

ST JOE CO
Form 10-K
February 23, 2010

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

Form 10-K

(Mark One)

- ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2009**
- or
- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934
For the transition period from to**

Commission File No. 1-10466

The St. Joe Company

(Exact name of registrant as specified in its charter)

Florida

*(State or other jurisdiction of
incorporation or organization)*

245 Riverside Avenue, Suite 500

Jacksonville, Florida

(Address of principal executive offices)

59-0432511

*(I.R.S. Employer
Identification No.)*

32202

(Zip Code)

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

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

Title of Each Class

Name of Each Exchange on Which Registered

Common Stock, no par value

New York Stock Exchange

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

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

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

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

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

Large accelerated
filer

Accelerated filer

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

The aggregate market value of the registrant's Common Stock held by non-affiliates based on the closing price on June 30, 2009, was approximately \$2.4 billion.

As of February 19, 2010, there were 122,868,634 shares of Common Stock, no par value, issued and 92,573,471 shares outstanding, with 30,295,163 shares of treasury stock.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's definitive Proxy Statement for the Annual Meeting of our Shareholders to be held on May 11, 2010 (the proxy statement) are incorporated by reference in Part III of this Report. Other documents incorporated by reference in this Report are listed in the Exhibit Index.

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* Portions of the Proxy Statement for the Annual Meeting of our Shareholders to be held on May 11, 2010, are incorporated by reference in Part III of this Form 10-K.

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PART I

Item 1. *Business*

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

St. Joe was incorporated in 1936 and is one of the largest real estate development companies in Florida. We own approximately 577,000 acres of land concentrated primarily in Northwest Florida. Most of this land was acquired decades ago and, as a result, has a very low cost basis. Approximately 405,000 acres, or approximately 70 percent of our total land holdings, are within 15 miles of the coast of the Gulf of Mexico.

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

Residential Real Estate,

Commercial Real Estate,

Rural Land Sales, and

Forestry.

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

Market Conditions and the Economy

Our business, financial condition and results of operations continued to be materially adversely affected during 2009 by the ongoing real estate downturn and economic recession in the United States. These adverse conditions include among others, high unemployment, lower family income, lower consumer confidence, a large number of foreclosures and homes for sale, increased volatility in the availability and cost of credit, shrinking mortgage markets, unstable financial institutions, lower valuation of retirement savings accounts, lower corporate earnings, lower business investment and lower consumer spending.

This challenging environment has exerted negative pressure on the demand for all of our real estate products. Although some analysts and commentators believe the real estate crisis may have reached a bottom in 2009, we cannot predict with any certainty when demand for our real estate products will improve.

Progress on the Northwest Florida Beaches International Airport

Significant progress has been made in the construction of the new Northwest Florida Beaches International Airport, and it is currently scheduled to commence commercial flight operations on May 23, 2010. The new airport is located

in the West Bay Area Sector Plan (the West Bay Sector), one of the largest planned mixed-use developments in the United States. We own all 71,000 acres in the West Bay Sector surrounding the airport, including approximately 41,000 acres dedicated to preservation. Our West Bay Sector land has entitlements for over 4 million square feet of commercial and industrial space and over 16,000 residential units. In 2009 we signed agreements with The Haskell Company, TranSystems Corporation and CB Richard Ellis Group, Inc. to masterplan and market for joint venture, lease or sale certain land adjacent to the new airport.

On October 21, 2009, we entered into a strategic alliance with Southwest Airlines to facilitate the commencement of low-fare air service in May 2010 to the new Northwest Florida Beaches International Airport. Southwest Airlines initial service at the new airport will consist of two daily non-stop flights between the new airport and each of Houston, Nashville, Orlando and Baltimore - Washington D.C. In addition to the eight daily non-stop flights, Southwest Airlines will offer direct or connecting service to more than 60 destinations from the new airport, including Dallas, San Antonio, Chicago, St. Louis, Ft. Lauderdale, Tampa, New York LaGuardia and Providence. We have agreed to reimburse Southwest Airlines if it incurs losses on its service at the new airport during the first three years of service. The agreement also provides that

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Southwest's profits from the air service during the term of the agreement will be shared with us up to the maximum amount of our break-even payments. We expect that the connectivity Southwest brings to the region will stimulate tourism, economic development, job growth and real estate absorption in our projects across Northwest Florida.

Sale of Non-Strategic Assets

Given the downturn in our real estate markets, we implemented a tax strategy in 2009 to benefit from the sale of certain non-strategic assets at a loss. Under federal tax rules, losses from asset sales realized in 2009 can be carried back and applied to taxable income from 2007, resulting in a federal income tax refund. These sales also significantly reduced our holding costs going forward. The following are some of the non-strategic assets that we sold:

The remaining assets of our Victoria Park community in Deland, Florida, including 28 homes, 350 homesites, 468 acres of undeveloped land, notes receivable and a golf course;

St. Johns Golf and Country Club outside of Jacksonville, Florida, including a golf course, clubhouse and maintenance facilities;

The remaining condominium units at our Artisan Park community in Celebration, Florida;

The SevenShores condominium and marina development project in Bradenton, Florida; and

3 homes and 115 homesites that we acquired in North Carolina and South Carolina in connection with the satisfaction of our Saussy Burbank notes receivable.

We anticipate we will receive most of our \$62.4 million tax receivable in the second half of 2010 in connection with the execution of our tax strategy.

Other 2009 Highlights

We generated \$57.5 million of revenue from residential real estate sales.

We sold 29 acres of commercial land for \$6.6 million, or over \$227,000 per acre.

We sold 6,967 acres of rural land for \$14.3 million, or over \$2,050 per acre.

We increased our cash position by \$48.3 million to \$163.8 million and reduced debt by \$10.1 million as compared to December 31, 2008.

We annuitized approximately \$93 million of pension plan liabilities by transferring approximately \$101 million of the plan assets to an insurance company.

We extended the maturity of our revolving credit facility to September 19, 2012 and increased the commitments to \$125 million from \$100 million.

Land-Use Entitlements

We have a broad range of land-use entitlements in hand or in various stages of the approval process for residential communities in Northwest Florida and other selected regions of the state, as well as commercial entitlements. As of December 31, 2009, we had approximately 31,600 residential units and 11.6 million commercial square feet in the

entitlements pipeline, in addition to 646 acres zoned for commercial uses. The following tables describe our residential and commercial projects with land-use entitlements that are in development, pre-development planning or the entitlements process. These entitlements are on approximately 40,000 acres.

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Summary of Land-Use Entitlements(1)
Active St. Joe Residential and Mixed-Use Projects
December 31, 2009

Project	Class.(2)	County	Project Acres	Project Units(3)	Residential			Entitlements (Sq. Ft.)(4)
					Since Inception	Units Under Closed Contract as of 2/31/09	Total Residential Remaining	
In Development:(5)								
Artisan Park(6)	PR	Osceola	175	616	616			
Hawks Landing	PR	Bay	88	168	143		25	
Landings at Wetappo	RR	Gulf	113	24	7		17	
RiverCamps on Crooked Creek	RS	Bay	1,491	408	191		217	
RiverSide at Chipola	RR	Calhoun	120	10	2		8	
RiverTown	PR	St. Johns	4,170	4,500	30		4,470	500,000
SouthWood	PR	Leon	3,370	4,770	2,535		2,235	4,535,588
SummerCamp Beach	RS	Franklin	762	499	82		417	25,000
Victoria Park(7)	PR	Volusia	1,859	4,200	1,891			
WaterColor	RS	Walton	499	1,140	913		227	47,600
WaterSound	RS	Walton	2,425	1,432	28	1	1,403	457,380
WaterSound Beach	RS	Walton	256	511	446		65	29,000
WaterSound West Beach	RS	Walton	62	199	40		159	
Wild Heron(8)	RS	Bay	17	28	2		26	
WindMark Beach	RS	Gulf	2,020	1,516	148		1,368	76,157
Subtotal			17,427	20,021	7,074	1	10,637	5,670,725
In Pre-Development:(5)								
Avenue A	PR	Gulf	6	96			96	
Bayview Estates	PR	Gulf	31	45			45	
Bayview Multifamily	PR	Gulf	20	300			300	
Beacon Hill	RR	Gulf	3	12			12	
Beckrich NE	PR	Bay	15	74			74	
Boggy Creek	PR	Bay	630	526			526	
Bonfire Beach	RS	Bay	550	750			750	70,000
Breakfast Point, Phase 1	PR/RS	Bay	115	320			320	
College Station	PR	Bay	567	800			800	
Cutter Ridge	PR	Franklin	10	25			25	
DeerPoint Cedar Grove	PR	Bay	686	950			950	
East Lake Creek	PR	Bay	81	313			313	
East Lake Powell	RS	Bay	181	360			360	30,000
Howards Creek	RR	Gulf	8	33			33	
Laguna Beach West	PR	Bay	36	260			260	

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Long Avenue	PR	Gulf	10	30	30	
Palmetto Bayou	PR	Bay	58	217	217	90,000
ParkSide	PR	Bay	48	480	480	
Pier Park Timeshare	RS	Bay	13	125	125	
PineWood	PR	Bay	104	264	264	
Port St. Joe Draper, Phase 1	PR	Gulf	610	1,200	1,200	
Port St. Joe Draper, Phase 2	PR	Gulf	981	2,125	2,125	150,000
Port St. Joe Town Center	RS	Gulf	180	624	624	500,000
Powell Adams	RS	Bay	56	2,520	2,520	
Sabal Island	RS	Gulf	45	18	18	
South Walton Multifamily	PR	Walton	40	212	212	
Star Avenue North	PR	Bay	295	600	600	350,000

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Project	Class.(2)	County	Project Acres	Project Units(3)	Residential		Remaining Commercial Entitlements (Sq. Ft.)(4)	
					Units Closed Since Inception	Under Contract as of 12/31/09		
The Cove	RR	Gulf	64	107		107		
Timber Island(9)	RS	Franklin	49	407		407	14,500	
Topsail	PR	Walton	115	610		610	300,000	
Wavecrest	RS	Bay	7	95		95		
West Bay Corners SE	PR	Bay	100	524		524	50,000	
West Bay Corners SW	PR	Bay	64	160		160		
West Bay DSAP I	PR/RS	Bay	15,089	5,628		5,628	4,430,000	
West Bay Landing(10)	RS	Bay	950	214		214		
Subtotal			21,817	21,024		21,024	5,984,500	
Total			39,244	41,045	7,074	1	31,661	11,655,225

- (1) A project is deemed land-use entitled when all major discretionary governmental land-use approvals have been received. Some of these projects may require additional permits for development and/or build-out; they also may be subject to legal challenge.
- (2) Current St. Joe land classifications for its residential developments or the residential portion of its mixed-use projects:
- PR Primary residential
- RS Resort and seasonal residential
- RR Rural residential
- (3) Project units represent the maximum number of units entitled or currently expected at full build-out. The actual number of units or square feet to be constructed at full build-out may be lower than the number entitled or currently expected.
- (4) Represents the remaining square feet with land-use entitlements as designated in a development order or expected given the existing property land use or zoning and present plans. The actual number of square feet to be constructed at full build-out may be lower than the number entitled. Commercial entitlements include retail, office and industrial uses. Industrial uses total 6,128,381 square feet including SouthWood, RiverTown and the West Bay DSAP I.

- (5) A project is in development when St. Joe has commenced horizontal construction on the project and commenced sales and/or marketing or will commence sales and/or marketing in the foreseeable future. A project in pre-development has land-use entitlements but is still under internal evaluation or requires one or more additional permits prior to the commencement of construction. For certain projects in pre-development, some horizontal construction may have occurred, but no sales or marketing activities are expected in the foreseeable future.
- (6) Artisan Park is 74 percent owned by St. Joe.
- (7) The remaining assets at Victoria Park were sold as a bulk sale on December 17, 2009.
- (8) Homesites acquired by St. Joe within the Wild Heron community.
- (9) Timber Island entitlements include seven residential units and 400 units for hotel or other transient uses (including units held with fractional ownership such as private residence clubs).
- (10) West Bay Landing is a sub-project within West Bay DSAP I.

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Summary of Additional Commercial Land-Use Entitlements(1)
(Commercial Projects Not Included in the Tables Above)
December 31, 2009

Project	County	Project Acres	Acres Sold Since Inception	Acres Under Contract As of 12/31/09	Total Acres Remaining
Airport Commerce	Leon	45	10		35
Alf Coleman Retail	Bay	25	23		2
Beach Commerce	Bay	157	151		6
Beach Commerce II	Bay	112	13		99
Beckrich Office Park	Bay	17	15		2
Beckrich Retail	Bay	44	41		3
Cedar Grove Commerce	Bay	51	5		46
Franklin Industrial	Franklin	7			7
Glades Retail	Bay	14			14
Gulf Boulevard	Bay	78	27		51
Hammock Creek Commerce	Gadsden	165	27		138
Mill Creek Commerce	Bay	37			37
Nautilus Court	Bay	11	7		4
Pier Park NE	Bay	57			57
Port St. Joe Commerce II	Gulf	39	9		30
Port St. Joe Commerce III	Gulf	50			50
Powell Hills Retail	Bay	44			44
South Walton Commerce	Walton	38	17		21
Total		991	345		646

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

Residential Real Estate

Our residential real estate segment typically plans and develops mixed-use resort, seasonal and primary residential communities of various sizes, primarily on our existing land. We own large tracts of land in Northwest Florida, including large tracts near Tallahassee and Panama City, and significant Gulf of Mexico beach frontage and other waterfront properties, which we believe are suited for resort, seasonal and primary communities. We believe this large land inventory, with a low cost basis, provides us an advantage over our competitors who must purchase and finance real estate at current market prices before beginning projects.

We are continuing to devote significant resources to the conceptual design, planning, permitting and construction of certain key projects currently under development, and we will maintain this process for certain select communities going forward. We also plan to either partner with third parties for the development of new communities or sell entitled land to third-party developers or investors.

Currently, customers for our developed homesites include both individual purchasers and national, regional and local homebuilders. Going forward, we also expect to sell undeveloped land with significant residential entitlements directly to third-party developers or investors.

The following are descriptions of some of our current residential development projects in Florida:

WaterColor is situated on approximately 499 acres on the beaches of the Gulf of Mexico in south Walton County. The community includes approximately 1,140 residential units, as well as the WaterColor Inn and

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Resort, the recipient of many notable awards. The WaterColor Inn and Resort is operated by Noble House Hotels & Resorts, a boutique hotel ownership and management company with 14 properties throughout the United States. Other WaterColor amenities include a beach club, spa, tennis center, an award-winning upscale restaurant, retail and commercial space and neighborhood parks.

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

WaterSound West Beach is located approximately one-half mile west of WaterSound Beach on the beach-side of County Road 30A. This community is situated on 62 acres and includes 199 units with amenities that include private beach access through the adjacent Deer Lake State Park and a community pool and clubhouse facility.

WaterSound is situated on approximately 2,425 acres and is planned for 1,432 residential units and approximately 450,000 square feet of commercial space. It is located approximately three miles from WaterSound Beach north of U.S. 98 in Walton County. WaterSound includes Origins, a uniquely designed Davis Love III golf course, as well as a community pool and clubhouse facility.

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

WindMark Beach is a beachfront resort community situated on approximately 2,020 acres in Gulf County near the town of Port St. Joe. Plans for WindMark Beach include approximately 1,516 residential units and 76,000 square feet of commercial space. The community features a waterfront Village Center that includes a restaurant, a community pool and clubhouse facility, an amphitheater and approximately 42,000 square feet of commercial space. The community is planned to include approximately 14 miles of walkways and boardwalks, including a 3.5-mile beachwalk.

SummerCamp Beach is located on the Gulf of Mexico in Franklin County approximately 46 miles from Tallahassee. The community is situated on approximately 762 acres and includes the SummerCamp Beach Club, a private beachfront facility with a pool, restaurant, boardwalks and canoe and kayak rentals. Plans for SummerCamp Beach include approximately 499 units.

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

RiverTown, situated on approximately 4,170 acres located in St. Johns County south of Jacksonville, is currently planned for 4,500 housing units and 500,000 square feet of commercial space. The centerpiece of the community will be a 58-acre park along the St. Johns River. RiverTown is planned to include several distinct neighborhoods and amenities.

Commercial Real Estate

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

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We have recently entered into an agreement with CB Richard Ellis Group, Inc., the world's largest commercial real estate services firm, to market for sale, joint venture or lease more than 1,000 acres of our land adjacent to the Northwest Florida Beaches International Airport for commercial development. CB Richard Ellis will solicit global office, retail and industrial users for this prime development location.

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

Rural Land Sales

Our rural land sales segment markets and sells rural land from our holdings in Northwest Florida. Although the majority of the land sold in this segment is undeveloped timberland, some parcels include the benefits of limited development activity including improved roads, ponds and fencing. In 2009, our rural land sales segment also began selling credits to developers from our wetlands mitigation banks.

We sell parcels of varying sizes ranging from a single acre or less to thousands of acres. The pricing of these parcels varies significantly based on size, location, terrain, timber quality and other local factors. In 2009, we made a strategic decision to sell fewer large tracts of rural land in order to preserve our timberland resources.

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

Forestry

Our forestry segment focuses on the management and harvesting of our extensive timber holdings. We grow, harvest and sell timber and wood fiber. Our principal forestry product is softwood pulpwood. We also grow and sell softwood and hardwood sawtimber.

On December 31, 2009, our standing pine inventory totaled approximately 22.3 million tons and our hardwood inventory totaled approximately 7.3 million tons. Our timberlands are harvested by local independent contractors under agreements that are generally renewed annually. We have a pulpwood supply agreement with Smurfit-Stone Container Corporation that requires us to deliver 700,000 tons of pulpwood annually through June 30, 2012. Although currently subject to a bankruptcy proceeding, Smurfit-Stone has continued to honor our pulpwood supply agreement.

Our strategy is to actively manage portions of our timberlands to meet our pulpwood supply agreement obligation with Smurfit-Stone. We also harvest and sell additional timber to regional sawmills that produce products other than pulpwood. We are also exploring alternative methods for maximizing the revenues from our timberlands, such as providing feedstock to biomass utility facilities. In addition, our forestry operation performs selective harvesting, thinning and site preparation of timberlands that may later be sold or developed by us.

Competition

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

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

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Information regarding the revenues, earnings and total assets of each of our operating segments can be found in Note 17 to our Consolidated Financial Statements included in this Report. Substantially all of our revenues are generated from domestic customers. All of our assets are located in the United States.

Employees

As of February 1, 2010, we had 143 employees. Our employees work in the following segments:

Residential real estate	40
Commercial real estate	8
Rural land sales	9
Forestry	20
Corporate and other	66
Total	143

Website Access to Reports

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

Item 1A. Risk Factors

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

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

The United States housing market continues to experience a severe downturn. Florida, one of the hardest hit states, has experienced a substantial, continuing decline in demand in most of its residential real estate markets. The collapse of the housing market has contributed to the current recession in the national economy, which exerts further downward pressure on real estate demand. Significantly tighter lending standards for borrowers are also having a significant negative effect on demand. A record number of homes in foreclosure and forced sales by homeowners under distressed economic conditions are significantly contributing to the high levels of inventories of homes and homesites available for sale. The collapse of real estate demand and high levels of inventories are causing land and other real estate prices to significantly decline.

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

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

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

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

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

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

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

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

Infrastructure improvements, including the completion and opening of the Northwest Florida Beaches International Airport

One fundamental factor in the economic growth of Northwest Florida is the need for state and local governments, in combination with the private sector, to plan and complete significant infrastructure improvements in the region, such as new roads, a new airport, medical facilities and schools. The future economic growth of Northwest Florida and our financial results may be adversely affected if its infrastructure is not improved. There can be no assurance that new improvements will occur or that existing projects will be completed.

The most significant infrastructure improvement currently underway in Northwest Florida is the construction of the Northwest Florida Beaches International Airport in a green-field site in western Bay County. The airport is nearing completion and the local Airport Authority has scheduled a May 23, 2010 opening date. We cannot guarantee that the construction of the airport will not encounter difficulties, such as construction difficulties, environmental issues, stormwater problems or cost overruns, that may delay or prevent the completion of the new airport. We believe that the relocation of the airport is critically important to the overall economic development of Northwest Florida, and if the airport is not completed, our business prospects would be materially adversely affected.

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

Attracting significant new employers that can create new, high-quality jobs is a key factor in the economic growth of Northwest Florida. Northwest Florida has traditionally lagged behind the rest of Florida in economic growth, and as a result its residents have a lower per capita income than residents in other parts of the state. In order to improve the

economy of the region, state and local governments, along with the private sector, must seek to attract large employers capable of paying high salaries to large numbers of new employees. State governments, particularly in the Southeast, and local governments within Florida compete intensely for new jobs. There can be no assurance that efforts to attract significant new employers to locate facilities in Northwest Florida will be successful. The future economic growth of Northwest Florida and our financial results may be adversely affected if substantial job growth is not achieved.

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If the new Northwest Florida Beaches International Airport is completed and opened for operations but is not successful, or if we cannot access the new airport as anticipated, we may not realize the economic benefits that we are anticipating from the new airport.

We believe that the relocation of the Panama City-Bay County International Airport is critically important to the overall economic development of Northwest Florida. We anticipate that the airport will provide a catalyst for value creation in the property we own surrounding the airport, as well as our other properties throughout Northwest Florida.

Significantly, Southwest Airlines has announced its intention to provide air service to the new airport when it opens. We believe that a low-cost airline is essential to the success of the new airport by providing reasonably priced access to the region for business and vacation travelers. If Southwest Airlines delays the commencement of service or decides not to commence service, the airport may not be successful. Further, once Southwest Airlines' service has commenced, if the service fails to grow, or if Southwest chooses to terminate its service at the new airport or chooses to commence service at another airport in the region, the new airport may not be successful.

In addition, if Southwest Airlines' service to the new airport is unsuccessful, we would be required to reimburse Southwest if it incurs losses during the first three years of service. Although we have the right to terminate our agreement with Southwest if payments exceed certain amounts, the required payments under the agreement could have an adverse affect on our financial results.

The airport must successfully compete with the other airports in the region. For example, airports in Pensacola, Destin and Tallahassee, Florida, and Dothan, Alabama aggressively compete for passengers in Northwest Florida. There can be no assurance that the region can support all of the existing airports.

Our land donation agreement with the airport authority and the deed for the airport land provide access rights to the airport runway from our adjacent lands. We have subsequently negotiated a detailed agreement with the airport authority regarding the process for implementing this access and this detailed agreement has been sent to the Federal Aviation Administration (the FAA) for review. The FAA has previously approved the land donation agreement granting us these access rights, but there is no assurance that the FAA will approve our proposed agreement with the airport authority dealing with access implementation without requiring additional modifications. Should security measures at airports become more restrictive in the future due to circumstances beyond our control, FAA regulations governing these access rights may impose additional limitations that could significantly impair or restrict access rights.

In addition to the FAA review of the access agreement, we will also be required to obtain environmental permits from the U.S. Army Corps of Engineers and Florida's Department of Environmental Protection in order to develop the land necessary for access from our planned areas of commercial development to the airport runway. Such permits are often subject to a lengthy approval process, and there can be no assurance that such permits will be issued, or that they will be issued in a timely manner.

We believe that runway access is a valuable attribute of some of our West Bay Sector lands adjacent to the new airport, and the failure to obtain such access, or the imposition of significant restrictions on such access, could adversely affect the demand for such lands and our results of operations.

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

Florida has experienced strong population growth since World War II, including during the real estate boom in the first half of the last decade. In recent years, however, the rate of net migration into Florida has drastically declined. In

fact, one source estimates that Florida's population actually declined from 2008 to 2009. Florida had not experienced a population decline since World War II. The significant decline in the rate of in-migration could reflect a number of factors affecting Florida including difficult economic conditions, rising foreclosures, restrictive credit, the occurrence of hurricanes and increased costs of living. Also, because of the housing collapse across the nation, people interested in moving to Florida may have delayed or cancelled their plans due to difficulties selling their existing homes.

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

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

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

If market conditions were to continue to deteriorate, and the market values for our homesites, remaining homes held in inventory and other project land were to fall below the book value of these assets, we could be required to take additional write-downs of the book value of those assets.

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

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

In addition to hurricanes, the occurrence of other natural disasters and climate conditions in Florida, such as tornadoes, floods, fires, unusually heavy or prolonged rain, droughts and heatwaves, could have a material adverse effect on our ability to develop and sell properties or realize income from our projects. Furthermore, an increase in sea levels due to long-term global warming could have a material adverse affect on our coastal properties. The occurrence

of natural disasters and the threat of adverse climate changes could also have a long-term negative effect on the attractiveness of Florida as a location for resort, seasonal and/or primary

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residences and as a location for new employers that can create high-quality jobs needed to spur growth in Northwest Florida.

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

Homeowner property insurance companies doing business in Florida have reacted to recent hurricanes by significantly increasing premiums, requiring higher deductibles, reducing limits, restricting coverages, imposing exclusions, refusing to insure certain property owners, and in some instances, ceasing insurance operations in the state. It is uncertain what effect these actions will have on property insurance availability and rates in the state. This trend of decreasing availability of insurance and rising insurance rates could continue if there are severe hurricanes in the future.

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

The high and increasing costs of property insurance premiums in Florida, as well as the decrease in private property insurers, could (1) deter potential customers from purchasing a home or homesite in one of our developments, or (2) make Northwest Florida less attractive to new employers that can create high quality jobs needed to spur growth in the region, either of which could have a material adverse effect on our financial condition and results of operations.

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

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

The current high costs of real estate property taxes in Florida, and future increases in property taxes, could (1) deter potential customers from purchasing a lot or home in one of our developments, or (2) make Northwest Florida less attractive to new employers that can create high-quality jobs needed to spur growth in the region, either of which could have a material adverse effect on our financial condition and results of operations.

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

Many purchasers of our real estate products obtain mortgage loans to finance a substantial portion of the purchase price, or they may need to obtain mortgage loans to finance the construction costs of homes to be built on homesites purchased from us. Also, our homebuilder customers depend on retail purchasers who rely on mortgage financing. Many mortgage lenders and investors in mortgage loans have recently experienced severe financial difficulties arising from losses incurred on sub-prime and other loans originated before the downturn in the real estate market. Despite unprecedented efforts by the Federal government to stabilize the nation's banks, banking operations remain unsettled

and the future of certain financial institutions remains uncertain. Because of these problems, the supply of mortgage products has been constrained, and the eligibility requirements for borrowers have been significantly tightened. These problems in the mortgage lending industry

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could adversely affect potential purchasers of our products, including our homebuilder customers, thus having a negative effect on demand for our products.

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

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

We operate in a capital intensive industry and require significant cash to maintain our competitive position. Although we have significantly reduced capital expenditures and operating expenses during the current real estate downturn, we will need significant cash in the future to maintain and enhance our operations and to develop our real estate holdings. We obtain funds for our operating expenses and capital expenditures through cash flow from operations, property sales and financings. We continue to explore alternative methods for generating additional cash, such as ways to maximize the use of our timber, but we cannot guarantee that any of these alternative cash sources will be viable, significant or successful. Failure to obtain sufficient cash when needed may limit our development activities, cause us to further reduce our operations or cause us to sell desirable assets on unfavorable terms, any of which could have a material adverse affect on our financial condition, revenues and results of operations.

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

We have a \$125 million revolving credit facility with adjustable interest rates that we can draw upon to provide cash for operations and/or capital expenditures. Increases in interest rates can make it more expensive for us to use this credit facility or obtain funds from other sources that we need to operate our business.

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

We have a \$125 million revolving credit facility available to provide a source of funds for operations, capital expenditures and other general corporate purposes. While we have not yet needed to borrow any funds under this facility, it is important to have in place as a ready source of financing, especially in the current difficult economic conditions. The credit facility contains financial covenants that we must meet on a quarterly basis. These restrictive covenants require, among other things, that our tangible net worth be not less than \$800 million. Compliance with this covenant will be challenging if we continue to experience significant operating losses, asset impairments, pension plan losses and other reductions in our net worth.

If we do not comply with the minimum tangible net worth covenant, we could have an event of default under our credit facility. There can be no assurance that the bank will be willing to amend the facility to provide for more lenient terms prior to any such default, or that it will not charge significant fees in connection with any such amendment. If we had borrowings under the facility at the time of a default, the bank could immediately accelerate all outstanding

amounts and file a mortgage on the majority of our properties to secure the repayment of the debt. Even if we had no outstanding borrowings under the facility at the time of a default, the bank may choose to terminate the facility or seek to negotiate additional or more severe restrictive covenants or increased pricing and fees. We could be required to seek an alternative funding

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source, which may not be available at all or available on acceptable terms. Any of these events could have a material adverse effect on our financial condition and results of operations.

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

We no longer build homes in our developments, so we are highly dependent upon our relationships with national, regional and local homebuilders to be the primary customers for our homesites and to provide construction services at our residential developments. Because of the collapse of real estate markets across the nation, including our markets, homebuilders are struggling to survive and are significantly less willing to purchase homesites and invest capital in speculative construction. The homebuilder customers that have already committed to purchase homesites from us could decide to reduce, delay or cancel their existing commitments to purchase homesites in our developments. Homebuilders also may not view our developments as desirable locations for homebuilding operations, or they may choose, in light of current market conditions, to purchase land from distressed sellers. Any of these events could have an adverse effect on our results of operations.

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

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

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

we may not have voting control over the joint venture;

the venture partner may take actions contrary to our instructions or requests, or contrary to our policies or objectives with respect to the real estate investments;

the venture partner could experience financial difficulties, and

actions by a venture partner may subject property owned by the joint venture to liabilities greater than those contemplated by the joint venture agreement or have other adverse consequences.

Joint ventures have a high failure rate. A key complicating factor is that strategic partners may have economic or business interests or goals that are inconsistent with ours or that are influenced by factors unrelated to our business. These competing interests lead to the difficult challenges of successfully managing the relationship and communication between strategic partners and monitoring the execution of the partnership plan. We cannot assure that

we will have sufficient resources, experience and/or skills to effectively manage our ongoing relationships with our strategic partners. We may also be subject to adverse business consequences if the market reputation of a strategic partner deteriorates. If we cannot successfully execute transactions with strategic partners, our business could be adversely affected.

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

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

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

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

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

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

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

As currently proposed, this law would mean that a land use plan amendment, which a local government would otherwise approve, could be struck down by a vote of local citizens. The proponents of this petition were able to get

sufficient signatures for the Hometown Democracy initiative to appear on the ballot for the November 2010 general election. If passed, this law could significantly limit or impede our ability to develop new projects.

Changes in the Growth Management Act or the DRI review process or the interpretation thereof, new enforcement of these laws or the enactment of new laws regarding the development of real property could lead

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to new or greater liabilities that could materially adversely affect our business, profitability or financial condition.

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

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

Environmental laws and regulations frequently change, and such changes could have an adverse affect on our business. For example, the Environmental Protection Agency (EPA) released in January 2010 proposed new freshwater quality criteria for Florida. There is a significant amount of uncertainty about how the proposed freshwater criteria would be implemented, including how they would relate to current state regulations. In addition, the EPA proposes to release new coastal water quality criteria for Florida in January 2011. If adopted, and depending on the implementation details, the EPA s proposed water quality criteria could lead to new restrictions and increased costs for our real estate development activities.

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

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

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

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

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

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

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

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

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

If Wells Fargo's Wachovia Bank subsidiary (or any successor bank) were to fail and be liquidated, the installment notes receivable, the letters of credit and the notes issued by the special purpose entities to the institutional investors could be virtually worthless or satisfied at a significant discount. As a result, the taxes due on the \$160.5 million gain would be accelerated. An adverse tax event could result in an immediate need for a significant amount of cash that may not be readily available from our cash reserves, our revolving line of credit or other third-party financing sources. Any such cash outlay, even if available, could divert needed resources away from our business or cause us to liquidate assets on unfavorable terms or prices. Our business and financial condition may be adversely affected if these significant tax events were to occur. In the event of a liquidation of Wells Fargo's Wachovia Bank subsidiary (or any successor bank), we could also be required to write-off the remaining retained interest recorded on our balance sheet in connection with the installment sale transactions, which would have an adverse effect on our results of operations.

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

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

Because of an unprecedented spike in oil prices in 2008, there was political pressure on federal and state leaders to overturn the offshore drilling ban. As a result, the presidential and congressional bans on offshore drilling in most U.S. waters ended in 2008. Because of continued interest in increasing domestic energy

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production and the desire to create jobs in the current recession, the federal government could decide to allow offshore drilling in federal territorial waters. Meanwhile, Florida's governor has expressed support for allowing oil and natural gas drilling off the Florida coastline under certain circumstances. If drilling platforms are permitted to be built off the coast of Northwest Florida close enough to be seen from land, potential purchasers may find our coastal properties to be less attractive, which may have an adverse effect on our business.

We are exposed to risks associated with real estate development.

Our real estate development activities entail risks that include:

construction delays or cost overruns, which may increase project development costs;

claims for construction defects after property has been developed, including claims by purchasers and property owners' associations;

an inability to obtain required governmental permits and authorizations;

an inability to secure tenants necessary to support commercial projects, and

compliance with building codes and other local regulations.

Significant competition could have an adverse effect on our business.

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

attract purchasers and sell residential and commercial real estate,

sell undeveloped rural land,

attract and retain experienced real estate development personnel, and

obtain construction materials and labor.

Our real estate operations are cyclical.

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

Changes in our income tax estimates could affect our profitability.

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

Table of Contents**Item 1B. *Unresolved Staff Comments***

We have no unresolved comments from the staff of the Securities and Exchange Commission regarding our periodic or current reports.

Item 2. *Properties*

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

We own approximately 577,000 acres, the majority of which are located in Northwest Florida. Our land holdings include approximately 405,000 acres within 15 miles of the coast of the Gulf of Mexico. Most of our raw land assets are managed as timberlands until designated for development. At December 31, 2009, approximately 289,000 acres were encumbered under a wood fiber supply agreement with Smurfit-Stone Container Corporation which expires on June 30, 2012, subject to the outcome of Smurfit-Stone's bankruptcy proceedings. Also, our lender has the right to record mortgages on approximately 530,000 acres of our land if there is an event of default under our revolving credit facility.

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

Item 3. *Legal Proceedings*

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

PART II**Item 4. *Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities***

On February 19, 2010, we had approximately 1,471 registered holders of record of our common stock. Our common stock is listed on the New York Stock Exchange (NYSE) under the symbol JOE.

The range of high and low prices for our common stock as reported on the NYSE are set forth below:

	Common Stock Price	
	High	Low
2009		
Fourth Quarter	\$ 30.98	\$ 23.29
Third Quarter	34.28	22.14
Second Quarter	27.45	16.09
First Quarter	27.02	14.53
2008		
Fourth Quarter	\$ 39.76	\$ 18.80
Third Quarter	42.49	30.63
Second Quarter	44.79	33.79

First Quarter

46.82

29.50

On February 19, 2010, the closing price of our common stock on the NYSE was \$29.43. We paid no dividends during 2009 or 2008, and we currently have no intention to pay any dividends in the foreseeable future. In addition, our \$125 million revolving credit facility requires that we not pay dividends or repurchase stock in amounts in excess of any cumulative net income that we have earned since January 1, 2007.

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The following table describes our purchases of our common stock during the fourth quarter of 2009.

Period	(a) Total Number of Shares Purchased(1)	(b) Average Price Paid per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs(2)	(d) Maximum Dollar Amount that May Yet Be Purchased Under the Plans or Programs (In thousands)
Month Ended October 31, 2009	15,280	\$ 27.20		\$ 103,793
Month Ended November 30, 2009		\$		\$ 103,793
Month Ended December 31, 2009		\$		\$ 103,793

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

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

The following performance graph compares our cumulative shareholder returns for the period December 31, 2004, through December 31, 2009, assuming \$100 was invested on December 31, 2004, in our common stock, in the S&P 500 Index, in the S&P SuperComposite Homebuilder Index and in a custom peer group of real estate related companies, including the following:

AMB Property Corporation (AMB),
 Developers Diversified Realty Corporation (DDR),
 Duke Realty Corporation (DRE),
 Highwoods Properties, Inc. (HIW),
 Jones Lang LaSalle Incorporated (JLL),
 Kimco Realty Corporation (KIM),
 The Macerich Company (MAC),
 MDC Holdings Inc. (MDC),
 NVR, Inc. (NVR),
 Plum Creek Timber Company, Inc. (PCL),
 Regency Centers Corporation (REG),
 Rayonier Inc. (RYN),
 Toll Brothers Inc. (TOL), and
 WP Carey & Co. LLC (WPC).

In light of our diverse real estate holdings, we believe it appropriate this year to create a peer group that includes companies with more varied real estate interests other than just homebuilding. We continue to include homebuilders in the peer group, however, as homebuilders are among our key customers and our businesses tend to follow similar

market trends.

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

	12/31/04	12/31/05	12/31/06	12/31/07	12/31/08	12/31/09
The St. Joe Company	\$ 100	\$ 106	\$ 85	\$ 57	\$ 39	\$ 46
S&P 500 Index	\$ 100	\$ 105	\$ 121	\$ 128	\$ 81	\$ 102
S&P Super Composite Homebuilder Index	\$ 100	\$ 116	\$ 93	\$ 42	\$ 29	\$ 35
Custom Real Estate Peer Group*	\$ 100	\$ 108	\$ 137	\$ 118	\$ 76	\$ 104

* The total return for the Custom Real Estate Peer Group was calculated using an equal weighting for each of the stocks within the peer group.

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The following table sets forth Selected Consolidated Financial Data for the Company on a historical basis for the five years ended December 31, 2009. This information should be read in conjunction with the consolidated financial statements of the Company (including the related notes thereto) and Management's Discussion and Analysis of Financial Condition and Results of Operations, each included elsewhere in this Form 10-K. This historical Selected Consolidated Financial Data has been derived from the audited consolidated financial statements and revised for discontinued operations.

	Year Ended December 31,				
	2009	2008	2007	2006	2005
	(In thousands, except per share amounts)				
Statement of Operations Data:					
Total revenues(1)	\$ 138,257	\$ 258,158	\$ 371,551	\$ 519,184	\$ 712,791
Total expenses	347,599	282,920	347,422	454,844	544,864
Operating (loss) profit	(209,342)	(24,762)	24,129	64,340	167,927
Other income (expense)	4,215	(36,643)	(4,709)	(9,640)	(3,076)
(Loss) income from continuing operations before equity in (loss) income of unconsolidated affiliates and income taxes	(205,127)	(61,405)	19,420	54,700	164,851
Equity in (loss) income of unconsolidated affiliates	(122)	(330)	(5,331)	8,905	12,541
Income tax (benefit) expense	(81,222)	(26,613)	1,264	22,126	61,060
(Loss) income from continuing operations	(124,027)	(35,122)	12,825	41,479	116,332
(Loss) income from discontinued operations(2)	(6,888)	(1,568)	(1,654)	5,310	4,824
Gain on sale of discontinued operations(2)	75		29,128	10,368	13,322
(Loss) income from discontinued operations(2)	(6,813)	(1,568)	27,474	15,680	18,146
Net (loss) income	(130,840)	(36,690)	40,299	57,157	134,478
Less: Net (loss) income attributable to noncontrolling interest	(821)	(807)	1,092	6,137	7,820
Net (loss) income attributable to the Company	\$ (130,019)	\$ (35,883)	\$ 39,207	\$ 51,020	\$ 126,658
Per Share Data:					
<i>Basic</i>					