	5%	6%
Other	0%	1%
Total	100%	100%

Timber sales increased $0.2 million or 2.1% during the three months ended March 31, 2013 as compared to the same period in the prior year. Timber sales include sales of wood fiber to RockTenn, pursuant to the RockTenn Supply Agreement, and sales in the open market. RockTenn has a Panama City, Florida mill which is the largest consumer of pine pulpwood logs within the immediate area in which most of our timberlands are located. Sales under this agreement were $3.7 million (137,000 tons) in the three months ended March 31, 2013 and $3.5 million (138,000 tons) during the three months ended March 31, 2012, yielding a per ton price of $27 and $25, respectively.

Open market sales during the three months ended March 31, 2013 totaled $6.0 million (189,000 tons) as compared to $6.0 million (213,000 tons) in the three months ended March 31, 2012, yielding a per ton price of $31 and $28, respectively. The gross margin increased during the three months ended March 31, 2013 to 38.1% as compared to 33.7% in the same period in 2012. This increase was due to increased prices, lower volumes and lower costs during the three months ended March 31, 2013 as compared to the same period in 2012.

Other income, which consists primarily of income from hunting leases, was $0.6 million and $0.5 million for the three months ended March 31, 2013 and 2012, respectively.

Liquidity and Capital Resources

As of March 31, 2013, we had cash and cash equivalents of $168.7 million, compared to $166.0 million as of December 31, 2012.

In April 2013, we engaged Fairholme Capital Management, L.L.C. (“Fairholme”), to serve as our investment advisor for our cash and cash equivalents. Fairholme will receive no compensation for their services as the Company’s investment advisor. Fairholme owns approximately 27.7% of our common stock. Mr. Bruce Berkowitz is the Managing Member of Fairholme and the Chairman of our Board of Directors. In April 2013, we transferred $100.0 million of cash into an investment account managed by Fairholme, which will be invested in accordance with investment guidelines approved by the Investment Committee of the Board of Directors. The investment guidelines require that the investment account as of the trade date has a maximum of 50% of fixed income securities, which may be investment grade or non-investment grade, and 10% of any one issuer, excluding the U.S. Government, and the remaining is be held in investment grade cash and cash equivalents, which are required to be a minimum of 50% of the investment account.

In November 2012, the Board of Directors approved the termination of our pension plan. We anticipate receiving between $15 million to $19 million in cash in 2014 or early 2015 upon the termination of our pension plan, which is overfunded. Regulatory approval for the termination of the pension plan is required before the cash will be released to us. In addition, we currently expect to recognize future estimated losses of approximately $22 million to $26 million as a result of terminating our pension plan.

We believe that our current cash position and our anticipated cash flows will provide us with sufficient liquidity to satisfy our anticipated working capital needs and capital expenditures.

We expect to incur approximately $25.8 million in future capital expenditures during 2013 for the development of our residential real estate projects. Expected capital expenditures exclude additional cash contributions of $8.5 million that we will make for the Pier Park North joint venture and capital expenditures in the Pier Park North joint venture.

CDD bonds financed the construction of infrastructure improvements at several 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 CDD assessments that are associated with platted property, which is the point at which the assessments become fixed or determinable. Additionally, we have recorded a liability for the balance of the CDD assessment that is associated with unplatted property if it is probable and reasonably estimable that we will ultimately be responsible for repaying either as the property is sold by us or when assessed to us by the CDD. We have recorded debt of $9.0 million related to CDD debt as of March 31, 2013. Total outstanding CDD assessments were $34.6 million at March 31, 2013, which is comprised of $19.3 million at SouthWood, $11.7 million at RiverTown, and $3.5 million at the existing Pier Park mall.

Summary of Cash Flows

A summary of our cash flows from operating, investing and financing for the three months ended March 31, 2013 and March 31, 2012 are as follows:

	Three Months Ended March 31,	
	2013	2012
	(Dollars in millions)	
Net cash provided by operating activities	$ 2.3	$ 3.6
Net cash (used in) investing activities	(0.3)	(0.2)
Net cash provided by (used in) financing activities	0.7	(0.1)
Net increase in cash and cash equivalents	2.7	3.3
Cash and cash equivalents at beginning of the period	166.0	162.4
Cash and cash equivalents at end of the period	$ 168.7	$ 165.7

Cash Flows from Operating Activities

Net cash provided by operations was $2.3 million for three months ended March 31, 2013 as compared to $3.6 million for the same period in 2012. Cash flows from operating activities include costs 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 segment, our timberland operations and land developed by the commercial real estate segment.

During the three months ended March 31, 2013, capital expenditures were $3.4 million relating to our residential real estate segment, $0.5 million for our commercial real estate segment, $0.9 million for our forestry segment and $0.2 million related to our resorts, leisure and leasing segment. In addition during the three months ended March 31, 2013, capital expenditures for the Pier Park North joint venture were approximately $1.5 million.

Cash Flows used in Investing Activities

Net cash provided by investing activities was nominal in the first three months of 2013 and 2012. Net cash used in investing activities includes capital expenditures for plant and equipment, offset by cash proceeds from our retained interest investments.

Cash Flows from Financing Activities

Net cash provided by financing activities was $0.7 million for the three months ended March 31, 2013, for the noncontrolling partner's cash contributions to the Pier Park North joint venture.

Off-Balance Sheet Arrangements

There were no material changes to the quantitative and qualitative disclosures about off-balance sheet arrangements presented in our Form 10-K for the year ended December 31, 2012, during the first three months of 2013.

Forward-Looking Statements

This quarterly report contains "forward-looking statements" within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. These statements concern expectations, beliefs, projections, plans and strategies, anticipated events or trends and similar expressions concerning matters that are not historical facts. Specifically, this quarterly report contains forward-looking statements regarding:

- our expectation that we will reduce future planned capital expenditures and reposition certain assets, and our expectation regarding the sale of such assets;

- our expectation regarding capital expenditures during 2013;
- our expectation regarding the capital expenditures that we will make in each of our segments, and the timing of our cash contributions to the Pier Park North Project;
- our expectation regarding our excess cash and that our current cash position and our anticipated cash flows will provide us with sufficient liquidity to satisfy our working capital needs and capital expenditures;
- our belief that our residential sales are showing signs of recovery in many of our Northwest Florida projects;
- our belief regarding the impact on revenue and net margin of the Thinnings Supply Agreement;
- our intent to continue to pursue additional damages claims in connection with the Deepwater Horizon Oil Spill;
- our expectation regarding the impact of pending litigation matters or governmental proceedings on our financial position or results of operations, and our belief regarding the defenses to litigation claims against us; and
- our estimates regarding certain tax matters and accounting valuations.

These forward-looking statements reflect our current views about future events and are subject to risks, uncertainties and assumptions. We wish to caution readers that certain important factors may have affected and could in the future affect our actual results and could cause actual results to differ significantly from those expressed in any forward-looking statement. The most important factors that could prevent us from achieving our goals, and cause the assumptions underlying forward-looking statements and the actual results to differ materially from those expressed in or implied by those forward-looking statements include, but are not limited to, the following:

- a delay in the recovery of real estate markets in Florida and across the nation, or any further downturn in such markets;
- a decline in the value of the land and home inventories we maintain or possible future write-downs of the book value of our real estate assets and notes receivable;
- our ability to successfully dispose of our repositioned assets and other properties at contemplated margins and within anticipated timeframes;
- our ability to effectively execute our strategy, and our ability to successfully anticipate the impact of our strategy;
- our ability to capitalize on our cost reduction initiatives implemented in 2011, and the impact of our restructuring initiatives on our operations;
- increases in operating costs, including costs related to real estate taxes, construction materials, labor and insurance, and our ability to manage our cost structure;
- our ability to successfully and timely obtain land-use entitlements and construction financing, and address issues that arise in connection with the use and development of our land;
- natural disasters and other unforeseen damage for which our insurance may not provide adequate coverage;
- the adverse impact of the Deepwater Horizon oil spill to the future growth of Northwest Florida and other coastal states;
- the financial impact to our results of operations if the RockTenn mill in Panama City were to permanently cease operations;

- potential liability under environmental or construction laws, or other laws or regulations;
- changes in laws, regulations or the regulatory environment affecting the development of real estate or forestry activities;
- the expense, management distraction and possible liability associated with pending securities class action litigation, shareholder derivative litigation and/or the SEC investigation;
- our ability to anticipate the impact of pending environmental litigation matters or governmental proceedings on our financial position or results of operations;
- our ability to identify and successfully implement new opportunities that are accretive to shareholders;
- significant tax payments arising from any acceleration of deferred taxes; and
- our ability to successfully estimate the impact of certain accounting and tax matters.

Item 3. *Quantitative and Qualitative Disclosures About Market Risk*

There have been no material changes to the quantitative and qualitative disclosures about market risk set forth in our Form 10-K for the year ended December 31, 2012, during the first three months of 2013.

Item 4. *Controls and Procedures*

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 Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended) 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 were effective.

Changes in Internal Controls over Financial Reporting

During the quarter ended March 31, 2013, there were no changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II — OTHER INFORMATION

Item 1. *Legal Proceedings*

There have been no material developments in the legal proceedings disclosed in the Form 10-Q for the quarter ended March 31, 2013.

Item 5. Other Matters

Item 1.01 Entry into a Material Definitive Agreement.

Investment Management Agreement

On April 8, 2013, we entered into an Investment Management Agreement (the "Agreement") with Fairholme Capital Management, L.L.C. ("Fairholme"), pursuant to which we engaged Fairholme to serve as our investment advisor for our cash and cash equivalents to be held in an investment account. The Agreement is terminable upon 60 days' notice by either party. Fairholme will not receive any compensation for its services under the Agreement. Pursuant to the terms of the Agreement, Fairholme agreed to supervise and direct the investments of the investment account established by us in accordance with the investment guidelines and restrictions described in the Agreement. The investment guidelines require that, as of the date of any investment, (i) at least 50% of the investment account will be held in cash or investment grade cash equivalents, (ii) no more than 50% of the investment account will be held in fixed income securities, which may be investment grade or non-investment grade, and (iii) no more than 10% of the investment account will be invested in securities of any one issuer (excluding the U.S. Government). The investment account may not be invested in equity securities.

Fairholme owns approximately 27.7% of the Company's common stock. Mr. Bruce Berkowitz is the Managing Member of Fairholme and the Chairman of the Company's Board of Directors.

Item 5.02 Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers

Item 5.02(e)

As previously described in our Form 8-K filed on April 25, 2013, on April 24, 2013, Louis Dubin resigned from his position as Executive Vice President of The St. Joe Company effective that day. In connection with his resignation, the Company entered into a Separation Agreement, Release and Waiver with Mr. Dubin pursuant to which the Company agreed to pay (1) $275,000 in a lump sum payment and (2) Mr. Dubin's portion of any payments required under Consolidated Omnibus Budget Reconciliation Act (COBRA) Public Law No. 99-972 through October 31, 2013. In exchange Mr. Dubin agreed to certain confidentiality and non-disparagement provisions and executed a full release. In addition, the Company will permit Mr. Dubin to continue his membership in our beach and golf clubs through December 31, 2013.

Table of Contents

Item 6. ***Exhibits***

Exhibit Index

Exhibit Number	Description
*10.49	Investment Management Agreement, dated April 8, 2013, between Fairholme Capital Management, L.C.C. and The St. Joe Company.
*10.50	Notice of Termination and Memorandum of Understanding, dated March 25, 2013, between The St. Joe Company and Thomas Hoyer.
*10.51	Notice of Separation Agreement, Release and Waiver, dated April 24, 2013, between The St. Joe Company and Louis M. Dublin.
*31.1	Certification by Park Brady, Chief Executive Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
*31.2	Certification by Thomas Hoyer, Chief Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
*32.1	Certification by Park Brady, Chief Executive Officer, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
*32.2	Certification by Thomas Hoyer, Chief Financial Officer, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
**101.INS	XBRL Instance Document.
**101.SCH	XBRL Taxonomy Extension Schema Document.
**101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.
**101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.
**101.LAB	XBRL Taxonomy Extension Label Linkbase Document.
**101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.

* Filed herewith.
** Furnished herewith.

Table of Contents

SIGNATURES

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

THE ST. JOE COMPANY

Date: May 8, 2013	/s/ Park Brady Park Brady *Chief Executive Officer* (Duly Authorized Officer)
Date: May 8, 2013	/s/ Thomas J. Hoyer Thomas J. Hoyer *Chief Financial Officer* (Principal Financial Officer)

Exhibit 10.49

INVESTMENT MANAGEMENT AGREEMENT

Fairholme Capital Management, L.L.C., a Delaware limited liability company ("Manager"), and The St. Joe Company, a Florida corporation ("Client"), for good and valuable consideration, hereby enter into this Investment Management Agreement, dated as of April 8, 2013 ("Agreement"), and hereby agree that Manager shall act as discretionary adviser with respect to the assets of Client described below ("Investment Account") on the following terms and conditions:

1. Investment Account. The Investment Account shall consist of cash and securities of Client held in the account identified in Schedule A. Client has established the account in its name at the financial institution in Schedule A ("Custodian") and agrees to execute and deliver to Custodian such limited powers-of-attorney or other authorizations as may be required by Custodian in order to fully establish and effectuate the discretionary authority granted to Manager hereunder. Neither Manager nor its affiliates will at any time act as custodian or have physical custody of any assets in the Investment Account. Client authorizes Manager to instruct Custodian on Client's behalf (a) to send to Client and Manager monthly statements showing all transactions occurring in the Investment Account during the period covered by the account statement, and the funds, securities and other property in the Investment Account at the end of the period and (b) to provide Manager copies of all trade confirmations, periodic statements and other reports relating to the Investment Account that Custodian sends to Client or receives with regard to the Investment Account.

2. Services of Manager. By execution of this Agreement, Manager accepts appointment as investment adviser for the Investment Account with full discretion and agrees to supervise and direct the investments of the Investment Account for the sole benefit of Client in accordance with the investment guidelines and restrictions described in Schedule B (as such may be amended and provided to Manager in writing from time to time, the "Investment Guidelines"). In the performance of its services, Manager will not be liable for any error in judgment or any acts or omissions to act except those resulting from Manager's gross negligence, willful misconduct or malfeasance. Nothing herein shall in any way constitute a waiver or limitation of any right of any person under the federal securities laws.

3. Discretionary Authority. (a) Manager shall have full discretion and authority, without obtaining any prior approval, as Client's agent and attorney-in-fact: (a) to make all investment decisions in respect of the Investment Account on Client's behalf and at Client's sole risk; (b) to buy, sell, exchange, convert, liquidate or otherwise trade in any bond, other fixed-income securities or cash equivalent securities or shares of mutual funds (other than a fund advised by Manager) in respect of the Investment Account; (c) to place orders with respect to, and to arrange for, any of the foregoing; and (d) in furtherance of the foregoing, to do anything which Manager shall deem requisite, appropriate or advisable in connection therewith, including, without limitation, the selection of such brokers, dealers, and others as Manager shall determine in its absolute discretion.

(b) To the extent practicable and as permitted under applicable law, Manager is hereby authorized to, and Client agrees that Manager may, but is not obligated to, bunch or aggregate orders on behalf of the Investment Account with orders on behalf of other clients. In such event, allocation of the securities purchased or sold, as well as expenses incurred in the transaction, will be made in a manner which Manager considers to be the most fair and equitable over time to all of its clients, including Client.

(c) Client acknowledges and agrees that: (i) advice given and actions taken by Manager under this Agreement for the Investment Account may differ from advice given or the timing and nature of action taken by Manager in managing its other client accounts or the accounts of Manager or any of its principals, affiliates, members, officers, or employees; (ii) while Manager seeks to treat all clients fairly and equitably over time, it cannot guarantee that the Investment Account will receive identical treatment to other client accounts, even if other client accounts receive significant financial gain as a direct result of unequal treatment; (iii) Manager may purchase or sell securities for the Investment Account in which Manager or any of its principals, affiliates, members, officers, or employees, may have and continue to have or may acquire a position or interest and nothing in this Agreement shall prevent Manager, or any of its principals, affiliates, members, officers, or employees, from acquiring or disposing of any securities; and (iv) nothing in this Agreement shall be deemed to impose on Manager any obligation to purchase or sell for the Investment Account any security or other asset which Manager, its principals, affiliates, members, officers, or employees may directly or indirectly purchase or sell for its or their own accounts or for the account of any other client.

4. Brokerage. When placing orders for the execution of transactions for the Investment Account, Manager may allocate transactions to such brokers or dealers, for execution on such markets, at such prices and commission rates, as are selected by Manager in its sole discretion. In selecting brokers or dealers to execute transactions, Manager need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost. It is not Manager's practice to negotiate "execution only" commission rates, and, in negotiating commission rates, Manager shall take into account the financial stability and reputation of brokerage firms and brokerage and research services provided by such brokers.

5. Reports. Manager shall provide Client monthly reports containing a detailed listing of invested assets and transactions in the Investment Account. All records maintained pursuant to this Agreement shall be subject to examination by Client and by persons authorized by it, or by appropriate governmental authorities, at all times upon reasonable notice.

6. Fees and Expenses. (a) Neither Manager nor its control persons shall receive compensation in connection with the services provided by Manager to Client hereunder.

(b) Client shall be responsible for all expenses incurred directly in connection with transactions effected on behalf of Client pursuant to this Agreement and shall include: custodial fees; accounting service fees, investment expenses such as commissions; and other expenses reasonably related to the purchase, sale or transmittal of Investment Account assets.

7. Confidential Relationship. All information and advice furnished by either party to the other party pursuant to this Agreement shall be treated by the receiving party as confidential and shall not be disclosed to third parties except as required by law. By entering into this Agreement, Client expressly authorizes Manager to provide any information that it obtains about Client to the broker-dealers through whom Manager executes transactions and to Custodian to the extent necessary to provide Client investment advisory services set forth herein.

8. Assignment. No assignment of this Agreement shall be made by Manager or Client without the written consent of the other party hereto.

9. Directions to Manager. All directions by or on behalf of Client to Manager shall be in writing signed by Client. Manager shall be fully protected in relying upon any such writing which Manager reasonably believes to be genuine and signed or presented by Client.

10. Proxies/Legal Actions. Unless the parties otherwise agree in writing, Manager shall have no obligation or authority to take any action with respect to the voting of proxies solicited by or with respect to issuers of securities held in the Investment Account. In addition, Manager shall have no obligation or authority to act on behalf of or advise Client on any legal proceedings, including class actions, concerning securities currently or formerly held in the Investment Account.

11. Notices. All notices and instructions with respect to securities transactions or any other matters contemplated by this Agreement shall be in writing and shall be deemed duly given when delivered by hand or deposited in the United States mail with first-class postage affixed and addressed as follows:

(a) if to Manager, to:

Fairholme Capital Management, L.L.C.
4400 Biscayne Blvd.
9th Floor
Miami, FL 33137
Attn: Bruce R. Berkowitz

(b) if to Client, to:

The St. Joe Company
133 South Watersound Parkway
Watersound, FL 32413
Attn: Park Brady

12. Entire Agreement; Amendment. This Agreement sets forth the entire agreement of the parties with respect to management of the Investment Account and shall not be amended except by an instrument in writing signed by the parties hereto.

13. Termination; Survival. This Agreement shall continue in force from the date hereof until terminated by either party without penalty by written notice to the other party at least sixty (60) days prior to the date upon which such termination is to become effective, provided that Client shall honor any trades executed but not settled before the date of any such termination. The provisions of Section 2 regarding Manager's scope of liability and Section 14 shall survive the termination of this Agreement.

14. Effective Date; Governing Law. This Agreement shall become effective on the date first written above. This Agreement shall be governed by and construed in accordance with the laws of the State of Florida, excluding any conflicts or choice of law rule or principle that might otherwise refer construction or interpretation of this Agreement to the substantive law of another jurisdiction. The parties hereby consent to the exclusive jurisdiction of, and venue in, any federal or state court of competent jurisdiction located in the City of Miami, FL for the purposes of adjudicating any matter arising from or in connection with this Agreement.

15. Counterparts. This Agreement may be executed in three counterparts, each one of which shall be deemed to be an original.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective duly authorized representatives as of the date first written above.

FAIRHOLME CAPITAL MANAGEMENT, L.L.C.

By: /s/ Bruce R. Berkowitz
Bruce R. Berkowitz
Managing Member

THE ST. JOE COMPANY

By: /s/ Park Brady
Park Brady
Chief Executive Officer

SCHEDULE B

INVESTMENT GUIDELINES AND RESTRICTIONS

(As of April 8, 2013)

Instrument	% of Investment Account* Minimum	Maximum
Cash & Cash Equivalents (Investment Grade)	50%	100%
Fixed-Income Securities, other than Cash and Cash Equivalents	0%	50%
Investment in any one issuer, on a consolidated basis (excluding U.S. Government)	0%	10%

* These percentages are based on the amount of St. Joe funds in the Prime Brokerage Account set forth in Schedule A of this Agreement at the time of the investment.

Investment/Account Restrictions*+

- No investments in preferred or common equity
- All securities to be custodied in cash-only account
- No investments in shares of any fund advised by Manager (provided that, except as otherwise required by law, there shall be no restriction on investing in securities or other instruments held by any such fund)
- The average duration of Fixed Income Securities, other than Cash and Cash Equivalents, shall not exceed 10 years.

* No Guideline or Restriction exception or policy change may be made without written approval of the St. Joe Investment Committee.

\+ An investment's compliance with the investment guidelines and restrictions set forth in this Schedule B will be determined on the trade date, based on the transaction price and characteristics of the investment on the trade date compared to the value of the Investment Account as of the most recent valuation date. Investment restrictions set forth in this Schedule B will not be deemed breached as a result of changes in value or characteristics of a security following purchase.

By: /s/ Bruce R. Berkowitz
Bruce R. Berkowitz

By: /s/ Park Brady
Park Brady

Exhibit 10.50

NOTICE OF TERMINATION
AND
MEMORANDUM OF UNDERSTANDING

This Memorandum of Understanding, dated March 25, 2013, is between The St. Joe Company (the "Company") and Thomas Hoyer ("Executive") and confirms the Executive's rights and obligations pursuant to his Employment Agreement (the "Agreement") dated as of March 22, 2012. All capitalized terms herein shall have the same meanings as set forth in the Agreement.

In accordance with Section 5.2 of the Agreement, the Company hereby notifies Executive of the decision to terminate the Executive's employment without Cause. The effective date of termination (the "Date of Termination") shall be a date in the future to be agreed upon by the parties and, until such Date of Termination, the parties agree to continue the existing employment of Executive by the Company on a temporary, indefinite basis. Both the Company and the Executive agree to provide each other with at least a 60 day prior written notice of the official Date of Termination. The following sets forth the parties' understanding of the compensation due to Executive under the terms of the Agreement for a termination of employment by the Company other than for Cause:

1. <u>Compensation</u>. Upon the Executive's execution of the Company's standard form of Severance Agreement, the Executive is entitled to the following compensation as provided under Section 6.4 of the Agreement:

(a) Payments made ratably over the 12 month period (with payments being made at the beginning of each such month) after the Date of Termination, in an amount equal to 1 times the Executive's Salary; and

(b) Payment of the Company's portion of 18 months of COBRA premiums for health and welfare benefits that provide the Executive with coverage comparable to the level of coverage the Executive has as of the Date of Termination under the Company's group health plan.

2. <u>Bonus Request</u>. In addition to the Paragraph 1 amounts, the company currently intends to submit for approval by the Company's Compensation Committee, a discretionary cash bonus payable on the date that other company executive bonuses are paid for the plan year in which the Date of Termination occurs, pro-rated through the Date of Termination. This proposed bonus is subject to approval by the Company's Compensation Committee and the Executive understands and agrees that there is absolutely no commitment by the Company in regard to such bonus.

3. <u>Agreement Controls</u>. Notwithstanding anything herein to the contrary, the Agreement is not amended or revised hereby and the Company and the Executive shall abide by the terms and conditions set forth in the Agreement.

IN WITNESS WHEREOF, the Company and the Executive have executed and delivered this Memorandum of Understanding as of the date set forth above.

THE ST. JOE COMPANY

By: /s/ Park Brady
Park Brady
Chief Executive Officer

EXECUTIVE

/s/ Thomas Hoyer
Thomas Hoyer

SEPARATION AGREEMENT, RELEASE AND WAIVER

This Separation Agreement, Release and Waiver (the "Agreement") is made as of the 24th day of April, 2013, by and between Louis M. Dubin ("Employee") and The St. Joe Company (the "Employer").

WHEREAS, Employee has been employed by the Employer since June 11, 2012 most recently as Executive Vice President; and

WHEREAS, Employee and the Employer understand that the employment relationship is terminated on the date set forth below.

NOW, THEREFORE, Employee and the Employer desire, and by this Agreement intend:

To resolve and settle all existing and potential differences and disputes between them arising out of Employee's employment and termination therefrom;

To release all claims that could be asserted arising from Employee's employment or termination therefrom; and

To be legally bound, in consideration of the mutual promises set forth herein, by the following terms:

I. TERMINATION OF EMPLOYMENT

Employee's employment with the Employer shall terminate effective April 24, 2013 ("Termination Date").

II. BENEFITS

In consideration of Employee's agreement to the terms herein and for other good and valuable consideration as recited herein, Employer and Employee agree as follows:

A. Employer will pay to Employee $275,000, less applicable withholding in a lump sum payment, on the later of the end of the seven (7) day period referred to in Section VII or the first regularly scheduled payroll date following the Company's receipt of the signed Agreement, following the date of termination. Employee shall also be paid regular wages through the Termination Date.

B. Employee shall be eligible for continued participation in the Employer's health plan as provided by law in accordance with the Consolidated Omnibus Budget Reconciliation Act (COBRA) Public Law No. 99-972. Participation and coverage in the benefit plans not subject to COBRA provisions ceases on the Termination Date. Employer will pay Employee's COBRA contribution from the Employee's Termination Date through October 31, 2013 provided Employee completes and returns to Employer's COBRA administrator an election form that will be mailed to Employee in the weeks following Employee's Termination Date.

C. Employer will waive any and all relocation monies, tuition reimbursement or any other monies that may be due Employer, if any, pursuant to any separate agreement or separate arrangement between the parties.

D. Employee agrees to be reasonably available to answer work-related questions from Employer for a period of six (6) months after the Termination Date. This availability is not intended to be onerous, demanding of the Employee's time, or to interfere with Employee's duties at his/her next position.

III. CONFIDENTIALITY, NON-DISPARAGEMENT AND LITIGATION

A. From and after the date hereof, Employee agrees that all confidential information regarding the Employer learned, observed or obtained by Employee, whether before or after the date hereof, including but not limited to information regarding Employer's business, operations, products, services, plans, strategies, facilities, financial information, condition or projections, transactions and potential transactions, construction, pricing, designs, processes, directors, officers, shareholders, employees, customers, vendors, partners, agents, marketing and development plans, and research, will be held and treated by Employee as strictly confidential and will not, without the prior written consent of Employer, be disclosed or otherwise used by Employee in any manner, in whole or in part, except as may be required pursuant to court order after reasonable advance notice to the Employer.

B. The nature and terms of this Agreement are strictly confidential and Employee agrees not to disclose the terms of the Agreement without the prior written consent of the Employer, except (i) to any person in Employee's immediate family or household, (ii) to any counsel or financial advisor, (iii) as necessary in any legal proceedings in accordance with the terms and conditions of this Agreement, (iv) to prepare and file income tax forms, or (v) pursuant to court order after reasonable advance notice to the Employer. Similarly, the Employer agrees not to disclose the nature and terms of this Agreement, except as is necessary to obtain approval of it, to inform employees, attorneys, accountants and officials with a "need to know," in any relevant legal proceedings, in any public reporting documents (to the extent required by law, rule or regulation), and to prepare proper documentation in tax, legal, accounting and claim records.

C. From and after the date hereof, except as may be compelled by a court of law, Employee shall take no action (including, without limitation, the making of any oral or written statement) which could be perceived, interpreted or understood as reflecting negatively on, or which could otherwise damage or impugn the Employer's reputation or business. This obligation of Employee also extends to those individuals who were directors, officers, employees, customers, vendors, partners or agents of the Employer up to and including the Termination Date. Employer shall take no action to damage or impugn the reputation of Employee and shall give a neutral recommendation to any third party employment inquiries.

D. Employee understands and acknowledges that the confidentiality and non-disparagement provisions set forth in paragraphs A, B and C of this Section III constitute an essential and material part of this Agreement, and that the Company would not enter into this Agreement without Employee's promise to maintain these obligations. Employee further acknowledges Employee shall be liable in damages for any breach of these paragraphs by Employee or by any person to whom information has been disclosed as permitted under this Agreement. In addition, Employee also agrees any violation of these paragraphs and their confidentiality and non-disparagement requirements would damage Employer in an amount that would be extremely difficult to ascertain. Accordingly, should Employee violate paragraphs A, B or C of this Section III, Employee shall be liable for liquidated damages in the amount of $50,000.00, which Employee and Employer agree is a reasonable forecast and their best estimate of the actual damages resulting from such a breach and not a penalty.

E. Employee represents that Employee has not and does not intend to participate in or file against Employer or any Employer subsidiary or affiliate any action, cause of action, lawsuit or proceeding, and that Employee understands that the Employer has reasonably relied on the representations in this paragraph in agreeing to perform those obligations set forth in Section II of this Agreement and further agrees that this Agreement may be pleaded as a bar to any such action, cause of action, lawsuit or proceeding. Employee also promises and agrees that he will not voluntarily lend his support to or participate in any action, cause of action, claim, investigation, lawsuit or proceeding adverse to or brought against the Employer or any Employer affiliate or subsidiary by any third party, and will not communicate in any way with the media with respect to any such claim or action (other than to respond that he has "no comment"). Notwithstanding the above representations, the parties acknowledge that Employee has a legal obligation to respond to any lawfully issued subpoena by a court or administrative agency, and as long as the subpoena was not in any way solicited by him as a way to circumvent his obligations hereunder, his offering of truthful testimony under oath in response to such a lawfully issued subpoena will not be considered a violation of this provision. Employee agrees to notify Employer of any subpoena received by Employee prior to participation in any such matter.

IV. COMPLETE RELEASE

To the maximum extent allowable under the law, Employee, for Employee and Employee's predecessors, successors, assigns, and heirs, hereby agrees to discharge and release the Employer and, as applicable, each of its direct and indirect parent, subsidiary or affiliated corporations, organizations, representatives, its present or former owners, employees and partners, shareholders, insurers, successors, assigns, clients and counsel from all claims or demands Employee may have based on

Employee's employment with the Employer or the termination of that employment. This includes a release of any rights or claims Employee may have based on any facts or events, whether known or unknown by the Employee, that occurred on or before the effective date of this Agreement, or events that are contemplated by this Agreement.

Specifically included in this waiver and release are, among other things, any and all claims of alleged employment discrimination, harassment or retaliation, either as a result of Employee's employment or otherwise, arising under the following laws, and all amendments to these laws: Title VII of the Civil Rights Act of 1964, the Civil Rights Acts of 1991, the Civil Rights Act of 1866, the Age Discrimination in Employment Act, the Employee Retirement Income Security Act, the Consolidated Omnibus Budget Reconciliation Act, the Americans with Disabilities Act, the Family and Medical Leave Act, the Florida Civil Rights Act, the Florida Worker's Compensation Act, the Florida Constitution, and any other federal, state or local statute, rule or regulation, as well as all claims, whether in tort, including wrongful discharge, negligent or intentional infliction of emotional distress, or in contract, including breach of an expressed or implied contract or covenant of good faith and fair dealing, or any other unlawful behavior, the existence of which is denied by the Employer, which Employee has ever had, has now, or may have against the Employer, as of and including the date of this Agreement. Employee further agrees that Employee will not institute any claim for damages by charge or otherwise, nor authorize any other party, governmental or otherwise, to institute any claim for damages via administrative or legal proceedings against the Employer. Employee also waives the right to monetary damages or other legal or equitable relief awarded by a governmental agency related to such claim. Notwithstanding the generality of the foregoing, this release does not extend to any claims for unemployment compensation.

V. PERIOD FOR REVIEW AND CONSIDERATION OF AGREEMENT

If Employee is over the age of 40, Employee confirms that Employee has been given (a) twenty-one (21) days; or (b) the amount of time required under existing law, whichever is greater, to review and consider this Agreement before signing it. If Employee is under age 40, they have twenty-one (21) days to review and consider agreement. Employee understands that Employee may use as much or as little of this period as Employee wishes prior to signing.

VI. ENCOURAGEMENT TO CONSULT WITH AN ATTORNEY

Employee is encouraged, at Employee's own expense, to consult with an attorney before signing this Agreement.

VII. EMPLOYEE'S RIGHT TO REVOKE AGREEMENT

If this Agreement is signed by Employee and returned to the Employer within the time specified in Section V, Employee may revoke this Agreement within seven (7) calendar days of the date of the Employee's signature. Revocation can be made by delivering a written notice of revocation to the Employer, attention Rhea Goff. For this revocation to be effective, written notice must be received no later than close of business on the seventh (7^{th}) calendar day (or the next business day thereafter if such day falls on a Saturday, Sunday or Employer holiday) after Employee signs this Agreement. If Employee revokes this Agreement, it shall not be effective or enforceable and Employee will not receive the payments described in Section II.

VIII. TAXES

Employee is responsible for any tax liability associated with payments provided under this Agreement. The Employer has the right to withhold taxes from such payments to the extent required by law.

IX. RETURN OF EMPLOYER PROPERTY; BUSINESS EXPENSES

On or before the Termination Date, Employee will return to the Employer all Employer property, including, but not limited to, keys, credit cards, badges, files, records, equipment, computer access codes, computer programs, instruction manuals, documents, business plans, financial projections and other property which he/she received or prepared or helped to prepare in connection with his/her employment with the Employer, and also agrees to assign to the Employer all right, title and interest in such property. Employee shall cooperate with any reasonable request of the Employer to perfect the Employer's right, title and interest in such property.

Employee agrees that on or before the Termination Date (1) he/she will submit all requests for business expense reimbursements, and (2) he/she has paid or will pay all balances on his/her corporate credit card. Employee agrees that he/she will not make any additional business expenditures on the Employer's behalf after the time he/she was given notice of termination except as required to complete Employee's employment responsibilities in the ordinary course of business prior to the Termination Date.

X. SEVERABILITY AND JUDICIAL RESTATEMENT

Employee and the Employer agree that the provisions of this Agreement are severable and divisible. In the event any portion of this Agreement is determined to be illegal or unenforceable, the remaining provision of this Agreement shall remain in full force and effect.

XI. MISCELLANEOUS

This is the entire Agreement between Employee and Employer.

This Agreement shall be governed by and construed in accordance with the laws of the State of Florida, without reference to principles of conflict of laws thereunder.

The captions of this Agreement are not part of the provisions hereof and shall not have any force or effect.

This Agreement may not be amended or modified otherwise than by a written agreement executed by the parties hereto or their respective successors and legal representatives.

Nothing contained in this Agreement is intended to be, or shall be construed to be, an admission of any liability by any party or an admission of the existence of any facts upon which liability could be based.

Employee acknowledges and represents that Employee has voluntarily executed this Agreement.

The parties agree to indemnify one another for any costs, losses, damages, or expenses, including attorney's fees, which arise from the breach of this Agreement.

PLEASE READ CAREFULLY. THIS AGREEMENT INCLUDES A RELEASE OF ALL KNOWN AND UNKNOWN CLAIMS INCLUDING THOSE PURSUANT TO THE AGE DISCRIMINATION IN EMPLOYMENT ACT, AS AMENDED, AND OTHER LAWS PROHIBITING DISCRIMINATION IN EMPLOYMENT.

EMPLOYEE ACKNOWLEDGES THAT EMPLOYEE HAS READ THIS AGREEMENT, UNDERSTANDS IT AND IS ENTERING INTO IT VOLUNTARILY.

THE ST. JOE COMPANY

Date: 4/25/13

By: /s/ Rhea Goff
Rhea Goff
Chief Administrative Officer

Date: 4/25/13

/s/ Louis M. Dublin
Louis M. Dubin

Exhibit 31.1

CERTIFICATION

I, Park Brady, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the period ended March 31, 2013 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: May 8, 2013

/s/ Park Brady
Park Brady
Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, Thomas Hoyer, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the period ended March 31, 2013 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: May 8, 2013

/s/ Thomas Hoyer
Thomas Hoyer
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 Quarterly Report on Form 10-Q for the period ended March 31, 2013 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, 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/ Park Brady

Park Brady
Chief Executive Officer

Dated: May 8, 2013

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 Quarterly Report on Form 10-Q for the period ended March 31, 2013 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, 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/ Thomas Hoyer

Thomas Hoyer
Chief Financial Officer

Dated: May 8, 2013