ST JOE CO
Form DEFM14A
January 31, 2014
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

Filed by the Registrant x Filed by a Party other than the Registrant ¨

Check the appropriate box:

¨ Preliminary Proxy Statement
¨ **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
x Definitive Proxy Statement
¨ Definitive Additional Materials
¨ Soliciting Material Pursuant to Section 240.14a-12

The St. Joe Company

(Name of Registrant as Specified in Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

¨ No fee required.

x Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

1) Title of each class of securities to which transaction applies: Not applicable

2) Aggregate number of securities to which transaction applies: Not applicable

3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined): Not applicable

4) Proposed maximum aggregate value of transaction: $565,000,000

5) Total fee paid: $72,772

x Fee paid previously with preliminary materials.

¨ Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

1) Amount Previously Paid:

2) Form, Schedule or Registration Statement No.:

3) Filing Party:

4) Date Filed:

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133 South WaterSound Parkway

WaterSound, Florida 32413

January 31, 2014

Dear Shareholder:

A special meeting of the shareholders of The St. Joe Company (the Special Meeting) will be held on March 4, 2014, at 8:00 AM, Eastern Standard Time, at the Offices of Greenberg Traurig, P.A., 333 S.E. 2nd Ave., Suite 4400, Miami, Florida 33131. At the Special Meeting, you will be asked to:

1. Approve our sale of approximately 382,834 acres of land located in Northwest Florida (the Subject Lands), along with certain other assets and inventory and rights under certain continuing leases and contracts (the Transaction), pursuant to the Purchase and Sale Agreement by and between St. Joe and AgReserves Inc. (the Purchaser or AgReserves), dated November 6, 2013 (the Sale Agreement) as more fully described in the enclosed proxy statement (the Transaction Proposal);

2. Approve one or more adjournments of the Special Meeting to solicit additional votes and proxies if there are insufficient votes at the time of the Special Meeting to approve the Transaction Proposal (the Adjournment Proposal); and

3. Transact such other business as may properly come before the Special Meeting and any postponements or adjournments thereof.

Only shareholders who owned shares of our common stock at the close of business on January 27, 2014, the record date for the Special Meeting, will be entitled to vote at the Special Meeting and any postponements or adjournments thereof.

After careful consideration of all factors which the Board has deemed relevant, the Board deems the Sale Agreement and the transactions contemplated thereby, including, without limitation, the Transaction, to be advisable, fair to and in the best interests of the Company and its shareholders. **Our Board of Directors unanimously recommends that you vote FOR the Transaction Proposal and FOR the Adjournment Proposal.**

The enclosed Notice of Special Meeting and proxy statement explain the Transaction and provide specific information concerning the Special Meeting. Please read these materials (including the annexes) carefully.

Your vote is very important, regardless of the number of shares you own. The Transaction Proposal must be approved by a majority of all the votes entitled to be cast on the Transaction. Therefore, if you do not return your proxy card or attend the Special Meeting and vote in person, it will have the same effect as if you voted **AGAINST** the Transaction Proposal. Broker non-votes, if any, will have the same effect as a vote **AGAINST** the Transaction Proposal, but will have no impact on the Adjournment Proposal. To vote your shares, you may return your proxy card, vote by internet

or telephone or attend the Special Meeting and vote in person. Even if you plan to attend the Special Meeting, we urge you to promptly submit a proxy for your shares by completing, signing, dating and returning the enclosed proxy card.

On behalf of your Board of Directors, thank you for your continued support.

Sincerely,

Bruce R. Berkowitz

Chairman of the Board

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133 South WaterSound Parkway

WaterSound, Florida 32413

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS

TO BE HELD ON MARCH 4, 2014

Time and Date	March 4, 2014, at 8:00 AM, Eastern Standard Time
Place	Offices of Greenberg Traurig Greenberg Traurig, P.A. 333 S.E. 2nd Avenue Suite 4400 Miami, FL 33131
Items of Business	1. Approve our sale of approximately 382,834 acres of land located in Northwest Florida (the Subject Lands), along with certain other assets and inventory and rights under certain continuing leases and contracts (the Transaction), pursuant to the Purchase and Sale Agreement by and between St. Joe and AgReserves Inc. (the Purchaser or AgReserves), dated November 6, 2013 (the Sale Agreement) as more fully described in the enclosed proxy statement (the Transaction Proposal); 2. Approve one or more adjournments of the Special Meeting to solicit additional votes and proxies if there are insufficient votes at the time of the Special Meeting to approve the Transaction Proposal (the Adjournment Proposal); and 3. Transact such other business as may properly come before the Special Meeting and any postponements or adjournments thereof.

Our Board of Directors unanimously recommends that you vote FOR the Transaction Proposal and FOR the Adjournment Proposal.

How to Vote

If you are a registered shareholder as of the close of business on January 27, 2014, the record date for the Special Meeting, you may vote online at www.proxyvote.com, by telephone or by mailing a proxy card. You may also vote in person at the Special Meeting.

If you hold shares through a bank, broker or other institution, you may vote your shares by any method specified on the voting instruction form that the bank, broker or other institution provides. We encourage you to vote your shares as soon as possible.

By Order of the Board of Directors,

Bruce R. Berkowitz

Chairman of the Board

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133 South WaterSound Parkway

WaterSound, Florida 32413

PROXY STATEMENT

FOR

SPECIAL MEETING OF SHAREHOLDERS

March 4, 2014

INTRODUCTION

This proxy statement is being furnished in connection with the solicitation of proxies by the Board of Directors of The St. Joe Company (hereinafter the terms we, us, our, the Company or St. Joe refer to The St. Joe Company and its consolidated subsidiaries unless the context indicates otherwise) for use at a special meeting of shareholders to be held on March 4, 2014 (the Special Meeting) at 8:00 AM, Eastern Standard Time, at the Offices of Greenberg Traurig, P.A., 333 S.E. 2nd Ave., Suite 4400, Miami, Florida 33131, and any postponements or adjournments thereof. This proxy statement was first mailed to shareholders on or about January 31, 2014.

At the Special Meeting, our shareholders will be asked to:

1. Approve the sale by St. Joe of approximately 382,834 acres of land located in Northwest Florida owned by us (the Subject Lands), along with certain other assets and inventory and rights under certain continuing leases and contracts (the Transaction), pursuant to the Purchase and Sale Agreement by and between St. Joe and AgReserves Inc. (the Purchaser or AgReserves), dated November 6, 2013 (the Sale Agreement) as more fully described in this proxy statement (the Transaction Proposal);

2. Approve one or more adjournments of the Special Meeting to solicit additional votes and proxies if there are insufficient votes at the time of the Special Meeting to approve the Transaction Proposal (the Adjournment Proposal); and

3. Transact such other business as may properly come before the Special Meeting and any postponements or adjournments thereof.

Only shareholders of record as of January 27, 2014 (the Record Date) will be entitled to vote at the Special Meeting and any postponements or adjournments thereof. As of the Record Date, 92,282,030 shares of our common stock, no par value, were outstanding and eligible to be voted. The holders of our common stock as of the Record Date are entitled to one vote per share on all matters presented at the Special Meeting. Shareholders may vote by internet, telephone, mail or in person. Execution of a proxy will not in any way affect a shareholder s right to attend the Special Meeting and vote in person. Any proxy may be revoked by a shareholder at any time before it is exercised by delivery of a written revocation or a later executed proxy to our Corporate Secretary or by attending the Special Meeting and voting in person.

This proxy solicitation is being made and paid for by us on behalf of our Board of Directors. Our directors, officers and employees may also solicit proxies by personal interview, mail, e-mail, telephone, facsimile or other means of communication. These persons will not be paid any additional compensation for their efforts. We will also request brokers and other fiduciaries to forward proxy solicitation material to the beneficial owners of shares of our common stock that the brokers and fiduciaries hold of record. Upon request, we will reimburse them for their reasonable out-of-pocket expenses.

Our Board of Directors unanimously recommends that you vote FOR the Transaction Proposal and FOR the Adjournment Proposal.

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SUMMARY OF THE TRANSACTION

This summary highlights selected information from this proxy statement with respect to the Sale Agreement and the Transaction. It may not contain all of the information that is important to you. To more fully understand the Transaction, you should carefully read the entire proxy statement, including the annexes, and the information incorporated by reference or referred to in this proxy statement. See Available Information. The page references have been included in this summary to direct you to a more complete description of the topics presented below.

Overview

The St. Joe Company is a Florida real estate development company that currently owns approximately 567,000 acres of land, concentrated primarily between Tallahassee and Destin.

On November 6, 2013, we entered into the Sale Agreement with AgReserves, Inc., a tax-paying affiliate of The Church of Jesus Christ of Latter-day Saints who has had ranching and agricultural operations in east central Florida for over 60 years. Pursuant to the Sale Agreement we agreed to sell to AgReserves approximately 382,834 acres of land located in Northwest Florida (the Subject Lands), along with certain other assets and inventory and rights under certain continuing leases and contracts (the Transaction) for a purchase price of $565,000,000, subject to adjustments as described below (the Purchase Price). The Subject Lands include substantially all of our land designated for forestry operations as well as other land (1) that is not utilized in our residential or commercial real estate segments or our resorts, leisure and leasing segment or (2) that is not part of our current development plans. However, we will continue to own a limited amount of timberland and will continue our forestry operations, although on a more limited basis, after the Transaction.

As discussed in this proxy statement, the Transaction is subject to our shareholders approval. We expect that the Transaction will close shortly after we receive shareholder approval. The Sale Agreement provides that, subject to the satisfaction or waiver of closing conditions, the Closing will occur on January 31, 2014; provided that upon prior written notice of no less than five business days prior to the then-scheduled closing date: (i) we can extend the closing date to a date no later than May 1, 2014 (the Outside Date), and (ii) AgReserves can extend the closing date to the date that is five business days after the later of (a) the date on which our shareholder meeting has occurred and (b) the date on which we obtain certain consents, but in no event later than the Outside Date.

Reasons for and Risks Associated with the Transaction (page 24)

Our Board of Directors approved the Transaction for a number of reasons, including the following:

- the fair value of the Purchase Price;
- our Board s belief that the Transaction is in line with our corporate strategy, including our desire to focus on real estate development in Northwest Florida;
- our Board s evaluation of the timing and development of our significant remaining real estate surrounding the Northwest Florida Beaches International Airport as well as other remaining real estate and related operations;

our Board s evaluation of the timing and development of future opportunities;

our Board s belief that the Subject Lands, which are designated as forestry or preserve land, are not expected to be improved for higher and better uses, other than farmland, in the foreseeable future; and

our ability to utilize a portion of our deferred tax assets to increase the net benefit of the sale.

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These reasons for the Transaction, as well as the process the parties engaged in to reach agreement on the Transaction, are described in more detail under the headings The Transaction Reasons for the Transaction and The Transaction Background of the Transaction. This proxy statement also describes other details of the Transaction, including the consideration to be paid, the risks associated with the Transaction and the conditions to consummation of the Transaction.

The Transaction may expose us to a number of risks, including:

- Upon the consummation of the Transaction, our business will become more dependent upon the real estate industry as income from our forestry operations will be reduced. Therefore, the cyclical nature of our real estate operations could adversely affect our results of operations, cash flows, financial condition and stock price;

- We have discretion in the use of the net proceeds from the Transaction and may not successfully allocate or reinvest the capital from the Transaction;

- We may not successfully reduce fixed costs associated with the assets being sold in the Transaction; and

- The Sale Agreement may expose us to contingent liabilities.

This proxy statement also contains details regarding the Special Meeting that the Board has scheduled to request your vote on matters related to the Transaction. This information is included under the heading Special Meeting. For the reasons described, our Board unanimously recommends that you vote FOR the Transaction Proposal and the Adjournment Proposal.

Recommendation of Our Board of Directors (page 32)

After careful consideration of all factors which the Board has deemed relevant, the Board deems the Sale Agreement and the transactions contemplated thereby, including, without limitation, the Transaction, to be advisable, fair to and in the best interests of the Company and its shareholders. Our Board unanimously recommends that you vote FOR the Transaction Proposal and FOR the Adjournment Proposal.

Fairness Opinion of TAP Securities LLC (page 25)

We retained TAP Securities LLC (TAP Securities) as our and our Board of Directors financial advisor in connection with the proposed Transaction. As part of that engagement, our Board of Directors requested that TAP Securities evaluate the fairness, from a financial point of view, of the consideration to be received by us in connection with the Transaction. On November 6, 2013, at a meeting of our Board of Directors held to evaluate the proposed Transaction at the proposed purchase price of $565,000,000, TAP Securities delivered to our Board of Directors an oral opinion, confirmed by delivery of a written opinion dated November 6, 2013, to the effect that, as of that date and based on and subject to various procedures, assumptions, matters considered and qualifications and limitations described in its opinion, the $565,000,000 price was fair to St. Joe from a financial point of view. The full text of TAP Securities opinion describes the procedures followed, assumptions made, matters considered and qualifications and limitations on the review undertaken by TAP Securities. The opinion is attached as Annex B and is incorporated by reference into

this proxy statement. The opinion did not constitute a recommendation to any shareholder as to how to vote or act with respect to the Transaction.

Fairholme Fund Irrevocable Proxy (page 31)

In connection with the Sale Agreement, at the Purchaser s request, Fairholme Funds, Inc., on behalf of The Fairholme Fund (an affiliate of our Chairman Bruce Berkowitz), granted AgReserves an irrevocable proxy to vote 23,136,502 shares of our common stock, or approximately 25.1% of our outstanding shares of common

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stock as of the Record Date. Pursuant to the Sale Agreement, the Purchaser has agreed to vote the shares that are subject to the irrevocable proxy FOR the approval of the Transaction Proposal. The irrevocable proxy will remain in effect until the earliest to occur of (1) the termination of the Sale Agreement in accordance with its terms (including any extension thereof) or any material amendment of the Sale Agreement prior to the Record Date, (2) The Fairholme Fund and AgReserves agree to terminate the irrevocable proxy, (3) the date on which the Record Date is changed to a date other than January 27, 2014 and (4) the consummation of the Transaction. The irrevocable proxy does not limit or otherwise restrict the ability of The Fairholme Fund to sell any of the shares of our common stock that are held by it prior to or following the Record Date.

Use of Proceeds (page 32)

The Company, and not the Company s shareholders, will receive all of the net proceeds from the Transaction. Our management will retain broad discretion in deciding how to allocate the net proceeds of the Transaction. We have not designated the amount of net proceeds we will receive from the Transaction for any particular purpose given the uncertain timing of the Transaction and our ongoing tax analysis of our assets.

Transaction Consideration (page 35)

The Purchase Price of $565,000,000 will be adjusted downward as follows (collectively, the Purchase Price Adjustments):

1) For the value by which the net proceeds from harvesting of timber on the Subject Lands for the period from August 1, 2013 through Closing exceeds certain pre-agreed amounts described in the Sale Agreement;

2) For the value of any parcel excluded from the Transaction by the Purchaser because it is subject to an uncured title objection not waived by the Purchaser prior to Closing. For a period of one (1) year after the date of Closing, we will have the right to cure any title objection and receive payment from the Purchaser of the portion of the initial Purchase Price previously withheld by the Purchaser;

3) For the value of any parcel excluded from the Transaction by the Purchaser because the Purchaser discovers the presence or likely presence of any hazardous substance on such parcel which has not been previously identified by us; and

4) For the aggregate fair market value of (x) damaged or lost timber resulting from all casualty losses *plus* (y) the estimated cost associated with putting the affected parcels back into production and the damage to any property improvements, if such amount exceeds $500,000. We will, however, be entitled to retain any insurance proceeds from such casualty losses.

The Sale Agreement has a closing condition that the maximum aggregate amount by which the Purchase Price can be adjusted downward for items 2, 3 and 4 above does not exceed $40,000,000. Consequently, if the aggregate value of these specific Purchase Price Adjustments exceeds $40,000,000, both AgReserves and St. Joe will need to waive this condition or the Closing will not occur. There is no limit on the amount the Purchase Price may be reduced for item 1 above.

Concurrently with the execution of the Sale Agreement, AgReserves deposited with the escrow agent a $37,500,000 deposit (the Deposit). The Deposit will either be (i) delivered to us at the closing of the Transaction (the Closing) and applied as a credit towards the Purchase Price or (ii) if the Closing does not occur, returned to the Purchaser, unless we terminate the Sale Agreement upon the Purchaser s breach or violation of a representation, warranty, covenant or agreement which (a) cannot be cured by the Outside Date or (b) the Purchaser does not use, on a continuous basis, all commercially reasonable efforts to cure in all material respects within a reasonable time after receiving notice of such breach or violation.

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The Purchase Price is payable at Closing in cash or, at our option, a combination of cash and a 15-20 year installment note. AgReserves has advised us that it has sufficient cash on hand to pay the full Purchase Price.

If we elect to receive a portion of the Purchase Price in an installment note, AgReserves will remit to us in cash the remaining portion of the Purchase Price. Concurrently, a bankruptcy-remote, qualified special purpose entity established by AgReserves (the Buyer QSPE), will issue to us a 15-20 year installment note in an amount equal to the portion of the Purchase Price that we elect to receive in an installment note (the Timber Note). The Timber Note will be secured by a standby letter of credit from a financial institution with a Standard & Poor s Rating of A- or better. We expect to assign the Timber Note to a bankruptcy-remote, qualified special purpose entity established by us (the St. Joe QSPE). Shortly after receiving the Timber Note, we expect that the St. Joe QSPE will monetize the Timber Note by issuing debt securities (which we currently anticipate will have a value equal to approximately 85-90% of the value of the Timber Note) to third party investors. The debt securities will be payable solely out of the assets of the St. Joe QSPE, which will principally consist of the Timber Note and the standby letter of credit. The investors holding the debt securities of the St. Joe QSPE will have no recourse against us for payment of the debt securities or related interest expense. We will receive payment of the remaining principal amount of the Timber Note, less net interest expense and costs associated with the monetization of the Timber Note, on the maturity date of the Timber Note.

Conditions to Completion of the Transaction (page 41)

Completion of the Transaction requires the approval of our shareholders as well as the satisfaction or waiver of certain conditions set forth in the Sale Agreement, including, among other things: (1) receipt by each party of the necessary consents, authorizations, registrations or approvals required to consummate the Transaction, (2) each party s compliance with the representations, warranties and covenants contained in the Sale Agreement and (3) the waiver of the $40,000,000 Purchase Price Adjustment limit, if applicable.

Termination of the Sale Agreement; Termination Fees and Expenses (page 42)

The Sale Agreement may be terminated automatically, by us, or by the Purchaser in certain circumstances, in which case the Transaction will not be completed. Pursuant to the terms of the Sale Agreement, in certain circumstances, we will be required to reimburse AgReserves their fees, costs, and expenses and, in limited circumstances, pay a break-up fee of $21,187,500 if the Transaction is not completed.

No Solicitation or Change in Recommendation (page 39)

Subject to certain exceptions, the Sale Agreement requires that we will not initiate, solicit, knowingly encourage (including by providing information), induce or knowingly facilitate any proposals or offers with respect to an Alternative Proposal as described in section No Solicitation; Change in Recommendation beginning on page 39. If we receive an unsolicited Alternative Proposal prior to obtaining shareholder approval of the Transaction Proposal, under certain circumstances we may participate in discussions or negotiations about such proposal.

We also agreed that neither our Board of Directors nor any Board committee may, subject to certain exceptions, (1) withdraw or modify in a manner adverse to the Purchaser, or publicly propose to withdraw or modify in a manner adverse to the Purchaser, its recommendation in favor of the Transaction Proposal; (2) fail to recommend against the acceptance of any tender offer or exchange offer that would constitute an Alternative Proposal and that is publicly disclosed prior to the earlier of the date of Special Meeting and 10 business days after the commencement of such tender offer or exchange; (3) fail to reaffirm, without qualification, that the Transaction is in our best interests or its recommendation in favor of the Transaction Proposal, within five business days if Purchaser requests that we do so; (4) approve, recommend or endorse an Alternative Proposal; or (5) approve any agreement which would constitute an

Alternative Proposal.

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Indemnification of Purchaser (page 43)

From and after the Closing, and subject to the terms, conditions and limitations set forth in the Sale Agreement, we will indemnify, defend and hold harmless the Purchaser and certain of its indemnitees against any loss incurred by them as a result of the following: (1) a breach by us of certain representations or warranties contained in the Sale Agreement or any ancillary agreement; (2) any breach of any agreement, term, provision, condition, obligation, or covenant to be performed or satisfied by us pursuant to the Sale Agreement; (3) any third-party personal injury or tort claims regarding our use, ownership or operation of the Subject Lands (or any party thereof) prior to the Closing but excluding certain assumed liabilities and any released environmental claims; (4) any claim arising from assumed contracts relating to any act or omission prior to the date of Closing; and (5) any claim arising from an inaccuracy or material default alleged in any estoppel certificate provided by Seller to Purchaser in lieu of a third-party estoppel certificate.

We will not, however, be liable for losses relating to items 1, 2 or 5 above, unless the aggregate amount of all losses for which we would otherwise be liable exceeds $5,000,000. In this case, the Purchaser indemnitees will be entitled, subject to the other limitations set forth in the Sale Agreement, to indemnification for all losses incurred by them that are in excess of this amount, subject to a limit on our maximum aggregate liability of $56,500,000 relating to items 1, 2 or 5 above. There are no limits to our potential indemnification liability with respect to items 3 or 4 above.

Additionally, the $5,000,000 threshold and the $56,500,000 indemnification maximum with respect to items 1, 2 or 5 above will not apply to losses arising from: (1) Purchase Price Adjustments, (2) apportionments, (3) closing costs and expenses, (4) our brokerage indemnity, (5) reimbursement of legal fees and (6) the Purchaser s enforcement of its specific performance rights. The $56,500,000 indemnification maximum will also not apply to any fraud or intentional misconduct by us.

Specific Performance (page 44)

If we fail to consummate the Transaction, the Purchaser may undertake an action, suit or proceeding for the specific enforcement of the Sale Agreement unless the Purchaser s failure to perform any of its obligations under the Sale Agreement primarily contributes to our failure to consummate the Transaction. In the event the remedy of specific performance is not available to the Purchaser due to the fraud or intentional misconduct of us, in addition to return of the Deposit, the Purchaser will be entitled to pursue any and all remedies and damages available at law or equity. Our only right to specific performance by the Purchaser will be for (1) any breach of the confidentiality agreement between us and Purchaser, (2) the Purchaser s breach of the covenant not to record the Sale Agreement in any real property records, or (3) the Purchaser s breach of the covenant relating to its right of entry. The specific performance provision will survive the Closing.

U.S. Federal Income Tax Consequences (page 32)

Our shareholders will not realize any gain or loss for U.S. federal income tax purposes as a result of the Transaction.

The Transaction will be treated as a sale of corporate assets. The Transaction is a taxable transaction for U.S. federal income tax purposes upon which we will recognize gain or loss. If we elect to receive the entire Purchase Price in cash, then we will recognize all gain or loss resulting from the Transaction currently. If we elect to receive a portion of the Purchase Price in a Timber Note, then a portion of the gain or loss resulting from the Transaction may be deferred and reported using the installment method of reporting.

No Appraisal Rights (page 33)

Under the Florida Business Corporations Act, the Transaction Proposal described in this proxy statement being submitted to a shareholder vote at the Special Meeting will not give rise to appraisal rights for dissenting shareholders. Furthermore, we will not independently provide dissenting shareholders with any appraisal rights.

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QUESTIONS AND ANSWERS ABOUT THE SPECIAL MEETING AND THE TRANSACTION PROPOSAL

The following are some questions that you, as a shareholder of the Company, may have regarding the Special Meeting and the Transaction Proposal and brief answers to such questions. We urge you to carefully read this entire proxy statement, the annexes to this proxy statement and the documents referred to or incorporated by reference in this proxy statement because the information in this section does not provide all the information that may be important to you as a shareholder of the Company with respect to the Transaction Proposal. See Available Information beginning on page 57.

THE SPECIAL MEETING

Q: ***When and where will the Special Meeting take place?***

A: The Special Meeting will be held on March 4, 2014 at 8:00 AM, Eastern Standard Time, at the Offices of Greenberg Traurig, P.A., 333 S.E. 2nd Avenue, Suite 4400, Miami, Florida 33131.

Q: ***Who may vote at the Special Meeting?***

A: Only holders of record of shares of our common stock at the close of business on January 27, 2014, the Record Date, are entitled to notice of and to vote at the Special Meeting or any adjournment or postponement of Special Meeting. On the Record Date, we had 92,282,030 shares of our common stock outstanding and entitled to be voted at Special Meeting.

Q: ***How many votes do I have?***

A: You may cast one vote for each share of our common stock held by you as of the Record Date on all matters presented at Special Meeting.

Q: ***What is the purpose of the Special Meeting?***

A: At the Special Meeting, you will be asked to vote upon: (1) the Transaction Proposal, (2) the Adjournment Proposal and (3) such other matters as may properly come before the Special Meeting and any postponements or adjournments thereof.

Q: ***How do I vote?***

A: If you are a shareholder of record as of the Record Date, you may vote:

by internet;

by telephone;

by mail; or

in person at Special Meeting.

Detailed instructions for internet and telephone voting are set forth on the proxy card.

If your shares are held in our 401(k) Plan, your proxy will serve as a voting instruction for the trustee of our 401(k) Plan, who will vote your shares as you instruct. To allow sufficient time for the trustee to vote, your voting instructions must be received by February 27, 2014. If the trustee does not receive your instructions by that date, the trustee will vote the shares you hold through our 401(k) Plan **FOR** the Transaction Proposal and **FOR** the Adjournment Proposal.

If you are a beneficial owner of shares, you must follow the voting procedures of your nominee included with your proxy materials. If your shares are held by a nominee and you intend to vote at Special Meeting, please bring with you evidence of your ownership as of the Record Date (such as a letter from your nominee confirming your ownership or a bank or brokerage firm account statement).

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Q: ***What is the difference between a shareholder of record and a beneficial owner?***

A: If your shares are registered directly in your name with St. Joe s transfer agent, American Stock Transfer & Trust Company, you are considered the shareholder of record with respect to those shares.

If your shares are held by a brokerage firm, bank, trustee or other agent, which we refer to as a nominee, you are considered the beneficial owner of shares held in street name. As the beneficial owner, you have the right to direct your nominee on how to vote your shares by following its instructions for voting by internet or telephone or the voting instruction card included in the enclosed proxy materials.

Q: ***What constitutes a quorum, and why is a quorum required?***

A: We are required to have a quorum of shareholders present to conduct business at Special Meeting. The presence at Special Meeting, in person or by proxy, of the holders of a majority of the shares entitled to vote on the Transaction Proposal, or 46,141,016 shares will constitute a quorum, permitting us to conduct the business of Special Meeting. Proxies received but marked as abstentions, if any, and broker non-votes (described below) will be included in the calculation of the number of shares considered to be present at Special Meeting for quorum purposes. The holders of a majority of shares represented, and who would be entitled to vote at a meeting if a quorum were present, where a quorum is not present, may adjourn such meeting from time to time.

Q: ***What am I being asked to vote on?***

A: At the Special Meeting you will be asked to vote on (1) the Transaction Proposal and (2) the Adjournment Proposal. Our Board recommendation for the Transaction Proposal and the Adjournment Proposal is set forth below.

Proposal	**Board Recommendation**
To approve the Transaction contemplated by the Sale Agreement	**FOR**
To approve one or more adjournments of the Special Meeting to solicit additional votes and proxies if there are insufficient votes to approve the Transaction Proposal	**FOR**

Q: ***What vote is required to approve the Transaction Proposal to be voted upon at the Special Meeting?***

A: Under Section 607.1202 of the Florida Business Corporations Act, the Transaction Proposal must be approved by a majority of all the votes entitled to be cast on the Transaction. In the event there are insufficient votes to approve the Transaction Proposal, the Adjournment Proposal must be approved by the holders of a majority of shares represented, and who would be entitled to vote at the Special Meeting, if a quorum were present. In connection with the Sale Agreement, at the Purchaser s request, Fairholme Funds, Inc., on behalf of The

Fairlholme Fund (an affiliate of our Chairman, Bruce Berkowitz), granted Purchaser an irrevocable proxy to vote 23,136,502 shares of our common stock, or approximately 25.1% of our outstanding shares of common stock as of the Record Date. Pursuant to the Sale Agreement, the Purchaser has agreed to vote the shares that are subject to the irrevocable proxy FOR the approval of the Transaction Proposal. The irrevocable proxy will remain in effect until the earliest to occur of (1) the termination of the Sale Agreement in accordance with its terms (including any extension thereof) or any material amendment of the Sale Agreement prior to the Record Date, (2) The Fairholme Fund and AgReserves agree to terminate the irrevocable proxy, (3) the date on which the Record Date is changed to a date other than January 27, 2014 and (4) the consummation of the Transaction. The irrevocable proxy does not limit or otherwise restrict the ability of The Fairholme Fund to sell any of the shares of our common stock that are held by it prior to or following the Record Date.

Q: ***What happens if additional matters are presented at the Special Meeting?***

A: Other than the items of business described in this proxy statement, we are not aware of any other business to be acted upon at the Special Meeting. If you grant a proxy, the persons named as proxy holders, Messrs.

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Kenneth M. Borick and Park Brady, will have the discretion to vote your shares on any additional matters properly presented for a vote at the Special Meeting in accordance with Florida law and our Bylaws.

Q: What if I sign and return my proxy without making any selections?

A: If you sign and return your proxy without making any selections, your shares will be voted **FOR** the Transaction Proposal and **FOR** the Adjournment Proposal. If other matters properly come before the Special Meeting, Messrs. Kenneth M. Borick and Park Brady will have the authority to vote on those matters for you at their discretion. As of the date of this proxy statement, we are not aware of any matters that will come before Special Meeting other than those disclosed in this proxy statement.

Q: What if I am a beneficial shareholder and I do not give the nominee voting instructions?

A: If you are a beneficial shareholder and your shares are held in the name of a broker, the broker is bound by the rules of the New York Stock Exchange, which we refer to as the NYSE, regarding whether or not it can exercise discretionary voting power for any particular proposal if such broker has not received voting instructions from you. Brokers have the authority to vote shares for which their customers do not provide voting instructions only with respect to certain routine matters. A broker non-vote occurs when a nominee does not vote on a particular matter because the nominee does not have discretionary voting authority for that matter and has not received instructions from the beneficial owner of the shares. Broker non-votes are included in the calculation of the number of votes considered to be present at Special Meeting for purposes of determining the presence of a quorum. The Transaction Proposal described in this proxy statement does not relate to a routine matter. However, because the Transaction Proposal must be approved by a majority of all the votes entitled to be cast on the Transaction, broker non-votes, if any, will have the same effect as a vote **AGAINST** the Transaction Proposal. Broker non-votes, if any, will have no impact on the Adjournment Proposal.

Q: What if I abstain or withhold authority to vote on a proposal?

A: If you sign and return your proxy marked abstain on the Transaction Proposal, your shares will be counted for purposes of determining whether a quorum is present; however, it will have the same effect as if you voted **AGAINST** the Transaction Proposal. An abstention will have no impact on the Adjournment Proposal.

The table below sets forth for the Transaction Proposal and the Adjournment Proposal: (1) whether a broker can exercise discretion and vote your shares with respect to such proposal absent your instructions; (2) the impact of broker non-votes (if applicable) on the approval of the proposal; and (3) the impact of abstentions on the approval of the proposal.

Proposal	Can Brokers Vote Absent Instructions?	Impact of Broker Non-Vote	Impact of Abstentions

Transaction Proposal	No	AGAINST	AGAINST
Adjournment Proposal	No	NONE	NONE

Q: Can I change my vote after I have delivered my proxy?

A: Yes. If you are a shareholder of record, you may revoke your proxy at any time before its exercise by:

Written notice to our Corporate Secretary at The St. Joe Company, 133 South WaterSound Parkway, WaterSound, Florida 32413; or

Executing and delivering to our Corporate Secretary a proxy with a later date (which may be done by internet, phone, mail or attending the Special Meeting and voting in person).

If you are a beneficial shareholder, you must contact your nominee to change your vote or obtain a proxy to vote your shares if you wish to cast your vote in person at Special Meeting.

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Q: What does it mean if I receive more than one proxy card?

A: If you receive more than one proxy card, it means that you hold shares of St. Joe in more than one account. To ensure that all your shares are voted, sign and return each proxy card. Alternatively, if you vote by internet or telephone, you will need to vote once for each proxy card you receive.

Q: Who can attend the Special Meeting?

A: Only shareholders and our invited guests are invited to attend the Special Meeting. To gain admittance, you must bring a form of personal identification to the Special Meeting, where your name will be verified against our shareholder list. If a broker or other nominee holds your shares and you plan to attend the Special Meeting, you should bring a recent brokerage statement showing your ownership of the shares as of the Record Date or a letter from the broker or other nominee confirming such ownership, and a form of personal identification.

Q: If I plan to attend the Special Meeting, should I still vote by proxy?

A: Yes. Casting your vote in advance does not affect your right to attend the Special Meeting.

Q: Where can I find voting results of the Special Meeting?

A: We will announce the results for the proposals voted upon at the Special Meeting and publish final detailed voting results in a Form 8-K filed within four business days after the Special Meeting.

Q: ***Who should I call with other questions?***

A: If you have additional questions about this proxy statement or the Special Meeting or would like additional copies of this proxy statement, please contact: The St. Joe Company, 133 South WaterSound Parkway, WaterSound, Florida 32413, Attention: Investor Relations, Telephone: 850-231-6400.

THE TRANSACTION PROPOSAL

Q: ***Why did the Company enter into the Sale Agreement?***

A: Our Board of Directors decision to enter into the Sale Agreement was based on a careful evaluation of (1) the fair value of the Purchase Price; (2) the anticipated benefits of the Transaction, including increased liquidity; (3) our corporate strategy, including our desire to focus on our core business activity of real estate development in Northwest Florida; and (4) the challenges and opportunities that would exist for the Company s remaining

operations following the Transaction. The land we propose to sell includes substantially all of the Company s land designated for forestry operations as well as other land (1) that is not utilized in the Company s residential or commercial real estate segments or its resorts, leisure and leasing segment or (2) that is not part of the Company s current development plans. See The Transaction Proposal Reasons for the Transaction beginning on page 24.

Q: ***What will happen if the Transaction is authorized by our shareholders?***

A: If the Transaction is authorized by the requisite shareholder vote and the other conditions to the consummation of the Transaction are satisfied or waived, we will sell to the Purchaser the Subject Lands, along with certain other assets and inventory and rights under certain continuing leases and contracts. The Subject Lands include substantially all of the Company s land designated for forestry operations as well as other land (1) that is not utilized in the Company s residential or commercial real estate segments or its resorts, leisure and leasing segment or (2) that is not part of the Company s current development plans, for a purchase price of $565,000,000, subject to certain adjustments. Following the consummation of the Transaction, the Company expects to continue to be the owner of approximately 184,000 acres of land concentrated primarily in Northwest Florida which includes land used or intended to be used in our real estate development operations. Following the Transaction, we intend to focus on our core business activity of real estate development. See The Transaction Proposal Activities of St. Joe Following the Transaction beginning on page 32.

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Q: ***What will happen if the Transaction is not authorized?***

A: Pursuant to the terms of the Sale Agreement, if we fail to obtain a shareholder vote in favor of the Transaction Proposal, the Transaction will not occur. If our shareholders reject the Transaction at the Special Meeting or if the Special Meeting, including any adjournment or postponement thereof, concludes without our obtaining shareholder approval for the Transaction, the Deposit will be returned to the Purchaser and we will be required to pay the Purchaser its reasonable third-party out-of-pocket costs and expenses incurred in connection with the Transaction (including legal fees, accounting fees, consultant s fees and advisor s fees), not to exceed a maximum amount of $1,500,000. However, we will instead be required to pay the Purchaser a $21,187,500 break-up fee if such termination occurs and any of the following also occurs: (1) we fail to conduct the vote at the Special Meeting, (2) prior to such termination and after November 6, 2013, any Alternative Proposal (as defined below) is generally made known to our shareholders or (3) our Board makes a Recommendation Change (as defined below) or otherwise declares advisable a Superior Proposal (as defined below) other than as a result of an Intervening Event (as defined below) which is unrelated to an Alternative Proposal. See The Transaction Proposal The Sale Agreement Termination of the Sale Agreement; Termination Fees and Expenses beginning on page 42. In the event that the Transaction is not completed, the announcement of the termination of the Sale Agreement may also adversely affect the trading price of our common stock, our business or our relationships with customers and employees.

Q: ***What is the Purchase Price to be received by the Company?***

A: The total Purchase Price for this Transaction is $565,000,000, subject to adjustments described below, and includes a $37,500,000 deposit that is currently held by the escrow agent. The Deposit will either be (i) delivered to us at Closing and applied as a credit towards the Purchase Price or (ii) if the Closing does not occur, the Deposit will be returned the Purchaser unless we terminate the Sale Agreement upon the Purchaser s breach or violation of a representation, warranty, covenant or agreement which (a) cannot be cured by the Outside Date or (b) the Purchaser does not use on a continuous basis all commercially reasonable efforts to cure in all material respects within a reasonable time after receiving notice of such breach or violation.

The Purchase Price may be adjusted downward for (1) the value by which the net proceeds from harvesting of timber on the Subject Lands for the period from August 1, 2013 through Closing exceeds a certain pre-agreed value, (2) exclusions of parcels because of uncured title objections, (3) exclusions of parcels because of the discovery of hazardous substances on such parcels and (4) casualty damages from all damaged or lost timber resulting from casualty losses plus estimated costs associated with putting casualty affected parcels back into production. The Sale Agreement has a closing condition that the maximum aggregate amount by which the Purchase Price can be adjusted downward for items 2, 3 and 4 will not exceed $40,000,000. Consequently, if the aggregate value of these specific Purchase Price Adjustments exceeds $40,000,000, both the Purchaser and the Company will need to waive this condition to Closing or else the Closing will not occur. There is no limit on the amount of the Purchase Price that may be reduced for item 1 above.

Q: ***How will the Purchase Price be paid to the Company?***

A:

The Purchase Price is payable at Closing in cash or, at our option, a combination of cash and a Timber Note. AgReserves has advised us that it has sufficient cash on hand to pay the full Purchase Price.

If we elect to receive a portion of the Purchase Price in a Timber Note, AgReserves will remit to us in cash the remaining portion of the Purchase Price. Concurrently, the Buyer QSPE will issue a Timber Note to us. The Timber Note will be secured by a standby letter of credit. We expect to assign the Timber Note to the St. Joe QSPE. Shortly after receiving the Timber Note, we expect that the St. Joe QSPE will monetize the Timber Note by issuing debt securities (which we currently anticipate will have a value equal to approximately 85-90% of the value of the Timber Note) to third party investors. The debt securities will be payable solely out of the assets of the St. Joe QSPE, which will principally consist of the Timber Note and the standby letter of credit. The investors holding the debt securities of the St. Joe QSPE will have no

recourse against us for payment of the debt securities or related interest expense. We will receive payment of the remaining principal amount of the Timber Note, less net interest expense and costs associated with the monetization of the Timber Note, on the maturity date of the Timber Note.

Q: ***How will the Company decide to receive payment of the Purchase Price?***

A: The Company s decision to elect to receive a Timber Note as a portion of the Purchase Price in the Transaction will be driven by business, strategic and tax objectives as well as an evaluation of the market rates available for the monetization of the Timber Note.

Q: ***What are the material terms of the Sale Agreement?***

A: In addition to the consideration we will receive at the Closing of the Transaction, the Sale Agreement contains other important terms and provisions, including:

From and after the Closing, and subject to the terms, conditions and limitations set forth in the Sale Agreement, we have agreed to indemnify, defend and hold harmless the Purchaser and certain of its indemnitees against any loss incurred by them as a result of the following: (1) a breach by us of certain representations or warranties contained in the Sale Agreement or any ancillary agreement; (2) any breach of any agreement, term, provision, condition, obligation, or covenant to be performed or satisfied by us pursuant to the Sale Agreement; (3) any third-party personal injury or tort claims regarding our use, ownership or operation of the Subject Lands (or any party thereof) prior to the Closing but excluding certain assumed liabilities and any released environmental claims; (4) any claim arising from assumed contracts relating to any act or omission prior to the date of Closing; and (5) any claim arising from an inaccuracy or material default alleged in any estoppel certificate provided by Seller to Purchaser in lieu of a third-party estoppel certificate.

We will not, however, be liable for losses relating to items 1, 2 or 5 above, unless the aggregate amount of all losses for which we would otherwise be liable exceeds $5,000,000. In this case, the Purchaser indemnitees will be entitled, subject to the other limitations set forth in the Sale Agreement, to indemnification for all losses incurred by them that are in excess of this amount, subject to a limit on our maximum aggregate liability of $56,500,000 relating to items 1, 2 or 5 above. There are no limits to our potential indemnification liability with respect to items 3 or 4 above.

Additionally, the $5,000,000 threshold and the $56,500,000 indemnification maximum with respect to items 1, 2 or 5 above will not apply to losses arising from: (1) Purchase Price Adjustments, (2) apportionments, (3) closing costs and expenses, (4) our brokerage indemnity, (5) reimbursement of legal fees and (6) the Purchaser s enforcement of its specific performance rights. The $56,500,000 indemnification maximum will also not apply to any fraud or intentional misconduct by us.

The obligations of Purchaser and St. Joe to close the Transaction are subject to several closing conditions, including among other things: (1) the approval of our shareholders of the Transaction Proposal, (2) receipt

by each party of the necessary consents, authorizations, registrations or approvals required to consummate the Transaction, (3) each party s compliance with the representations, warranties and covenants contained in the Sale Agreement and (4) the waiver of the $40,000,000 Purchase Price Adjustment limit, if applicable.

The Sale Agreement may be terminated automatically, by us, or by the Purchaser in certain circumstances, in which case the Transaction will not be completed. Pursuant to the terms of the Sale Agreement, in certain circumstances we will be required to reimburse AgReserves its costs and expenses and, in limited circumstances, pay a break-up fee of $21,187,500 if the Transaction is not completed.

The Sale Agreement requires that we shall not, and will use our reasonable best efforts to cause and our representatives not to, initiate contact with or solicit any inquiry or proposal or engage in any discussions with any third party in connection with any Alternative Proposal (as defined below)

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regarding a sale of the Subject Lands or any similar transaction. The Sale Agreement also contains limitations on our ability to engage in discussions concerning unsolicited Alternative Proposals or to accept a Superior Proposal. See The Transaction Proposal The Sale Agreement No Solicitation; Change in Recommendation beginning on page 39; and

In connection with the Sale Agreement, at the Purchaser s request, Fairholme Funds, Inc., on behalf of The Fairholme Fund (an affiliate of our Chairman Bruce Berkowitz), granted AgReserves an irrevocable proxy to vote 23,136,502 shares of our common stock, or approximately 25.1% of our outstanding shares of common stock as of the Record Date. Pursuant to the Sale Agreement, the Purchaser has agreed to vote the shares that are subject to the irrevocable proxy FOR the approval of the Transaction Proposal. The irrevocable proxy will remain in effect until the earliest to occur of (1) the termination of the Sale Agreement in accordance with its terms (including any extension thereof) or any material amendment of the Sale Agreement prior to the Record Date, (2) The Fairholme Fund and AgReserves agree to terminate the irrevocable proxy, (3) the date on which the Record Date is changed to a date other than January 27, 2014 and (4) the consummation of the Transaction. The irrevocable proxy does not limit or otherwise restrict the ability of The Fairholme Fund to sell any of the shares of our common stock that are held by it prior to or following the Record Date.

Q: ***If consummated, how will the net proceeds from the Transaction be used?***

A: The Company, and not the Company s shareholders, will receive all of the net proceeds from the Transaction. Our management will retain broad discretion in deciding how to allocate the net proceeds of the Transaction. We have not designated the amount of net proceeds we will receive from the Transaction for any particular purpose. We believe that the proceeds from the Transaction will provide the Company with significant liquidity and numerous opportunities to create long-term value for our shareholders.

Q: ***What does our Board of Directors recommend regarding the Transaction Proposal?***

A: After careful consideration of all factors which the Board has deemed relevant, the Board deems the Sale Agreement and the transactions contemplated thereby, including, without limitation, the Transaction, to be advisable, fair to and in the best interests of the Company and its shareholders. **Our Board of Directors unanimously recommends that you vote FOR the Transaction Proposal and FOR the Adjournment Proposal**.

Q: ***Do I have appraisal rights in connection with the Transaction?***

A: Under the Florida Business Corporations Act, the Transaction Proposal described in this proxy statement being submitted to a shareholder vote at the Special Meeting will not give rise to appraisal rights for dissenting shareholders. Furthermore, we will not independently provide dissenting shareholders with any appraisal rights.

Q: ***Are there any risks to the Transaction?***

A: Yes. You should carefully read the section entitled Risk Factors beginning on page 14.

Q: ***What are the U.S. federal income tax consequences of the Transaction to U.S. shareholders?***

A: Our U.S. shareholders will not realize any gain or loss for U.S. federal income tax purposes as a result of the Transaction. See The Transaction Proposal U.S. Federal Income Tax Consequences of the Transaction beginning on page 32.

Q: ***When is the closing of the Transaction expected to occur?***

A: If the Transaction is authorized by our shareholders and all conditions to completing the Transaction are satisfied or waived on or prior to such authorization, the closing of the Transaction is expected to occur shortly after the Special Meeting. The Sale Agreement provides that the Closing must occur no later than January 31, 2014, provided that this date may be extended by us or (subject to certain conditions) the Purchaser until no later than May 1, 2014.

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RISK FACTORS

You should carefully consider the special risk considerations described below and elsewhere in this proxy statement as well as other information provided to you or referenced in this proxy statement in deciding how to vote on the Transaction Proposal. The special risk considerations described below are not the only ones we face. For a discussion of additional risk considerations, we refer to you the documents we file from time to time with the SEC, particularly our Form 10-Q for the fiscal quarters ended March 30, 2013, June 30, 2013 and September 30, 2013, and our Form 10-K for the fiscal year ended December 31, 2012. Additional considerations not presently known to us or that we currently believe are immaterial may also impair our business operations. If any of the following special risk considerations actually occur, our business, financial condition or results of operations could be materially adversely affected, the value of our common stock could decline, and you may lose all or part of your investment.

Risks Related to St. Joe Following the Transaction

Upon the consummation of the Transaction, our business will become more dependent upon the real estate industry and the cyclical nature of our real estate operations could adversely affect our results of operations, cash flows, financial condition and stock price.

Our future performance will be dependent upon our ability to grow our other operating segments, including our (1) residential real estate, (2) commercial real estate and (3) resorts, leisure and leasing segments. In the past, timber sales have not been as susceptible to cyclical changes as compared to the real estate industry. Upon the consummation of the Transaction, our dependence on the real estate industry will increase significantly.

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 in Northwest Florida. 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 results of operations 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.

Management will have discretion as to the use of the proceeds from this offering and may not use the proceeds effectively.

We have not designated the amount of net proceeds we will receive from the Transaction for any particular purpose. Our management will have discretion in the application of the net proceeds from the Transaction and could spend the proceeds in ways that do not improve our results of operations, cash flows and financial condition or enhance the value of our common stock. The failure by our management to apply these funds effectively could result in financial losses that could have a material adverse effect on our business, results of operations, cash flows and financial condition, and cause the price of our common stock to decline. Pending their use, we may invest the net proceeds in a manner that does not produce income or that loses value.

We intend to invest the Transaction proceeds such that we will not have to register as an investment company under the Investment Company Act of 1940. As a result, we may be unable to make some potentially profitable investments.

We have not registered, and we intend to invest the Transaction proceeds such that we will not have to register, as an investment company under the Investment Company Act. This will require monitoring our portfolio so that we will not have more than 40% percent of total assets (excluding U.S. government securities and cash items) in investment securities. As a result, we may be (1) unable to make some potentially profitable investments, (2) unable to sell assets we would otherwise want to sell or (3) forced to sell investments in investment securities before we would otherwise want to do so.

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Risks Related to the Sale Agreement

The announcement and pendency of the Transaction, whether or not consummated, may adversely affect our business.

The announcement and pendency of the Transaction, whether or not consummated, may adversely affect the trading price of our common stock, our business or our relationships with customers, partners, suppliers and employees. Our management s focus and attention and employee resources may be diverted from operational matters during the pendency of the Transaction. Additionally, pursuant to the Sale Agreement, we may be required, in certain circumstances, to reimburse the Purchaser s costs and expenses or pay the Purchaser a break-up fee of $21,187,500, and certain costs relating to the Transaction (such as our legal, accounting, financial advisory and broker fees) are payable by us whether or not the Transaction is completed. Unexpected costs or unexpected liabilities (including litigation) may also arise from the Transaction, whether or not the Transaction is consummated. The announcement and pendency of the Transaction, whether or not consummated, could therefore negatively impact our share price and our future business, results of operations, cash flows and financial condition.

We cannot be sure if or when the Transaction will be completed.

The consummation of the Transaction is subject to the satisfaction or waiver of various conditions, including the approval of the Transaction Proposal by our shareholders. We cannot guarantee that the closing conditions set forth in the Sale Agreement will be satisfied. If we are unable to satisfy the closing conditions in the Purchaser s favor or if other mutual closing conditions are not satisfied, the Purchaser will not be obligated to complete the Transaction.

The anticipated benefits from the Transaction may not be realized, may take longer to realize than expected, or may cost more to achieve than expected.

We may not realize the anticipated benefits of the Transaction. We are proposing the Transaction because we believe the Transaction will, among other things, help the Company concentrate on its core business activity of real estate development in Northwest Florida and provide the Company with significant liquidity and opportunities to create long-term value for our shareholders. We may encounter substantial difficulties in achieving these anticipated benefits, which may not materialize.

The Sale Agreement limits our ability to sell the Subject Lands to a party other than AgReserves.

The Sale Agreement contains provisions that make it more difficult for us to sell the Subject Lands to a party other than AgReserves, including a no solicitation provision and a provision requiring us to notify the Purchaser of any solicitation or offer made by any third party in connection with the sale of the Subject Lands or any similar transaction. Additionally, pursuant to the Sale Agreement, we may be required, in certain circumstances, to reimburse the Purchaser s costs and expenses or pay the Purchaser a break-up fee of $21,187,500. These provisions could discourage a third party that might have an interest in acquiring all of or a significant part of the Subject Lands from considering or proposing such an acquisition.

The Sale Agreement may expose us to contingent liabilities.

We have agreed to indemnify the Purchaser and certain of its indemnitees against any loss (subject to certain exceptions) incurred by them as a result of the following: (1) a breach by us of certain representations or warranties contained in the Sale Agreement or any ancillary agreement; (2) any breach of any agreement, term, provision, condition, obligation, or covenant to be performed or satisfied by us pursuant to the Sale Agreement; (3) any

third-party personal injury or tort claims regarding our use, ownership or operation of the Subject Lands (or any party thereof) prior to the Closing but excluding assumed liabilities and any released environmental claims; (4) any claim arising from assumed contracts relating to any act or omission prior to the date of Closing; and (5) any claim arising from an inaccuracy or material default alleged in any Seller estoppel certificate. See The Transaction Proposal The Sale Agreement Indemnification Indemnification of Purchaser Indemnitees beginning on page 43. Significant indemnification claims by the Purchaser could materially and adversely affect our business, financial condition and results of operations.

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This proxy statement contains forward-looking statements that have been made pursuant to the safe harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995. Forward-looking statements can be identified by words such as: anticipate, intend, plan, goal, seek, believe, project, estimate, expect, strategy, future, and similar references to future periods. Forward-looking statements are not historical facts but instead represent St. Joe s expectations or beliefs concerning future events, including any statements regarding:

- our ability to successfully close the Transaction and the timing of such closing;
- the anticipated benefits of the Transaction;
- our use and investment of the Transaction proceeds;
- the impact of the announcement on our trading price, business and relationships with customers and employees;
- our expectations with respect to the accounting treatment for the Transaction;
- our activities following the Transaction;
- our belief that our tax assets may be available to mitigate any tax liabilities that arise from this Transaction; and
- our expectations regarding the impact of an election to receive a Timber Note as part of the Purchase Price to be paid in the Transaction on our cash proceeds, notes receivable, taxes payable, deferred tax liability, the reduction of taxable gain and our expected contribution and monetization of such Timber Note.

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:

- our dependence on the real estate industry and the cyclical nature of our real estate operations;

our discretion in the use of the net proceeds from the Transaction;

limitations concerning our ability to invest the net proceeds;

the effects of the announcement and pendency of the Transaction, whether or not consummated;

uncertainty as to if or when the Transaction will be completed;

the anticipated benefits from the Transaction may not be realized, may take longer to realize than expected, or may cost more to achieve than expected;

the Sale Agreement limits our ability to sell the Subject Lands to a party other than AgReserves; and

the Sale Agreement may expose us to contingent liabilities.

Please carefully consider these factors, as well as other information contained herein and in our periodic reports and documents filed with the SEC. The forward-looking statements included in this proxy statement are made only as of the date of this proxy statement. We do not undertake any obligation to update or supplement any forward-looking statements to reflect subsequent events or circumstances, except as required by law.

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THE SPECIAL MEETING

Time, Date and Place

The Special Meeting will be held on March 4, 2014 at the Offices of Greenberg Traurig, P.A., 333 S.E. 2nd Avenue, Suite 4400, Miami, Florida 33131 at 8:00 AM, Eastern Standard Time.

Proposal

At the Special Meeting, holders of shares of our common stock as of the Record Date will be asked to:

- Approve the Transaction Proposal;
- Approve the Adjournment Proposal; and
- Transact such other business as may properly come before the Special Meeting and any postponements or adjournments thereof.

Required Vote

Proposal 1: The Transaction Proposal

The Transaction Proposal must be approved by a majority of all the votes entitled to be cast on the Transaction.

Proposal 2: The Adjournment Proposal

The Adjournment Proposal must be approved by the holders of a majority of shares represented, and who would be entitled to vote at the Special Meeting, if a quorum were present.

Record Date

Only holders of record of shares of our common stock at the close of business on January 27, 2014, the Record Date for the Special Meeting, are entitled to notice of and to vote at the Special Meeting or any adjournment or postponement of the Special Meeting. On the Record Date, we had 92,282,030 shares of our common stock outstanding and entitled to be voted at the Special Meeting. No other shares of capital stock were outstanding on the Record Date.

Ownership of Directors and Executive Officers

As of the Record Date, our directors and executive officers as a group beneficially held approximately 27.2% in the aggregate of our shares of common stock entitled to vote at the Special Meeting, which includes the 25.1% held by The Fairholme Fund. Excluding shares held by Fairholme Funds, Inc., our directors and officers hold, and are entitled to vote, approximately 1,953,369 shares of our common stock, or approximately 2.1% of our outstanding shares of Common Stock as of the Record Date. In connection with the Sale Agreement, at the Purchaser s request, Fairholme Funds, Inc., on behalf of The Fairholme Fund, (an affiliate of our Chairman, Bruce Berkowitz), granted AgReserves

an irrevocable proxy to vote 23,136,502 shares of our common stock, or approximately 25.1% of our outstanding shares of common stock as of the Record Date. Pursuant to the Sale Agreement, the Purchaser has agreed to vote the shares that are subject to the irrevocable proxy FOR the approval of the Transaction Proposal. The irrevocable proxy will remain in effect until the earliest to occur of (1) the termination of the Sale Agreement in accordance with its terms (including any extension thereof) or any material amendment of the Sale Agreement prior to the Record Date, (2) The Fairholme Fund and AgReserves agree to terminate the irrevocable proxy, (3) the date on which the Record Date is changed to a date other than January 27, 2014 and (4) the consummation of the Transaction. The irrevocable proxy does not limit or otherwise restrict the ability of The Fairholme Fund to sell any of the shares of our common stock that are held by it prior to or following the Record Date.

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Quorum and Voting

Each share of common stock issued and outstanding on the Record Date is entitled to one vote. The representation in person or by proxy of holders of at least a majority of the issued and outstanding shares of our common stock entitled to vote on the Transaction Proposal is necessary to constitute a quorum for the transaction of business at the Special Meeting. Failures to vote, abstentions and broker non-votes are counted as present or represented for purposes of determining the presence or absence of a quorum, and will have the same effect as a vote **AGAINST** the Transaction Proposal, but will have no impact on the Adjournment Proposal.

Proxies; Revocation of Proxies

If you are unable to attend the Special Meeting, we urge you to submit your proxy by completing and returning the enclosed proxy card. If your shares of common stock are held in street name (i.e., through a bank, broker or other nominee), you will receive instructions from your broker, bank or other nominee that you must follow in order to have your shares voted. If you elect to vote in person at the Special Meeting and your shares are held by a broker, bank or other nominee, you must bring to the Special Meeting a legal proxy from the broker, bank or other nominee authorizing you to vote your shares of common stock.

Unless contrary instructions are indicated on the proxy card, all shares of common stock represented by valid proxies will be voted **FOR** the Transaction Proposal, **FOR** the Adjournment Proposal and will be voted at the discretion of Messrs. Kenneth M. Borick and Park Brady in respect of such other business as may properly be brought before the Special Meeting. As of the date of this proxy statement, our Board of Directors knows of no other business that will be presented for consideration at the Special Meeting other than the Transaction Proposal and the Adjournment Proposal.

You may revoke your proxy and change your vote at any time before the polls close at the Special Meeting by:

- Written notice to our Corporate Secretary at The St. Joe Company, 133 South WaterSound Parkway, WaterSound, Florida 32413; or
- Executing and delivering to our Corporate Secretary a proxy with a later date (which may be done by internet, phone, mail or attending the Special Meeting and voting in person).

If you are a beneficial shareholder, you must contact your nominee to change your vote or obtain a proxy to vote your shares if you wish to cast your vote in person at the Special Meeting.

Adjournments

The holders of a majority of shares represented, and who would be entitled to vote at a meeting if a quorum were present, where a quorum is not present, may adjourn such meeting from time to time. If the Special Meeting is adjourned to a different date, time or place, we will not be required to give notice of the new date, time or place if the new date, time or place is announced at the Special Meeting before adjournment; provided, however, that if a new record date for an adjourned meeting is or must be fixed, we will give notice of the adjourned meeting to persons who are shareholders as of the new record date who are entitled to notice of the Special Meeting. At any adjourned meeting at which a quorum is present, any business may be transacted that might have been transacted at the meeting originally called.

Solicitation of Proxies

This proxy solicitation is being made and paid for by us on behalf of our Board of Directors. Our directors, officers and employees may also solicit proxies by personal interview, mail, e-mail, telephone, facsimile or other means of communication. These persons will not be paid any additional compensation for their efforts. We will also request brokers and other fiduciaries to forward proxy solicitation material to the beneficial owners of shares of our common stock that the brokers and fiduciaries hold of record. Upon request, we will reimburse them for their reasonable out-of-pocket expenses.

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Questions and Additional Information

If you have more questions about the Transaction Proposal or how to submit your proxy, or if you need additional copies of this proxy statement or the enclosed proxy card or voting instructions, please contact: The St. Joe Company, 133 South WaterSound Parkway, WaterSound, Florida 32413, Attention: Investor Relations, Telephone: 850-231-6400.

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THE TRANSACTION PROPOSAL

The following discussion is a summary of the material terms of the Transaction. We encourage you to read carefully and in its entirety the Sale Agreement, which is attached to this proxy statement as Annex A, as it is the legal document that governs the Transaction.

General Description of the Transaction

Under the Sale Agreement, we will sell to the Purchaser the Subject Lands, along with certain other assets and inventory and rights under certain continuing leases and contracts. The Subject Lands include substantially all of the Company s land designated for forestry operations as well as other land (1) that is not utilized in the Company s residential or commercial real estate segments or its resorts, leisure and leasing segment or (2) that is not part of the Company s current development plans.

The total Purchase Price for this Transaction is $565,000,000, subject to adjustments as described below, and includes a Deposit of $37,500,000 that is currently held by the escrow agent. The Deposit will either be (i) delivered to us at the Closing and applied as a credit towards the Purchase Price or (ii) if the Closing does not occur, returned to the Purchaser, unless we terminate the Sale Agreement upon the Purchaser s breach or violation of a representation, warranty, covenant or agreement (a) which cannot be cured by the Outside Date, or (b) for which the Purchaser does not use on a continuous basis all commercially reasonable efforts to cure in all material respects within a reasonable time after receiving notice of such breach or violation.

The Purchase Price may be adjusted downward for (1) the value by which the net proceeds from harvesting of timber on the Subject Lands for the period from August 1, 2013 through Closing exceeds a certain pre-agreed value, (2) exclusions of parcels because of uncured title objections, (3) exclusions of parcels because of the discovery of hazardous substances on such parcels and (4) damages from all damaged or lost timber resulting from casualty plus estimated costs associated with putting casualty affected parcels back into production. The Sale Agreement has a closing condition that the maximum aggregate amount by which the Purchase Price can be adjusted downward for items 2, 3 and 4 will not exceed $40,000,000. Consequently, if the aggregate value of these specific Purchase Price Adjustments exceeds $40,000,000, both the Purchaser and the Company will need to waive this condition to Closing or else the Closing will not occur. There is no limit on the amount of the Purchase Price that may be reduced for item 1 above.

The Purchase Price is payable at Closing in cash, or at our option, a combination of cash and a Timber Note, as determined by us in our sole discretion at least 20 days prior to the Closing. As of January 31, 2014, we have not determined if we will elect for a portion of the Purchase Price to be paid in the form of a Timber Note.

Parties to the Transaction

The St. Joe Company

133 South WaterSound Parkway

WaterSound, Florida 32413

(850) 231-6400

The St. Joe Company is a Florida real estate development company that currently owns approximately 567,000 acres of land, concentrated primarily between Tallahassee and Destin. We were incorporated under the laws of the State of Florida in 1936. Our principal offices are located at 133 South WaterSound Parkway, WaterSound, Florida 32413. Our telephone number is (850) 231-6400, and our website address is www.joe.com.

Our common stock is quoted on the NYSE under the symbol JOE. We file annual reports on Form 10-K, quarterly reports on Form 10-Q, and current reports on Form 8-K with the SEC. These reports, any amendments to these reports, proxy statements and certain other documents we file with the SEC are available through the

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SEC s website at www.sec.gov or free of charge on our website as soon as reasonably practicable after we file the documents with the SEC. The public may also read and copy these reports, and any other materials we file with the SEC, at the SEC s Public Reference Room at 100 F Street, NE, Washington, D.C. 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330.

AgReserves Inc.

79 South Main Street, Suite 1110

Salt Lake City, Utah 84111

(801) 359-9711

AgReserves, Inc. is incorporated in Utah and is a tax-paying affiliate of The Church of Jesus Christ of Latter-day Saints. AgReserves has had ranching and agricultural operations in East Central Florida for over 60 years. The Transaction was unanimously approved by its Board of Directors. Its principal executive offices are located at 79 Main Street, Suite 1110, Salt Lake City, Utah 84111. Its telephone number is (801) 715-900, and its website address is www.agreserves.com

Background of the Transaction

From time to time, our Board of Directors has engaged in a review of our business plans, other strategic alternatives and economic conditions as part of its ongoing activities. This process has included evaluating prospects and options pertaining to our businesses, the markets in which we compete, organic initiatives, and the possibility of pursuing strategic alternatives, such as acquisitions and dispositions with a view towards enhancing long-term value for our shareholders.

On several occasions these strategic reviews have included exploratory discussions regarding forestry and associated assets. As part of these strategic reviews, we engaged TAP Securities LLC (TAP Securities) in August 2012 to evaluate various alternatives that we could pursue to maximize use of our assets. As part of this strategic review, members of our senior management and Board of Directors and TAP Securities discussed, among other alternatives, a potential sale of a timber deed on certain of our properties to permit us to concentrate on our core business activity of real estate development in Northwest Florida.

In September 2012, a member of the senior management of a potential buyer (Company A) contacted Patrick Bienvenue, our Executive Vice President, on an unsolicited basis and expressed preliminary interest in exploring a fee simple land purchase of small tracts of our lands in Gulf County, as well as other small parcels of land. On September 25, 2012, we entered into a nondisclosure agreement with Company A and commenced providing Company A with certain due diligence materials about the land under discussion. During December 2012 and January 2013, members of the senior management of Company A continued to express interest in pursuing one or more fee simple land purchases of limited tracts of our lands. However, they also began to inquire whether there was a possibility of pursuing a fee simple land purchase of a larger portion of our land holdings.

During February 2013, Company A communicated to our management, including Patrick Bienvenue, their interest in exploring, on a more detailed basis, the potential fee simple land purchase of substantially all of our lands designated for forestry operations together with certain identified rural lands. On February 14, 2013, we received a draft letter of understanding from Company A regarding a potential land sale transaction. We did not execute the letter of understanding, but continued to provide Company A with diligence materials and access to Mr. Bienvenue and other

company representatives. On April 30, 2013, we received another draft letter of intent from Company A regarding this potential land sale transaction. We did not execute this second letter of intent.

On May 16, 2013, our Board of Directors discussed in detail the terms of Company A s letter of intent, as well as the exploration of a potential timber deed transaction. At that Board meeting, our Board of Directors authorized a dual path strategy of continuing: (1) negotiations with Company A for a potential land sale transaction and the (2) exploration of the possibility of a timber deed.

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In May 2013, we engaged Sullivan & Cromwell LLP (Sullivan & Cromwell) and Greenberg Traurig, P.A. (GT) to represent us in connection with a potential transaction with Company A. We established separate electronic data rooms to facilitate access to diligence materials by both Company A and parties interested in exploring possible timber deed transactions. On June 3, 2013, we received an initial draft of a purchase agreement from Company A regarding the potential land sale contemplated by Company A s draft letter of intent. From May 2013 to mid-July 2013, Messrs. Park Brady, our Chief Executive Officer, and Bienvenue and representatives of Sullivan & Cromwell, GT and Company A s legal counsel continued to discuss the potential terms of this transaction and negotiate drafts of this purchase agreement with Company A, while simultaneously continuing to explore a potential timber deed transaction with other parties.

In May 2013, we narrowed the focus of TAP Securities August 2012 engagement to only cover a potential sale of a timber deed on our remaining timberlands. During the same month, TAP Securities contacted 28 potential buyers to discern potential interest in a timber deed transaction. Neither AgReserves nor Company A were contacted. Of the parties contacted, 19 parties indicated potential interest and executed nondisclosure agreements. Beginning on May 23, 2013, these parties received confidential information, including a confidential information memorandum relating to a potential timber deed transaction and data room access. On June 3, 2013, TAP Securities distributed a procedures letter to all of these parties outlining steps and timing to provide initial indications of interest. On June 21, 2013, TAP Securities received six initial indications of interest for a potential timber deed transaction with us. Following the receipt of these indications of interest, representatives of TAP Securities continued to discuss clarifications with these potential buyers, and on July 1, 2013, requested revised initial indications of interest from these parties.

On July 12, 2013, based on discussions with various Board members, Park Brady notified TAP Securities that we had decided to focus TAP Securities engagement on running a process for the potential fee simple sale of the lands subject to Company A s offer rather than a timber deed.

At a meeting of our Board of Directors on July 18, 2013, our Board of Directors discussed the status of potential alternatives. After a lengthy deliberation the Board authorized the continuation of negotiations with Company A and at the same time commenced a formal process for the exploration of a fee simple sale of substantially all of the land subject to Company A s offer.

Representatives of TAP Securities informed the parties who had delivered initial indications of interest with respect to a potential timber deed transaction of this change, and beginning on July 18, 2013, solicited initial indications of interest for the potential land sale from 21 parties, including the parent corporation of AgReserves. Of the parties contacted, 16 parties indicated potential interest and those parties who had not previously executed nondisclosure agreements executed nondisclosure agreements. Beginning on July 26, 2013, these parties received confidential information, including a confidential information memorandum relating to a potential land sale transaction and data room access to certain documents concerning the land which might potentially be subject to the land sale.

At a meeting of our Board of Directors held on August 1, 2013, our Board of Directors and representatives of Sullivan & Cromwell discussed the status of the negotiations with Company A and the land sale process being coordinated by TAP Securities.

On July 30, 2013, TAP Securities distributed a procedures letter to the parties that had executed nondisclosure agreements, outlining steps and timing to provide initial indications of interest. On August 8, 2013, TAP Securities received six initial indications of interest for a potential land sale, including from the parent corporation of AgReserves, and subsequently received multiple indications of interest from an additional potential buyer and an oral offer from one other party.

In August of 2013, four parties were invited to tour the lands subject to Company A s offer and conduct further due diligence. Three parties, including representatives of AgReserves, subsequently visited these lands.

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On August 14, 2013, we received a revised offer from Company A which significantly reduced the price per acre previously offered. We informed Company A that the reduced economic terms were not adequate and we would focus on other alternatives.

At a meeting of our Board of Directors held on August 20, 2013, our Board of Directors received presentations from their legal and financial advisors regarding the status of the negotiations with Company A and the land sale process being coordinated by TAP Securities, and discussed concerns with the potential transaction with Company A.

On September 6, 2013, AgReserves submitted a bid of $585 million, subject to, among other things, a site visit by senior officers of The Church of Jesus Christ of Latter-day Saints, an affiliate of AgReserves (the Church) and subsequent approval by the Church. On September 25, 2013, AgReserves revised its bid. On September 28, 2013, senior Church officers visited the lands subject to Company A s offer.

On September 30, 2013, representatives of TAP Securities, Park Brady and members of AgReserves senior management had a call to discuss the AgReserves bid.

On October 2, 2013 members of AgReserves senior management notified representatives of TAP Securities that the Church had approved the AgReserves bid.

During the week of October 7, representatives of Company A contacted Sullivan & Cromwell to request a meeting to discuss a best and final offer from Company A. On October 15, 2013, a member of our senior management team, Park Brady, two members of our Board of Directors, Bruce Berkowitz and Jeffrey Keil, and representatives of TAP Securities and Sullivan & Cromwell met with members of the senior management and representatives of Company A to receive and discuss its final offer. At that meeting, Company A confirmed that its offer from August 14, 2013 was, in fact, its best and final offer and that it would not be willing to improve the terms of its offer. Company A s final offer was, in the aggregate, a less favorable offer, based on total consideration, financing conditions and other terms, than that which had been proposed by AgReserves. Consequently, we decided to continue negotiations with AgReserves.

On October 16, 2013, members of the senior management of AgReserves notified Park Brady and representatives of TAP Securities and Sullivan & Cromwell that AgReserves was revising its offer to $600 million.

Over the course of the next three weeks, members of our and AgReserve s senior management and each party s respective representatives engaged in numerous negotiating sessions regarding the terms of the Sale Agreement. In addition, during this period AgReserves and its representatives conducted an extensive review of due diligence materials provided by us. In addition, as a condition of entering into the Sale Agreement, AgReserves indicated that it would require our largest shareholder, Fairholme Funds, Inc., to agree to vote in favor of the Transaction.

At a meeting of our Board of Directors on October 31, 2013, our Board considered the merits of the potential transaction with AgReserves, taking into account the final offer from Company A and other alternatives available to the Company. Our legal representatives provided a detailed presentation regarding the material terms of the Sale Agreement, certain alternatives to the sale considered by us, including our prior negotiations with Company A, and a description of the material Transaction terms which still remained unresolved. Representatives of TAP Securities provided an overview of the financial aspects of the potential transaction with AgReserves. Following the Board meeting, we and our representatives and AgReserves and its representatives continued the negotiation process and on November 6, 2013, finalized their negotiations on the outstanding items, which included a reduction in the total acres being sold and a related reduction in the purchase price to $565 million.

At a meeting of our Board of Directors on November 6, 2013, our Board considered the merits of the Transaction with AgReserves. TAP Securities orally delivered its opinion and the basis of its opinion to our full Board of Directors noting that the Transaction was fair to us from a financial point of view. Representatives of Sullivan & Cromwell provided a detailed presentation regarding certain key changes to the proposed terms of the Transaction since the October 31, 2013 Board meeting. Our Board of Directors then engaged in an extensive

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discussion regarding the reasons for the Transaction, which are set out in Reasons for the Transaction below. Following the discussion, our Board of Directors unanimously approved the Transaction. Subsequent to the Board meeting, TAP Securities delivered a written copy of its fairness opinion. The Sale Agreement was executed later that evening, and The Fairholme Fund contemporaneously delivered an irrevocable proxy to AgReserves to vote certain of The Fairholme Fund s interests in favor of the Transaction.

Reasons for the Transaction

Our Board of Directors has determined that the Transaction is in the best interests of our shareholders and the Company because it believes that the Purchase Price represents a fair valuation of the Subject Lands and that the Company will have a better chance of increasing shareholder value by selling the Subject Lands in this Transaction than it would if it retained the Subject Lands and continued to operate its forestry operations on the Subject Lands. Further, the cash proceeds from the Transaction will provide the Company with financial liquidity and flexibility. In evaluating the terms under which AgReserves offered to purchase the Subject Lands, our Board (after consultation with senior management) considered many factors. The most important factors considered were the following:

Value. On November 6, 2013, at a meeting of our Board held to evaluate the proposed Transaction for a purchase price of $565,000,000, TAP Securities delivered to our Board an oral opinion, confirmed by delivery of a written opinion dated November 6, 2013, to the effect that, as of that date and based on and subject to various procedures, assumptions, matters considered and qualifications and limitations described in its opinion, the $565,000,000 purchase price was fair from a financial point of view to St. Joe. See Fairness Opinion of TAP Securities LLC beginning on page 25.

Of the 567,000 acres of land we currently own, most was acquired decades ago and, as a result, has a very low initial cost basis, before development costs. The land to be sold includes substantially all of the Company s lands designated for forestry operations as well as other land in Bay, Calhoun, Franklin, Gadsden, Gulf, Jefferson, Leon, Liberty and Wakulla counties and had an aggregate carrying value of approximately $54 million as of October 31, 2013. Consequently, the Purchase Price represents a substantial premium for the Subject Lands. In addition, we may be able to utilize a portion of our deferred tax assets to increase the net benefit of the sale. We do not believe that we could extract significant value from the Subject Lands in the short term by continuing operations, but the Transaction allows us to realize significant value for the Subject Lands immediately. Our Board has determined that the Purchase Price is fair from a financial point of view.

Sale of Subject Lands in Line with Company Strategy. The Subject Lands being sold to AgReserves include land designated as forestry or preserve land which is not expected to be improved for higher or better uses, other than as farmland in the foreseeable future. Following the consummation of the Transaction, we will continue to be the owner of approximately 184,000 acres of land concentrated primarily in Northwest Florida which includes land used or intended to be used in its real estate development operations. The sale of the non-strategic Subject Lands will help St. Joe concentrate on its real estate development in Northwest Florida. St. Joe will also continue, on a limited basis, its forestry operations. Our Board believes that the long-term interests of our shareholders are best served by our management focusing on real estate development.

Timing and Development of Other Real Estate Development in Northwest Florida. As part of its evaluation of the Transaction, our Board of Directors considered their expectations regarding the timing and future development of significant real estate owned by St. Joe in the vicinity of the Northwest Florida Beaches International Airport as well as its other remaining real estate and related operations. Based on these considerations, our Board of Directors did not anticipate that the Company would be in a position of developing the Subject Lands for higher or better use in the foreseeable future.

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Increased Concentration to Real Estate. Our Board of Directors also carefully considered the challenges and opportunities that would exist for the Company s remaining operations following the Transaction. Specifically, our Board considered that upon the consummation of the Transaction, our business will become more dependent upon the real estate industry as income from our forestry operations will be reduced. Therefore, the cyclical nature of our real estate operations could adversely affect our results of operations cash flows, financial condition and stock price.

Impact of Transaction on Future Results of Operations. Our Board of Directors also considered the impact of the Transaction on St. Joe s future results of operations, including (i) that the Company would have significant cash which may adversely affect the results of operations, (ii) that the Company may not successfully reduce fixed costs associated with the assets being sold in the Transaction and (iii) that the Company may not successfully allocated or reinvest the capital generated from the Transaction.

The foregoing discussion of the factors considered by our Board of Directors is not intended to be exhaustive, but rather includes material factors considered by the directors. Our Board of Directors also considered other factors, including those described in the section entitled Risk Factors in this proxy statement, in deciding to approve, and unanimously recommending that our shareholders approve, the Transaction. In reaching its decision and recommendation to our shareholders, our Board of Directors did not quantify or assign any relative weights to the factors considered and individual directors may have given different weights to different factors. In addition, our Board of Directors did not undertake to make any specific determination as to whether any particular factor, or any aspect of any particular factor, was favorable or unfavorable to its ultimate determination, but rather conducted an overall analysis of the factors described above.

Fairness Opinion of TAP Securities LLC

We retained TAP Securities LLC (TAP Securities) as our and our Board of Directors financial advisor in connection with the proposed Transaction. As part of that engagement, our Board of Directors requested that TAP Securities evaluate the fairness, from a financial point of view, of the consideration to be received by us in connection with the Transaction. On November 6, 2013, at a meeting of our Board of Directors held to evaluate the proposed Transaction at the proposed purchase price of $565,000,000, TAP Securities delivered to our Board of Directors an oral opinion, confirmed by delivery of a written opinion dated November 6, 2013, to the effect that, as of that date and based on and subject to various procedures, assumptions, matters considered and qualifications and limitations described in its opinion, the $565,000,000 price was fair to St. Joe from a financial point of view. The full text of TAP Securities opinion describes the procedures followed, assumptions made, matters considered and qualifications and limitations on the review undertaken by TAP Securities. The opinion is attached as Annex B and is incorporated by reference into this proxy statement. The opinion did not constitute a recommendation to any shareholder as to how to vote or act with respect to the Transaction.

The full text of TAP Securities opinion describes the procedures followed, assumptions made, matters considered and qualifications and limitations on the review undertaken by TAP Securities. This opinion is attached as Annex B and is incorporated by reference into this proxy statement. **Holders of St. Joe stock are urged to read TAP Securities opinion carefully and in its entirety**. TAP Securities opinion was provided for the benefit of the St. Joe Board (in its capacity as such) in connection with, and for the purpose of, its evaluation of the Purchase Price from a financial point of view to St. Joe and did not address any other aspect of the Transaction. The opinion did not address the relative merits of the Transaction as compared to any other alternative business transactions or strategies, whether or not such alternative business transactions or strategies could have been achieved or were available, or St. Joe s underlying business decision to effect the Transaction or any related transaction. The opinion did not constitute a recommendation to any shareholder as to how to vote or act with respect to the Transaction. The following summary

of TAP Securities opinion is qualified in its entirety by reference to the full text of TAP Securities opinion, attached hereto as Annex B.

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In arriving at its opinion, TAP Securities, among other things:

- reviewed certain publicly available financial statements and other business and financial information relating to St. Joe that TAP Securities deemed relevant;
- reviewed certain non-public internal financial statements and other financial and operating data concerning the historical, current and future operations, financial conditions and prospects of St. Joe and the Subject Lands prepared and furnished to TAP Securities by the management of St. Joe;
- reviewed certain non-public financial and operating projections prepared and furnished to TAP Securities by the management of St. Joe, including St. Joe s 20-year harvest plan for the Subject Lands;
- discussed the past and current operations, financial projections and financial condition and the prospects of St. Joe and the Subject Lands with senior executives of St. Joe;
- reviewed publicly available financial statements and other business, operating and financial information of certain publicly traded companies comparable to St. Joe;
- reviewed the financial terms, to the extent publicly available, of certain comparable acquisition transactions that TAP Securities deemed relevant;
- participated in certain discussions and negotiations among representatives of St. Joe and AgReserves;
- reviewed a draft of the Sale Agreement dated November 6, 2013 (which included all exhibits and schedules thereto); and
- performed such other reviews, inquiries and analyses and considered such other information and factors as TAP Securities deemed necessary or appropriate.

In connection with its review, TAP Securities assumed and relied upon, with the consent of the St. Joe Board, the accuracy and completeness of the information that was publicly available or supplied or otherwise made available to TAP Securities by St. Joe, without independent verification. TAP Securities did not make any independent real estate appraisal of the Subject Lands, nor was TAP Securities furnished with any third party valuations or appraisals of the Subject Lands. TAP Securities further assumed that there were no facts or circumstances that would make any information reviewed by it inaccurate or misleading. With respect to the financial projections, TAP Securities assumed, with the consent of the St. Joe Board, that they were reasonably prepared on bases reflecting the best available estimates and judgments of the management of St. Joe of the future financial performance with respect to operating the Subject Lands, and TAP Securities expressed no view as to any financial projections or the assumptions on which they were based. In addition, TAP Securities assumed, with the consent of the St. Joe Board, that (i) the

parties to the Sale Agreement would comply with all material terms thereof, (ii) the Transaction would be consummated in accordance with the terms set forth in the Sale Agreement and the related documents without any waiver, amendment or delay of any terms or conditions, (iii) the Purchase Price (as such term is defined in the Sale Agreement) would not be subject to any of the adjustments set forth in Section 1.7 of the Sale Agreement and (iv) in connection with the receipt of any necessary governmental, regulatory or other approvals and consents required for the consummation of the Transaction, no delays, limitations, conditions or restrictions would be imposed that would have a material adverse effect on any of the parties, the Transaction or the contemplated benefits expected to be derived from the Transaction. TAP Securities is not a legal, tax, accounting or regulatory advisor. TAP Securities is a financial advisor only and relied upon, without independent verification, the assessment of St. Joe and its legal, tax, accounting or regulatory advisors with respect to legal, tax, accounting or regulatory matters. TAP Securities opinion was necessarily based on financial, economic, market and other conditions as in effect on, and the information made available to TAP Securities as of, the date it delivered such opinion. Events occurring after such date may affect TAP Securities opinion and the assumptions used in preparing it, and TAP Securities did not assume any obligation to update, revise or reaffirm its opinion. TAP Securities opinion was approved by a committee of TAP Securities authorized to approve opinions of this nature in accordance with TAP Securities customary practice.

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Miscellaneous

TAP Securities is continually engaged in performing financial analyses with respect to businesses in connection with mergers and acquisitions, asset sales and other transactions. St. Joe selected TAP Securities as its financial advisor in connection with the Transaction because TAP Securities and its members have substantial experience in large, complex transactions similar to the Transaction. In connection with TAP Securities financial advisory services, St. Joe initially agreed to pay TAP Securities a one-time initial retainer fee of $100,000 pursuant to an August 2012 engagement letter and then, in connection with the revised engagement letter in May 2013, agreed to pay TAP Securities another fee of $50,000 (both of these fees have already been paid) and to reimburse TAP Securities for its outside counsel fees and reasonable expenses up to an agreed upon cap (of which approximately $64,000 has already been paid). In addition, in connection with the revised engagement letter in July 2013, St. Joe has agreed to pay a transaction fee of $4,500,000, which is contingent upon, and will be payable at, the consummation of the Transaction. St. Joe has also agreed to indemnify TAP Securities for certain liabilities arising out of its engagement. TAP Securities did not receive any separate fee for the delivery of its opinion. Neither TAP Securities nor any of its affiliates has received any fees from Fairholme Capital Management, LLC, Fairholme Funds, Inc. or any of their respective affiliates within the past two years.

Summary of Financial Analyses

In connection with rendering its opinion to the St. Joe Board, TAP Securities performed a variety of financial and comparative analyses which are summarized below. The following summary is not a complete description of all analyses performed and factors considered by TAP Securities in connection with its opinion. The preparation of a financial opinion is a complex process involving subjective judgments and is not necessarily susceptible to partial analysis or summary description. With respect to the selected transactions analysis and the comparable public companies analysis summarized below, no transaction or company used as a comparison was identical to the Transaction or St. Joe. These analyses necessarily involve complex considerations and judgments concerning financial and operating characteristics and other factors that could affect the valuations of the transactions or companies concerned.

In arriving at its opinion, TAP Securities did not attribute any particular weight to any single analysis or factor considered by it but rather made qualitative judgments as to the significance and relevance of each analysis and factor relative to all other analyses and factors performed and considered by it and in the context of the circumstances of the particular transaction. Accordingly, TAP Securities believes that its analyses and the summary below must be considered as a whole and that selecting portions of its analyses and factors or focusing on information presented in tabular format, without considering all analyses and factors or the narrative description of the analyses, could create a misleading or incomplete view of the processes underlying TAP Securities analyses and opinion. TAP Securities did not draw, in isolation, conclusions from or with regard to any one factor or method of analysis for purposes of its opinion, but rather arrived at its ultimate opinion based on the results of all analyses undertaken and assessed as a whole.

The Purchase Price was determined through negotiation between St. Joe and AgReserves and the decision by St. Joe to enter into the Transaction on the terms and conditions set forth in Sale Agreement was solely that of the St. Joe Board. The opinion delivered and the financial analyses presented to the St. Joe Board by TAP Securities were only one of many factors considered by the St. Joe Board in its evaluation of the Transaction and should not be viewed as determinative of the views of the St. Joe Board or management with respect to the Transaction or the Purchase Price to be received by St. Joe in connection with the Transaction. TAP Securities was not asked to, and did not, recommend any specific amount of consideration to the St. Joe Board or recommend that any specific amount of consideration constituted the only appropriate consideration for the Transaction.

The following is a brief summary of the material financial analyses performed by TAP Securities and reviewed with the St. Joe Board on November 6, 2013 in connection with its opinion. The financial analyses summarized below include information presented in tabular format. In order for the financial analyses to be fully understood,

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the tables must be read together with the text of each summary. The tables alone do not constitute a complete description of the financial analyses. Considering the data below without considering the full narrative description of the financial analyses, including the methodologies and assumptions underlying the analyses, could create a misleading or incomplete view of the financial analyses. In performing its analyses, TAP Securities made numerous assumptions with respect to industry performance, general business and economic conditions and other matters, many of which are beyond the control of St. Joe or AgReserves. None of St. Joe, AgReserves, TAP Securities, nor any other person assumes responsibility if future results are materially different from those discussed. Any estimates contained in these analyses are not necessarily indicative of actual values or predictive of future results or values, which may be significantly more or less favorable than as set forth below. In addition, analyses relating to the value of the Subject Lands do not purport to be appraisals or reflect the price at which the Subject Lands may actually be sold.

Discounted Cash Flow Analysis

In order to estimate the present value of the operations on the Subject Lands, TAP Securities performed three separate discounted cash flow analyses for each of three types of timberland comprising the Subject Lands: (i) Plantation Timberlands (Not Subject to Timber Deed), which are comprised of plantations operated in a manner that is standard and customary in the timberlands industry, (ii) Plantation Timberlands (Subject to Timber Deed), which are comprised of plantations subject to a timber deed delivered in 2011, and (iii) Non-Plantation Timberlands, which are comprised of all other timberlands on the Subject Lands, including naturally growing softwoods and hardwoods.

A discounted cash flow analysis is a traditional valuation methodology used to derive a valuation of an asset by calculating the present value of estimated future cash flows of the asset as well as an asset s terminal value . Present value refers to the current value of future cash flows or amounts and is obtained by discounting those future cash flows or amounts by a discount rate that takes into account macroeconomic assumptions and estimates of risk, the opportunity cost of capital, expected returns and other appropriate factors. Terminal value refers to the residual value of the asset at the end of the forecast period.

To calculate the estimated value of the operations on the Subject Lands using the discounted cash flow method for each of the three types of timberland comprising the Subject Lands, TAP Securities calculated, based on information and estimates provided by St. Joe s management and discounted using the mid-year convention (i) the estimated pre-tax present value of projected free cash flows for fiscal years (a) 2014 through 2033, based on St. Joe management s 20-year harvest plan for the Subject Lands, in respect of the Plantation Timberlands (Not Subject to Timber Deed); (b) 2014 through 2038, in respect of the Plantation Timberlands (Subject to Timber Deed) and (c) 2014 through 2033, assuming an even flow of cash over such years, in respect of the Non-Plantation Timberlands and (ii) terminal value by applying real price appreciation percentage ranges of (1.0%) to 1.0% to the timberlands projected cash flows, and discounted such cash flows and terminal values to their present value using real discount rates ranging from 4.0% to 6.0%. TAP Securities utilized a real discount rate, which is standard in the timber industry, as opposed to a nominal discount rate. In connection with its analysis, TAP Securities assumed a cash-free, debt-free operation of the Subject Lands, that the Plantation Timberlands would yield six tons per acre in the terminal year, and that a higher and better use cannot be achieved for the Subject Lands. This discounted cash flow analysis, based on a real discount rate of 5.0%, implied a reference range of $351 million to $441 million for Plantation Timberlands (Not Subject to Timber Deed), $21 million to $34 million for Plantation Timberlands (Subject to Timber Deed), and $21 million to $23 million for Non-Plantation Timberlands, and therefore a consolidated pre-tax range of $393 million to $498 million for the operations on the Subject Lands as a whole. In addition, TAP Securities calculated the present value of taxes that would be due on such cash flows, assuming a 38.6% tax rate, and applying a real discount rate of 5.0% and terminal growth rate percentage ranges of (1.0%) to 1.0%, resulting in a range of taxes of $158 million to $200 million and a consolidated after-tax valuation range of $234 million to $298 million for the operations on the Subject Lands as a whole. TAP Securities noted that the Purchase Price was above the range of implied values

calculated on the basis of the discounted cash flow analysis.

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Selected Precedent Transactions Analysis

TAP Securities reviewed purchase price and acreage data compiled by RISI, Inc. as of July 2013 for 13 timber transactions in Florida and 166 timber transactions in the United States South (inclusive of the 13 Florida transactions) consummated between 1995 and 2013 (inclusive). Below are summary tables of information relating to the transactions reviewed.

Florida Transactions

Year	# of Transactions	Acres (000s)	Price ($mm)	Price / Acre
2013	0	0	$ 0	$ 0
2012	1	70	84	1,200
2011	1	30	23	750
2010	1	31	47	1,502
2009	0	0	0	0
2008	2	87	130	1,499
2007	0	0	0	0
2006	1	126	119	948
2005	1	56	90	1,607
2004	0	0	0	0
2003	0	0	0	0
2002	2	120	115	958
2001	2	97	89	918
2000	1	36	41	1,139
1999	0	0	0	0
1998	0	0	0	0
1997	1	92	135	1,467
1996	0	0	0	0
1995	0	0	0	0
Total / Average	**13**	**745**	**$ 872**	**$ 1,172**
Minimum				***$ 750***
1st Quartile				***951***
2nd Quartile				***1,169***
3rd Quartile				***1,491***
Maximum				***1,607***

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United States South Transactions

Year	# of Transactions	Acres (000s)	Price ($mm)	Price / Acre
2013	3	583	$ 994	$ 1,704
2012	7	358	497	1,389
2011	8	505	679	1,345
2010	5	299	407	1,361
2009	8	395	581	1,470
2008	7	1,569	2,817	1,795
2007	9	2,090	3,367	1,611
2006	24	5,162	6,478	1,255
2005	8	623	645	1,037
2004	8	1,056	1,186	1,123
2003	20	2,161	1,799	833
2002	22	1,407	1,127	801
2001	9	552	462	838
2000	3	448	317	708
1999	10	2,566	2,301	897
1998	2	142	270	1,901
1997	5	670	670	1,000
1996	6	1,707	1,246	730
1995	2	441	265	601
Total / Average	**166**	**22,733**	**$ 26,107**	**$ 1,148**
Minimum				***$ 601***
1st Quartile				***835***
2nd Quartile				***1,123***
3rd Quartile				***1,430***
Maximum				***1,901***

With respect to the precedent transactions in Florida and the United States South, TAP Securities calculated the average purchase price per acre for the transactions consummated in each year and the range of annual average prices per acre by quartile. TAP Securities then used the range of annual average prices between the highest annual average price in the first quartile and the highest annual average price in the third quartile to determine an implied value range for the 382,834 acres constituting the Subject Lands of $364 million to $571 million on the basis of the Florida precedent transactions, and $320 million to $547 million on the basis of the United States South precedent transactions. TAP Securities noted that the Purchase Price was within the range of implied values calculated on the basis of the Florida precedent transactions and above the range of implied values calculated on the basis of the United States South precedent transactions.

Comparable Public Companies Analysis

TAP Securities reviewed financial and stock market information of St. Joe and the following four publicly traded REITs and one publicly traded non-REIT in the timber sector:

Rayonier Inc.

Plum Creek Timber Co. Inc.

Potlatch Corporation

Weyerhaeuser Company

Deltic Timber Corp. (non-REIT)

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Although none of the selected companies is directly comparable to St. Joe, the companies included were chosen because they are publicly traded companies with operations that for purposes of analysis may be considered similar to the operations of St. Joe with respect to the Subject Lands.

TAP Securities calculated and compared various financial multiples and ratios of St. Joe related to the operations on the Subject Lands and the selected comparable companies. As part of its selected comparable company analysis, TAP Securities calculated and analyzed, in respect of each selected company (i) enterprise value (calculated as equity market values based on closing stock prices on November 5, 2013 plus debt at book value, preferred stock at liquidation value and minority interests at its estimated fair value, less cash and cash equivalents) as a multiple of unlevered free cash flow (calculated as earnings before interest, taxes, depletion, depreciation and amortization, referred to as EBITDA , less capital expenditures not relating to the acquisition of timberland), (ii) enterprise value as a multiple of 2014 estimated EBITDA, and (iii) share price as a multiple of 2014 estimated per-share earnings. Financial data of the selected companies were based on publicly available research analysts estimates, public filings and other publicly available information. Financial data of St. Joe related to the operations on the Subject Lands were based on information provided by St. Joe management and St. Joe s public filings. TAP Securities applied a range of the low to high multiple of the comparable companies for each ratio to the financial information related to the operations on the Subject Lands to calculate a range of implied values related to the operations on the Subject Lands. This analysis indicated the following implied multiples for the selected companies, and the following implied value ranges for St. Joe.

	2014 Enterprise Value/ Unlevered Free Cash Flow	2014 Enterprise Value/ EBITDA	2014 Price/ Earnings
Rayonier Inc.	15.5x	11.6x	19.9x
Plum Creek Timber Co. Inc.	23.5x	20.1x	28.9x
Potlatch Corporation	15.9x	13.8x	21.9x
Weyerhauser Company	16.0x	13.2x	24.7x
Deltic Timber Corp.	n/a	14.2x	n/a

2014 Enterprise Value/Unlevered Free Cash Flow

Comparable Companies			Implied Value	
Low	High	St. Joe Metric	Low	High
15.5x	23.5x	$ 12	$ 193	$ 292

2014 Enterprise Value/EBITDA

Comparable Companies			Implied Value	
Low	High	St. Joe Metric	Low	High
11.6x	20.1x	$ 14	$ 167	$ 290

2014 Price/Earnings

Comparable Companies			Implied Value	
Low	High	St. Joe Metric	Low	High
19.9x	28.9x	$ 8	$ 166	$ 241

TAP Securities noted that the Purchase Price was above the range of implied values calculated on the basis of the comparable public companies.

The Fairholme Fund Irrevocable Proxy

In connection with the Sale Agreement, at the Purchaser s request, Fairholme Funds, Inc., on behalf of The Fairholme Fund (an affiliate of our Chairman, Bruce Berkowitz) granted the Purchaser an irrevocable proxy to vote 23,136,502 shares of our common stock, or approximately 25.1% of our outstanding shares of common stock as of the Record Date.

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Pursuant to the Sale Agreement, the Purchaser has agreed to vote the shares that are subject to the irrevocable proxy FOR the approval of the Transaction Proposal. The irrevocable proxy will remain in effect until the earliest to occur of (1) the termination of the Sale Agreement in accordance with its terms (including any extension thereof) or any material amendment of the Sale Agreement prior to the Record Date, (2) The Fairholme Fund and Purchaser agree to terminate the irrevocable proxy, (3) the date on which the Record Date is changed to a date other than January 27, 2014 and (4) the consummation of the Transaction. The irrevocable proxy does not limit or otherwise restrict the ability of The Fairholme Fund to sell any of the shares of our common stock that are held by it prior to or following the Record Date.

Recommendation of Our Board of Directors

After careful consideration of all factors which the Board has deemed relevant, the Board deems the Sale Agreement and the transactions contemplated thereby, including, without limitation, the Transaction, to be advisable, fair to and in the best interests of the Company and its shareholders. **Our Board of Directors unanimously recommends that you vote FOR the Transaction Proposal and FOR the Adjournment Proposal.**

Activities of St. Joe Following the Transaction

As further described under the caption Reasons for the Transaction, we believe the net proceeds from the Transaction will provide the Company with significant liquidity and numerous opportunities to create long-term value for our shareholders. We believe that the long-term interests of our shareholders are best served by our management focusing on our core business activity of real estate development. This sale of non-strategic land will help the Company concentrate on its core business activities: real estate development, including opportunities in the active adult market; activating the Port of Port St. Joe and expanding our resort operations. Following the sale, we will own approximately 184,000 acres of land concentrated primarily in Northwest Florida, which we predominantly use or intend to use for, or in connection with, our various residential or commercial real estate developments, resorts, leisure and leasing operations.

Use of Proceeds

The Company, and not the Company s shareholders, will receive all of the net proceeds from the Transaction. Our management will retain broad discretion in deciding how to allocate the net proceeds of the Transaction. We have not designated the amount of net proceeds we will receive from the Transaction for any particular purpose. We believe that the net proceeds from the Transaction will provide the Company with significant liquidity and numerous opportunities to create long-term value for our shareholders.

U.S. Federal Income Tax Consequences of the Transaction

The following discussion is a general summary of the anticipated U.S. federal income tax consequences of the Transaction. The following discussion is based upon the Internal Revenue Code of 1986, as amended, its legislative history, currently applicable and proposed Treasury regulations under the Code and published rulings and decisions, all as currently in effect as of the date of this proxy statement, and all of which are subject to change, possibly with retroactive effect. Tax considerations under state, local and non-U.S. laws, or federal laws other than those pertaining to income tax, are not addressed in this proxy statement. The following discussion has no binding effect on the Internal Revenue Service (the IRS) or the courts.

The Transaction will be treated as a sale of corporate assets. The Transaction is a taxable transaction for U.S. federal income tax purposes upon which we will recognize gain or loss. If we elect to receive the entire Purchase Price in

cash, then we will recognize all gain or loss resulting from the Transaction currently. If we elect to receive a portion of the Purchase Price in a Timber Note, then a portion of the gain or loss resulting from the Transaction may be deferred and reported using the installment method of reporting. The amount of gain or loss

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we recognize with respect to the sale of a particular asset will be measured by the difference between the amount realized by us on the sale of that asset and our tax basis in that asset. The determination of whether we will recognize gain or loss will be made with respect to each of the assets to be sold. Accordingly, we may recognize gain on the sale of certain assets and loss on the sale of certain others, depending on the amount of consideration allocated to an asset as compared with the tax basis of that asset. Further, the sale of certain assets may result in ordinary income or loss, depending on the nature of the asset. The determination of whether St. Joe will realize gain or loss on the Transaction and whether and to what extent St. Joe s tax attributes will be available is highly complex and is based in part upon facts that will not be known until the completion of the Transaction. Therefore, it is possible that the Transaction will generate a U.S. federal income tax liability to St. Joe, however, we believe that our tax assets may be available to mitigate some of the tax liabilities that may arise from the Transaction.

The Transaction by St. Joe is entirely a corporate action. Our shareholders will not realize any gain or loss for U.S. federal income tax purposes as a result of the Transaction.

Accounting Treatment of the Transaction

We will record the Transaction in accordance with generally accepted principles in the United States. Upon completion of the Transaction, we expect to recognize a gain for financial statement purposes equal to the net proceeds of the Transaction (sum of Purchase Price less expenses of the sale) less the book value of the assets and liabilities sold. If we elect to receive a portion of the Purchase Price in a Timber Note, the Timber Note received would be recorded as a note receivable on our Consolidated Balance Sheet. See Note b of the Unaudited Pro Forma Financial Information.

Government Approvals

Purchaser and St. Joe, and their respective legal counsels, are examining whether a filing under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (including the rules and regulations thereunder) the HSR Act) is required in order to consummate the Transaction, or whether an exemption for unproductive real property is applicable. Section 802.2(c)(1) exempts the sale of unproductive real property that has not generated total revenues in excess of $5 million during the 36 month period preceding the acquisition. The revenues of different parcels need not be aggregated if they are not contiguous. To qualify as separate parcels, however, there must be distinct physical separation between parcels. If an exemption cannot be utilized and a filing is required under the HSR Act, the Transaction cannot be consummated until, among other things, notifications have been given and certain information has been furnished to the Federal Trade Commission and the Antitrust Division, and all applicable waiting periods have expired or been terminated. Purchaser and St. Joe will file promptly, if required.

No Appraisal Rights

Under the Florida Business Corporations Act, the Transaction Proposal described in this proxy statement being submitted to a shareholder vote at the Special Meeting will not give rise to appraisal rights for dissenting shareholders. Furthermore, we will not independently provide dissenting shareholders with any appraisal rights.

The Sale Agreement

We incorporate by reference into this proxy statement, the Sale Agreement, a copy of which is attached to this proxy statement as Annex A. We encourage you to carefully read the Sale Agreement in its entirety as the summaries contained herein may not contain all of the information about the Sale Agreement that is important to you. Except for its status as a contractual document that establishes and governs the legal relations among the parties thereto with

respect to the Transaction, we do not intend for the Sale Agreement to be a source of factual, business or operational information about us. The Sale Agreement contains representations, warranties and

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covenants that are qualified and limited, including by materiality or knowledge qualifiers and information in the disclosure schedules referenced in the Sale Agreement that the parties delivered in connection with the execution of the Sale Agreement. Representations and warranties may also be used as a tool to allocate risks between the respective parties to the Sale Agreement, including where the parties do not have complete knowledge of all facts, instead of establishing such matters as facts. Furthermore, the representations and warranties may be subject to different standards of materiality applicable to the contracting parties, which may differ from what may be viewed as material to shareholders. These representations may or may not have been accurate as of any specific date and do not purport to be accurate as of the date of this proxy statement. Moreover, information concerning the subject matter of the representations and warranties may have changed since the date of the Sale Agreement and subsequent developments or new information qualifying a representation or warranty may have been included in this proxy statement. You should not rely on its representations, warranties or covenants as characterizations of the actual state of facts or condition of St. Joe or any of our affiliates.

The Transaction

Acquired Assets

Upon the terms and subject to the conditions of the Sale Agreement, including the satisfaction of the closing conditions, the Purchaser will purchase the following assets of St. Joe:

approximately 382,834 acres of land in Northwest Florida;

certain personal property (for example, machinery, facilities and inventory);

licenses in effect at Closing covering the Subject Lands and certain personal property;

rights under certain continuing leases, contracts and other agreements;

interests in any condemnation commencing November 6, 2013 until the date of Closing;

books and records concerning the Subject Lands; and

intangible personal property used exclusively in connection with the Subject Lands.

Excluded Assets

Purchaser will not purchase, and St. Joe will retain, all remaining assets of St. Joe, including cash proceeds or accounts receivable for sales of timber harvested prior to closing in accordance with the terms of the Sale Agreement.

Assumed Liabilities

From and after the Closing, the Purchaser will assume any and all of our liabilities arising in the ordinary course of business resulting from or related to the Subject Lands, including any contracts, commitments or undertakings to the extent related to the Subject Lands and to the extent such liabilities and obligations relate to the period of performance commencing on or after the Closing.

Release of Certain Environmental Claims

From and after the Closing, except with respect to a breach of our contractual representations and warranties, the Purchaser will release us from all costs, losses, liabilities, obligations and claims, of any nature whatsoever, known or unknown, that Purchaser may have against us or that may arise in the future based in whole or in part upon (a) our failure to comply with applicable environmental laws, or (b) the presence, release or disposal of any hazardous substance, solid waste, or any other environmental contamination on, within, or from the Subject Lands before, as of, or after the closing date (collectively Environmental Claims); provided, however, the Purchaser will not release us for any Environmental Claims that Purchaser, its successors and assigns might have against us under applicable environmental laws if we would otherwise be liable to a governmental authority or any other person and such governmental authority or person is proceeding, making a claim, or otherwise seeking contribution against Purchaser.

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Permitted Exceptions

The property is sold to the Purchaser subject to certain permitted exceptions.

Excluded Liabilities

From and after Closing, we will retain all liabilities other than those described above.

Transaction Consideration

The total Purchase Price for this Transaction is $565,000,000, subject to adjustments and includes a $37,500,000 Deposit that is currently held by the escrow agent. The Deposit will either be (i) delivered to us at Closing and applied as a credit towards the Purchase Price or (ii) if the Closing does not occur, the Deposit will be returned the Purchaser unless we terminate the Sale Agreement upon the Purchaser s breach or violation of a representation, warranty, covenant or agreement which (a) cannot be cured by the Outside Date or (b) the Purchaser does not use on a continuous basis all commercially reasonable efforts to cure in all material respects within a reasonable time after receiving notice of such breach or violation.

The Purchase Price will be adjusted downward as follows:

- For the value by which the net proceeds from harvesting of timber on the Subject Lands for the period from August 1, 2013 through Closing exceeds certain pre-agreed amounts described in the Sale Agreement;

- For the value of any parcel excluded from the Transaction by the Purchase because it is subject to an uncured title objection not waived by the Purchaser prior to Closing. For a period of one (1) year after the date of Closing, we will have the right to cure any title objection and receive payment from the Purchaser of the portion of the initial Purchase Price previously withheld by the Purchaser;

- For the value of any parcel excluded from the Transaction by the Purchaser because the Purchaser discovers the presence or likely presence of any hazardous substance on such parcel which has not been previously identified by us; and

- For the aggregate fair market value of (x) damaged or lost timber resulting from all casualty losses *plus* (y) the estimated cost associated with putting the affected parcels back into production and the damage to any property improvements, if such amount exceeds $500,000. We will, however, be entitled to retain any insurance proceeds from such casualty losses.

The Sale Agreement has a closing condition that the aggregate value of the Purchase Price Adjustments resulting from matters described in the last three bullets in the immediately preceding paragraph will not exceed $40,000,000. Consequently, if the aggregate value of these specific Purchase Price Adjustments exceeds $40,000,000, both the Purchaser and we will need to waive this condition or the Closing will not occur. There is no limit on the amount of the Purchase Price that may be reduced resulting from the matters described in the first bullet in the immediately preceding paragraph.

The Purchase Price is payable at Closing in cash or, at our option, a combination of cash and a Timber Note. AgReserves has advised us that it has sufficient cash on hand to pay the full Purchase Price.

If we elect to receive a portion of the Purchase Price in a Timber Note, AgReserves will remit to us in cash the remaining portion of the Purchase Price. Concurrently, the Buyer QSPE will issue a Timber Note to us. The Timber Note will be secured by a standby letter of credit. We expect to assign the Timber Note to the St. Joe QSPE. Shortly after receiving the Timber Note, we expect that the St. Joe QSPE will monetize the Timber Note by issuing debt securities (which we currently anticipate will have a value equal to approximately 85-90% of the value of the Timber Note) to third party investors. The debt securities will be payable solely out of the assets of the St. Joe QSPE, which will principally consist of the Timber Note and the standby letter of credit. The investors

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holding the debt securities of the St. Joe QSPE will have no recourse against us for payment of the debt securities or related interest expense. We will receive payment of the remaining principal amount of the Timber Note, less net interest expense and costs associated with the monetization of the Timber Note, on the maturity date of the Timber Note.

Closing

The Sale Agreement provides that, subject to the satisfaction, or waiver by the party entitled to the benefit thereof, of the closing conditions set forth in the Sale Agreement, the Closing must occur on January 31, 2014; provided that upon prior written notice of no less than five business days prior to the then-scheduled closing date: (i) we can extend the closing date to no later than May 1, 2014, and (ii) Purchaser can extend the closing date to no later than May 1, 2014 until the date that is five business days after the later of (a) the date on which our shareholder meeting has occurred and (b) the date on which we obtain certain consents. The Closing is subject to the delivery of certain closing deliverables.

Representations and Warranties

The Sale Agreement contains certain representations and warranties made by St. Joe regarding:

- our corporate organization and existence, including that of certain of our subsidiaries;
- the authorization, execution, delivery and enforceability of the Sale Agreement;
- the absence of conflicts with or defaults under our organizational documents, other contracts and applicable laws.
- consents and approvals;
- the absence of litigation, other than as previously disclosed;
- tax matters;
- compliance with certain provisions under the Employment Retirement Income Security Act of 1974, as amended;
- no liquidation under the Internal Revenue Code of 1986, as amended;
- compliance with all laws necessary to conduct operations on the Subject Lands;

condemnations;

certain supply agreements;

ownership of personal property;

replanting, harvest and conveyed interests;

the environmental condition of the Subject Lands;

the absence of threatened or pending actions related to the presence of endangered species on the Subject Lands;

mineral rights;

compliance with Office of Foreign Assets and Control regulations;

certain contracts, including: (1) contracts affecting the use of the Subject Lands, (2) assumed contracts and (3) timber cutting contracts;

carbon credits;

legal access to the Subject Lands;

adverse claims on the Subject Lands;

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timber deeds; and

the absence of management agreements affecting any portion of the Subject Lands, other than those under certain supply agreements.

Certain of our representations and warranties are qualified and limited, including by materiality or knowledge qualifiers and information we disclosed to the Purchaser in the disclosure schedules referenced in the Sale Agreement. Representations and warranties may be used as a tool to allocate risks between the respective parties to the Sale Agreement, including where the parties do not have complete knowledge of all facts, instead of establishing such matters as facts. Furthermore, the representations and warranties may be subject to different standards of materiality applicable to the contracting parties, which may differ from what may be viewed as material to shareholders. These representations may or may not have been accurate as of any specific date and do not purport to be accurate as of the date of this proxy statement. Moreover, information concerning the subject matter of the representations and warranties may have changed since the date of the Sale Agreement and subsequent developments or new information qualifying a representation or warranty may have been included in this proxy statement. You should not rely on its representations, warranties or covenants as characterizations of the actual state of facts or condition of St. Joe or any of our affiliates.

In addition, the Purchaser made representations and warranties to us regarding:

corporate organization and existence;

the authorization, execution, delivery and enforceability of the Sale Agreement;

the absence of conflicts with or defaults under its organizational documents, other contracts and applicable laws;

consents and approvals;

the absence of litigation;

compliance with Office of Foreign Assets and Control regulations;

tax matters; and

the absence of a financing contingency excusing the Purchaser from closing.

Additional Agreements Relating to the Subject Lands

We have agreed that, between signing and the Closing or termination of the Sale Agreement, St. Joe will, among other things:

upon the receipt of written notice, grant the Purchaser a right of entry to the Subject Lands for the purpose of making inspections and other studies;

cooperate with the Purchaser in its efforts to acquire ownership of certain easements (we have also agreed to cooperate with the Purchaser for a period of three years following the Closing in connection with its effort to acquire ownership of certain easements);

cooperate, and use all commercially reasonable efforts to consummate, and make effective as promptly as practicable, the Transaction;

provide the Purchaser with books and records concerning the Subject Lands;

cooperate, and use all commercially reasonable efforts, to obtain all required consents and approvals necessary to effect the Transaction, including the consents of counterparties to certain supply agreements;

use commercially reasonable efforts to obtain estoppel certificates from the counterparties to the timber deeds and supply agreements;

use all commercially reasonable efforts to maintain the Subject Lands in the ordinary course of business;

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not cut or remove any timber from the Subject Lands except in accordance with the 2010-2014 Sustainable Forestry Initiative Standard or our harvest plan;

not enter into any contract relating to the Subject Lands that is not contemplated by our harvest plan or is otherwise outside the ordinary course of business, the value of which is in excess of $250,000 (or $1,000,000 in the aggregate for all such contracts) or the term of which is greater than one year;

not amend or otherwise modify any timber deeds or supply agreements pertaining to the Subject Lands;

not sell, encumber or lease any interest in the Subject Lands, except for certain renewals of annual recreational licenses;

assist the Purchaser in obtaining a certificate of compliance from the Florida Department of Revenue for any outstanding tax liabilities or notice of intent to audit resulting from the Transaction;

cooperate with Purchaser to negotiate with the Florida Department of Transportation (FDOT) to execute a partial assignment to and assumption by Purchaser of a FDOT agreement related to the Subject Lands (we have also agreed to certain other agreements related thereto if it is not assigned prior to the Closing); and

take all actions necessary to convene the Special Meeting following the mailing of this proxy statement.

The Purchaser has agreed that, between signing and the Closing or termination of the Sale Agreement, it will, among other things:

not, without our consent, disclose (1) the results of any inspections or studies or (2) except to the extent required by law, court order or in connection with certain legal proceedings, information or documents that we deliver to the Purchaser concerning the Subject Lands to third parties or governmental authorities, provided, however, that such results, information and documents may be disclosed to consultants, attorneys, investors and lenders of Purchaser for use solely in connection with the Transaction;

in connection with its right of entry to the Subject Lands, maintain general liability insurance, in an amount not less than $1,000,000, naming us as the insured;

obtain all permits and licenses required to carry out its intended operation on the Subject Lands;

cooperate with us in our efforts to execute documents related to our reserved easements;

purchase title insurance on the Subject Lands;

cooperate, and use all commercially reasonable efforts to consummate, and make effective as promptly as practicable, the Transaction;

not record the Sale Agreement (or a memorandum thereof) in any real property records;

cooperate, and use all commercially reasonable efforts, to obtain all required consents and approvals necessary to effect the Transaction;

acknowledge that our disclosure letter is incorporated by reference into the Sale Agreement;

not communicate with a governmental authority about the Transaction without our written consent, subject to certain exceptions;

not transfer or otherwise dispose of its interest in its subsidiary, Panama City Timber Finance Company, LLC;

not take certain actions with respect to certain tax matters that would have implications under the relevant Treasury Regulations Section; and

vote the shares of The Fairholme Fund that are subject to The Fairholme Fund s irrevocable proxy to approve the Transaction Proposal at the Special Meeting.

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The Purchaser has agreed that post-Closing it will, among other things:

- adhere to certain post-closing use restrictions with respect to certain portions of the Subject Lands; and
- grant us a right of first refusal, valid for 15 years after the date of Closing, in connection with certain portions of the Subject Lands.

No Solicitation; Change in Recommendation

Subject to certain exceptions generally described below, the Sale Agreement requires that we shall not, and will use our reasonable best efforts to cause our representatives not to, (1) initiate, solicit, knowingly encourage (including by providing information), induce or knowingly facilitate any inquiries, proposals or offers with respect to, or the making or completion of, an Alternative Proposal (as defined below) or (2) engage or participate in any discussions or negotiations concerning, or provide any non-public information or data relating to us in connection with, an actual or potential Alternative Proposal, or otherwise knowingly encourage or knowingly facilitate any effort or attempt to make or implement an Alternative Proposal. However, if we receive an unsolicited Alternative Proposal following November 6, 2013 and prior to obtaining shareholder approval of the Transaction Proposal, we may participate in discussions or negotiations about such proposal if: (1) the making of the proposal is not a result of our breach of the no solicitation provision, (2) our Board of Directors determines in good faith after consultation with our financial advisors that the proposal constitutes or is reasonably likely to result in a Superior Proposal (as defined below) and (3) we provide the Purchaser at least 24 hours prior written notice of our intent to do so and the identity of the third party prior to furnishing any non-public information to, or entering into any discussions with, the person making such Alternative Proposal. We may then provide information in connection with such proposal, provided, that we must (1) first enter into a confidentiality agreement with the person making such proposal that complies with the terms required in the Sale Agreement and (2) provide the Purchaser with any non-public information concerning us that is provided in connection with such proposal.

We agreed that neither our Board of Directors nor any Board committee may (1) withdraw or modify in a manner adverse to the Purchaser, or publicly propose to withdraw or modify in a manner adverse to the Purchaser, its recommendation in favor of the Transaction Proposal; (2) fail to recommend against the acceptance of any tender offer or exchange offer that would constitute an Alternative Proposal and that is publicly disclosed prior to the earlier of the date of Special Meeting and 10 business days after the commencement of such tender offer or exchange; (3) fail to reaffirm, without qualification, that the Transaction is in our best interests or its recommendation in favor of the Transaction Proposal, within five business days if Purchaser requests that we do so; (4) approve, recommend or endorse (or publicly propose to endorse, recommend or approve) an Alternative Proposal ((1), (2), (3) and (4), collectively, a Recommendation Change); or (5) approve any agreement, other than the confidentiality agreement discussed above, which would constitute an Alternative Proposal.

Notwithstanding the foregoing, at any time prior to obtaining shareholder approval of the Transaction Proposal, our Board may, in response to a Superior Proposal, make a Recommendation Change or otherwise declare advisable any Superior Proposal made after November 6, 2013 or terminate the Sale Agreement if:

(i) such Superior Proposal did not result from a breach of the no solicitation provision in the Sale Agreement and is not withdrawn;

(ii) our Board determines, in good faith after consultation with counsel, that the failure to terminate the Sale Agreement would be inconsistent with the directors fiduciary duties under Florida law;

(iii) we provide Purchaser five business days prior written notice of the Board s intention to change its recommendation;

(iv) we negotiate in good faith with Purchaser during such five business days period to make such revisions to the terms of the Sale Agreement as would permit our Board not to change its recommendation or declare advisable a Superior Proposal; and

(v) our Board considered in good faith any changes to the Sale Agreement offered in writing by Purchaser and determined in good faith that the Superior Proposal continues to constitute a Superior Proposal.

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Further, at any time prior to obtaining shareholder approval of the Transaction Proposal, our Board may, in response to an Intervening Event, effect a Recommendation Change, provided that our Board determines in good faith, after consultation with its counsel, that the failure to do so would be inconsistent with the directors fiduciary duties under Florida law.

For purposes of the Sale Agreement:

Alternative Proposal means any inquiry, proposal or offer from any person (other than Purchaser and its subsidiaries) or group , within the meaning of Section 13(d) of the Exchange Act of 1934, as amended (the Exchange Act), relating to any (i) direct or indirect acquisition or purchase of all or any portion of the Subject Lands, (ii) direct or indirect acquisition or purchase (including by tender or exchange offer) of equity securities of Seller that would be inconsistent with the Transaction, or (iii) merger, consolidation, share exchange, business combination, asset purchase, recapitalization or similar transaction involving St. Joe, or any of its subsidiaries in a transaction that would be inconsistent with the Transaction; in each case other than the Transaction.

Intervening Event means a material event, change, development or occurrence that occurs or arises after the date of the Sale Agreement that was neither known to our Board nor reasonably foreseeable to our Board as of the date of the Sale Agreement, or becomes known to our Board before shareholder approval of the Transaction Proposal shall have been obtained and, if it had occurred prior to the date of the Sale Agreement, would have improved St. Joe s prospects such that our Board determines in good faith, after consulting with its legal and financial advisors, that the Transaction is less favorable to the shareholders than St. Joe continuing to own the Subject Lands; provided, however, that in no event will the receipt, existence of or terms of an Alternative Proposal or any inquiry relating thereto constitute an Intervening Event.

Superior Proposal means an unsolicited bona fide written Alternative Proposal that our Board determines in its good faith, reasonable judgment (after consulting with outside counsel and its financial advisor), taking into account all legal, financial and regulatory and other aspects of the proposal (including any break-up fees, expense reimbursement provisions and conditions to consummation), the likelihood and timing of required governmental approvals and consummation and the person making the proposal, (a) is more favorable to the shareholders of St. Joe from a financial point of view than the Transaction (including any adjustment to the terms and conditions proposed by Purchaser and (b) is reasonably capable of being consummated; provided, however, that any such offer shall not be deemed a Superior Proposal if any financing required to consummate the transaction contemplated by such offer is not committed or is not reasonably capable of being obtained by such party.

Expenses

Whether or not the Transaction is completed, each party will be required to pay its own costs and expenses (including legal fees and expenses) incurred in connection with the Sale Agreement and the Transaction, except as described in Termination of the Sale Agreement and as set out below:

- we will pay the costs of preparation of all deeds and the satisfaction of monetary liens;

- if the Purchaser uses installment notes to fund a portion of the Purchase Price, we are obligated to pay the costs associated with note document assistance;

we will pay the cost of title examinations and the issuance of title commitments (except more than one update to the title commitments that is not occasioned by an extension of the Closing), while the Purchaser will pay the premiums for the issuance of title insurance policies;

the Purchaser will pay the recording fees associated with any filed documents, including the deeds other than documents recorded to cure title objections or satisfy, release or remove monetary liens required to be cured by us;

the Purchaser will pay all taxes resulting from a change in use of the Subject Lands that occurs after the Closing;

we and the Purchaser will split the cost of transfer taxes; and

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we and the Purchaser will each pay one-half of any filing fees required in connection with any filings required by the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended.

Conditions to Completion of the Transaction

We and the Purchaser will not be obligated to consummate the Transaction unless a number of conditions are satisfied or waived. These joint closing conditions include the satisfaction or waiver on or prior to the Closing of the following:

- any waiting period required by regulatory laws applicable to the Transaction;
- any injunction prohibiting the consummation of the Transaction; and
- the aggregate amount of certain Purchase Price Adjustments does not exceed $40,000,000. See The Transaction Proposal The Sale Agreement Transaction Consideration beginning on page 35.

The obligations of St. Joe to consummate the Transaction are subject to the satisfaction or waiver on or prior to the Closing of additional conditions, including:

- the Purchaser obtaining the necessary consents, authorizations, registrations or approvals required to be obtained by Purchaser or its affiliates to consummate the Transaction;
- the Purchaser s compliance with each of the representations and warranties made by them, except where the failure of such representations and warranties to be true and correct does not have and would not be reasonably likely to have a material adverse effect on Purchaser s ability to complete the Transaction;
- the Purchaser s compliance in all material respects with its covenants in the Sale Agreement;
- receipt of the required closing deliverables, including standby letters of credit securing the installment notes, if any, are issued to fund a portion of the Purchase Price;
- the Purchaser causing its subsidiary, Panama City Timber Finance Company, LLC, to enter into a limited liability company agreement substantially in the form agreed to; and
- approval by our shareholders of the Transaction Proposal.

The obligations of the Purchaser to consummate the Transaction are subject to the satisfaction or waiver of additional conditions on or prior to the Closing, including:

our obtaining the necessary consents, authorizations, registrations or approvals required to be obtained by us to consummate the Transaction;

each of the representations and warranties made by us being true as of November 6, 2013 and as of Closing (except to the extent expressly made only as of an earlier date, in which case as of such date), except where the failure of such representations and warranties to be true and correct does not have and would not be reasonably likely to have a material adverse effect on the Subject Lands or the business conducted or to be conducted on the Subject Lands;

our compliance in all material respects with our covenants in the Sale Agreement;

the receipt of the required closing deliverables;

the receipt of the title insurance policies to the Subject Lands; and

our not being in material default under the timber deeds or the supply agreements related to the Subject Lands.

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Termination of the Sale Agreement; Termination Fees and Expenses

Automatic Termination

The Sale Agreement will terminate automatically if our shareholders reject the Transaction at the Special Meeting or if the Special Meeting, including any adjournment or postponement thereof, is concluded and our shareholders have not approved the Transaction. In this case, the Purchaser s sole remedy will be to receive a return of the Deposit, plus we will pay to the Purchaser its actual documented reasonable third party out-of-pocket costs and expenses incurred in connection with the Transaction (including legal fees, accounting fees, consultant s fees and advisor s fees), not to exceed a maximum of $1,500,000.

However, we will be obligated to pay the Purchaser a break-up fee of $21,187,500 (the Break-Up Fee) (but not the expense reimbursement) if such termination occurs and any of the following also occurs: (1) we fail to conduct the vote at the Special Meeting, (2) prior to such termination and after November 6, 2013, any Alternative Proposal is generally made known to our shareholders or (3) our Board makes a Recommendation Change or otherwise declares advisable a Superior Proposal other than as a result of an Intervening Event which is unrelated to an Alternative Proposal.

Termination by Us or the Purchaser

Under the Sale Agreement, at any time prior to Closing, we may mutually agree with the Purchaser to terminate the Sale Agreement, even after our shareholders have authorized the Transaction.

The Sale Agreement may be terminated by either us or the Purchaser upon a failure of the following conditions to be satisfied or waived: (1) all waiting periods required by regulatory laws applicable to the Transaction have been terminate or have expired, (2) there is no injunction prohibiting the consummation of the Transaction or imposing conditions not otherwise provided for in the Sale Agreement or (3) the Purchase Price Adjustment limit of $40,000,000 has not been exceeded.

The Sale Agreement may also be terminated by either us or the Purchaser if the Closing has not taken place by the Outside Date, unless the party seeking to terminate the Sale Agreement has failed to perform any of its obligations under the Sale Agreement and this failure primarily contributed to the failure of the Closing to have occurred by the Outside Date.

If the Sale Agreement is terminated for any of the above reasons, then the Purchaser s sole remedy will be the return of the Deposit and we will not be entitled to reimbursement of any fees.

Termination by Us

We may terminate the Sale Agreement if there has been a breach or violation by the Purchaser of any of its representations, warranties, covenants or agreements contained in the Sale Agreement which breach or violation would result in the failure to satisfy certain conditions in the Sale Agreement and the Purchaser fails to (1) cure such breach or violation by the Outside Date or (2) use its commercially reasonable efforts to cure such breach or violation commencing within a reasonable time after we have given written notice of the violation or breach to the Purchaser. In this case, our sole remedy will be to receive the return of the Deposit and reimbursement of the actual documented reasonable third party out-of-pocket costs and expenses of our attorneys in enforcing our rights to the Deposit (if we prevail).

We may also terminate the Sale Agreement if, prior to obtaining shareholder approval of the Transaction, (1) we have complied in all material respects with the terms of the Sale Agreement and (2) concurrently with the termination the Sale Agreement, we enter into a definitive transaction agreement providing for the consummation of the transaction contemplated by a Superior Proposal. In this case, the Purchaser s sole remedy will be to receive the return of the Deposit and the Break-Up Fee.

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We may also terminate the Sale Agreement, if the Purchaser records the Sale Agreement (or a memorandum thereof) in any real property records, in which case we may seek specific performance as a remedy.

Termination by the Purchaser

The Sale Agreement may be terminated by the Purchaser:

(1) if there has been a breach or violation by us of any representation, warranty, covenant or agreement contained in the Sale Agreement which breach or violation would result in the failure to satisfy certain conditions in the Sale Agreement and we fail to (A) cure such breach or violation by the Outside Date or (B) use our commercially reasonable efforts to cure such breach or violation commencing within a reasonable time after we have received written notice of the violation or breach from the Purchaser. In this case, the Purchaser s sole remedy will be to receive a return of the Deposit, plus we will pay to the Purchaser its actual documented reasonable third party out-of-pocket costs and expenses incurred (i) in connection with the Transaction, and (ii) by Purchaser s attorneys in enforcing its rights to a refund of the Deposit, not to exceed a maximum amount of $1,500,000. If our breach or violation is the result of fraud or intentional misconduct then Purchaser shall also be entitled to pursue an action for damages;

(2) upon the failure of the title company, Fidelity National Title Insurance Company, to issue final title policies, provided we are not responsible for such failure. In this case, the Purchaser s sole remedy will be to receive the return of the Deposit; or

(3) if, prior to obtaining shareholder approval of the Transaction Proposal, our Board (A) fails to recommend that our shareholders approve the Transaction Proposal or (B) makes a Recommendation Change, including by changing its recommendation in favor of an Alternative Proposal from another purchaser. In this case, the Purchaser s sole remedy will be to receive the return of the Deposit and the Break-Up Fee.

Indemnification

Indemnification of Purchaser Indemnitees

From and after the Closing and subject to the terms, conditions and limitations set forth in the Sale Agreement, we will indemnify, defend and hold harmless the Purchaser and its directors, officers, employees, affiliates, controlling persons, agents and representatives and their successors and assigns (collectively, the Purchaser Indemnitees) against any loss incurred by them as a result of the following:

1. a breach by us of certain representations or warranties contained in the Sale Agreement or any ancillary agreement (other than breaches of representations or warranties related to (a) certain pending litigation and certain adverse judgments, (b) condemnations, (c) the supply agreements, (d) the receipt of certain environmental notices, (e) certain outstanding judgments or actions relating to environmental laws, (f) endangered species, (g) the enforceability or breach of assumed contracts or (h) timber deeds, in each case, if those breaches first occurred after the date of the Sale Agreement and we used commercially reasonable efforts to attempt to cure them, including the expenditure of funds up to a maximum of $500,000

with respect to all such breaches in the aggregate);

2. any breach of any agreement, term, provision, condition, obligation, or covenant to be performed or satisfied by us pursuant to the Sale Agreement;

3. any third-party personal injury or tort claims regarding our use, ownership or operation of the Subject Lands (or any part thereof) prior to the Closing but excluding assumed liabilities and any released environmental claims;

4. any claim arising from assumed contracts relating to any act or omission prior to the date of Closing; and

5. any claim arising from an inaccuracy or material default alleged in any estoppel certificate provided by us to the Purchaser in lieu of a third-party estoppel certificate.

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We will not, however, be liable for losses relating to items 1, 2 or 5 above, unless the aggregate amount of all losses for which we would otherwise be liable exceeds $5,000,000. In this case, the Purchaser Indemnitees will be entitled, subject to the other limitations set forth in the Sale Agreement, to indemnification for all losses incurred by them that are in excess of this amount, subject to a limit on our maximum aggregate liability of $56,500,000 relating to items 1, 2 or 5 above. There are no limits to our potential indemnification liability with respect to items 3 or 4 above.

Additionally, the $5,000,000 threshold and the $56,500,000 indemnification maximum with respect to items 1, 2 or 5 above will not apply to losses arising from: (1) Purchase Price Adjustments, (2) apportionments, (3) closing costs and expenses, (4) our brokerage indemnity, (5) reimbursement of legal fees and (6) the Purchaser s enforcement of its specific performance rights. The $56,500,000 indemnification maximum will also not apply to any fraud or intentional misconduct by us.

Indemnification of Seller Indemnitees

From and after the Closing and subject to the terms, conditions and limitations set forth in the Sale Agreement, the Purchaser will indemnify, defend and hold harmless St. Joe and its directors, officers, employees, affiliates, controlling persons, agents and representatives and their successors and assigns (collectively, the Seller Indemnitees) against any loss incurred by them as a result of the following:

1. a breach of a representation or warranty by Purchaser contained in the Sale Agreement;

2. any breach of any agreement, term, provision, condition, obligation, or covenant to be performed or satisfied by the Purchaser pursuant to the Sale Agreement;

3. any assumed liability;

4. the use, ownership or operation of the Subject Lands (or any portion thereof) from and after Closing; and

5. any inspections, investigations, examinations, samplings or tests of the Subject Lands conducted by Purchaser or any of its agents, employees or contractors, whether prior to or after November 6, 2013.

In the case of losses arising from item 5 above, the Purchaser will not be obligated to indemnify the Seller Indemnitees for any pre-existing physical conditions or any results of such inspections or investigations not caused by the Purchaser or its affiliates or agents.

Specific Performance

If we fail to consummate the Transaction, the Purchaser may undertake an action, suit or proceeding for the specific enforcement of the Sale Agreement unless the Purchaser s failure to perform any of its obligations under the Sale Agreement primarily contributes to our failure to consummate the Transaction. In the event the remedy of specific performance is not available to the Purchaser due to the fraud or intentional misconduct of us, in addition to return of the Deposit, the Purchaser will be entitled to pursue any and all remedies and damages available at law or equity. Our ability to obtain specific performance by the Purchaser will be limited to (1) the Purchaser s breach of the

confidentiality agreement, (2) the Purchaser s breach of the agreement not to record the Sale Agreement in any real property records, or (3) the Purchaser s breach of the agreement relating to its right of entry. The specific performance provision will survive the Closing.

Amendment and Waiver

St. Joe and the Purchaser may mutually amend any provision of the Sale Agreement at any time. For a waiver to be valid or binding, it must be agreed to by the party against whom enforcement of such provision is sought.

RECOMMENDATION

OUR BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT SHAREHOLDERS VOTE

FOR THE TRANSACTION PROPOSAL.

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SELECTED CONSOLIDATED FINANCIAL DATA

The following table sets forth Selected Consolidated Financial Data for the Company on a historical basis for the five years ended December 31, 2012 and the nine months ended September 30, 2013 and 2012. This information should be read in conjunction with the audited and unaudited consolidated financial statements of the Company (including the related notes thereto). The historical Selected Consolidated Financial Data for the five years ended December 31, 2012 has been derived from the audited consolidated financial statements and revised for discontinued operations where applicable. The historical Selected Consolidated Financial Data for the nine months ended September 30, 2013 and 2012 has been derived from the unaudited consolidated financial statements.

	Nine Months Ended September 30,		Year Ended December 31,				
	2013	2012	2012	2011	2010	2009	2008
	(In thousands, except per share amounts)						
Statement of Operations Data:							
Total revenues[1]	$ 97,388	$ 116,780	$ 139,396	$ 145,285	$ 99,540	$ 138,257	$ 258,158
Total expenses	94,647	105,390	137,262	532,092	151,094	347,612	283,711
Operating income (loss)	**2,741**	**11,390**	**2,134**	**(386,807)**	**(51,554)**	**(209,355)**	**(25,553)**
Other (expense) income	1,866	4,260	4,289	934	(3,892)	4,215	(36,643)
Income (loss) from operations before equity from loss from unconsolidated affiliates and income taxes	4,607	15,650	6,423	(385,873)	(55,446)	(205,140)	(62,196)
Equity in loss from unconsolidated affiliates	(39)	(40)	(46)	(93)	(4,308)	(122)	(330)
Income tax benefit (expense)	(158)	(982)	(387)	55,658	23,849	81,227	26,921
Income (loss) from continuing operations	4,410	14,628	5,990	(330,308)	(35,905)	(124,035)	(35,605)
Loss from discontinued operations[2]						(6,888)	(1,568)
Gain on sale of discontinued operations[2]						75	
Loss from discontinued operations[2]						(6,813)	(1,568)
Net income (loss)	**4,410**	**14,628**	**5,990**	**(330,308)**	**(35,905)**	**(130,848)**	**(37,173)**
Net loss attributable to noncontrolling interest	20	16	22	29	41	821	807
Net income (loss) attributable to the	**$ 4,430**	**$ 14,644**	**$ 6,012**	**$ (330,279)**	**$ (35,864)**	**$ 130,027)**	**$ (36,366)**

Company													
Per Share Data:													
Basic and Diluted													
Income (loss) from continuing operations attributable to the Company	$	0.05	$	0.16	$	0.07	$	(3.58)	$	(0.39)	$	(1.35)	$ (0.38)
Loss from discontinued operations attributable to the Company[(2)]												(0.07)	(0.02)
Net income (loss) attributable to the Company	**$**	**0.05**	**$**	**0.16**	**$**	**0.07**	**$**	**(3.58)**	**$**	**(0.39)**	**$**	**(1.42)**	**$ (0.40)**

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	Nine Months Ended September 30,		Year Ended December 31,				
	2013	2012	2012	2011	2010	2009	2008
	(In thousands, except per share amounts)						
Balance Sheet Data:							
Investment in real estate	$ 382,779	$ 372,789	$ 370,647	$ 387,202	$ 755,392	$ 767,006	$ 909,658
Cash and cash equivalents	$ 22,831	$ 172,398	$ 165,980	$ 162,391	$ 183,827	$ 163,807	$ 115,472
Investments	$ 146,051						
Property and equipment, net	$ 11,655	$ 13,078	$ 12,149	$ 14,946	$ 13,014	$ 15,269	$ 19,786
Total assets	$ 667,072	$ 652,715	$ 645,521	$ 661,291	$ 1,051,695	$ 1,116,944	$ 1,237,353
Debt	$ 37,832	$ 30,378	$ 36,062	$ 53,458	$ 54,651	$ 57,014	$ 68,635
Total equity	$ 561,328	$ 559,995	$ 552,334	$ 543,892	$ 872,437	$ 896,320	$ 992,431
Cash dividends declared per common share							

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

(2) Discontinued operations include the Victoria Hills Golf Club and St. Johns Golf and Country Club golf course operations in 2009, and Sunshine State Cypress, Inc. in 2008.

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THE ST. JOE COMPANY UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL INFORMATION

On November 6, 2013, The St. Joe Company (the Company) and AgReserves Inc. (the Purchaser) entered into a purchase and sale agreement (the Sale Agreement) for the sale of approximately 382,834 acres of land located in Northwest Florida owned by the Company (the Subject Lands), along with certain other assets and inventory and rights under certain continuing leases and contracts (together with the Subject Lands, the Property) to Purchaser for $565 million subject to adjustment as set forth in the Sale Agreement (the Transaction). The Subject Lands include substantially all of the Company s land designated for forestry operations as well as other non-strategic land (i) that is not utilized in the Company s residential or commercial real estate segments or its resorts, leisure and leasing segment or (ii) that is not part of Company s development plans. The acreage to be included in the Subject Lands is subject to limited adjustments based on title and environmental diligence and casualty events between signing and closing. Following the consummation of the Transaction, the Company expects to continue to be the owner of approximately 184,000 acres of land concentrated primarily in Northwest Florida which includes land used or intended to be used in its real estate development operations.

In connection with the execution of the Sale Agreement, the Purchaser delivered a deposit of $37.5 million. The balance of the purchase price is payable at closing in (i) cash, (ii) installment notes that will be fully secured by irrevocable standby letters of credit (the Timber Notes) or (iii) a combination thereof, as determined by the Company in the Company s sole discretion at least 20 days prior to the closing. As of December 11, 2013, the Company has not determined if it will elect for a portion of the purchase price to be paid in Timber Notes.

The closing of the Transaction is subject to a number of conditions, including among others: (i) approval of the Transaction by the Company s shareholders, (ii) the expiration or termination of all waiting periods under regulatory law applicable to the Transaction and (iii) the purchase price not being reduced by more than $40 million as a result of any reduced acreage.

The Sale Agreement contains certain termination rights, including if the Transaction is not completed on or before January 31, 2014 (which date may be extended by the Company or, subject to certain conditions, Purchaser until no later than May 1, 2014) or if the approval of the Company s shareholders is not obtained. Upon termination of the Sale Agreement under certain circumstances, the Company may be required to pay the Purchaser certain fees, costs and expenses, including: (i) a termination fee of approximately $21 million if: (a) in certain cases, the Company s shareholders do not approve the Transaction, (b) the Company enters into a definitive transaction agreement providing for the consummation of the transaction contemplated by a Superior Proposal (as defined in the Sale Agreement), or (c) the Company s Board of Directors makes a Recommendation Change (as defined in the Sale Agreement) or fails to recommend that the Company s shareholders approve the Transaction; or (ii) the Purchaser s transaction costs and expenses which in some cases are limited to $1.5 million. Except in certain limited cases as set forth in the Sale Agreement, the Company is required to return the deposit of $37.5 million to the Purchaser if the Sale Agreement is terminated.

If the Closing occurs, and subject to the terms, conditions and limitations set forth in the Sale Agreement, the Company has agreed to indemnify, defend and hold the Purchaser and its affiliates, representatives and agents harmless from certain losses, including those as a result or arising out of breaches of the Company s representations, warranties, covenants or other agreements and, subject to certain exceptions, third-party personal injury or tort claims regarding the Company s use, ownership or operation of the Subject Lands (or any party thereof) prior to the closing of the Transaction and claims arising from assumed contracts relating to any act or omission prior to such closing date.

The following Unaudited Pro Forma Condensed Consolidated Financial Information of the Company has been derived from the historical financial statements of the Company, as adjusted, to give effect to the Transaction as if the Company did not elect to receive any portion of the purchase price in Timber Notes. See pro

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forma adjustment note b. The historical financial statements of the Company as set forth herein has been derived from the historical consolidated financial statements included in its Annual Report on Form 10-K for the year ended December 31, 2012 and its Quarterly Report on Form 10-Q for the period ended September 30, 2013. The Unaudited Pro Forma Condensed Consolidated Balance Sheet as of September 30, 2013, includes pro forma adjustments giving effect to the Transaction as if it had occurred on that date. The Unaudited Pro Forma Consolidated Statements of Operations for the nine months ended September 30, 2013, and for the year ended December 31, 2012, includes pro forma adjustments giving effect to the Transaction as if it had occurred on December 31, 2012 and December 31, 2011, respectively. The Unaudited Pro Forma Condensed Consolidated Balance Sheet as of September 30, 2013 and the Unaudited Pro Forma Condensed Consolidated Statements of Operations for the nine months ended September 30, 2013 reflect all normal recurring adjustments that, in the opinion of management, are necessary for fair presentation of the information contained herein. The Company adheres to the same accounting policies in preparation of its unaudited interim condensed consolidated financial statements. As required under GAAP, interim accounting for certain expenses are based on full year assumptions.

The Unaudited Pro Forma Condensed Consolidated Financial Information is presented to comply with the rules and regulations of the Securities and Exchange Commission governing the disclosure of pro forma information. The Unaudited Pro Forma Condensed Consolidated Financial Information has been provided for informational purposes only and should not be considered indicative of the financial condition or results of operations that would have been achieved had the Transaction occurred as of the dates presented. Accordingly, the Unaudited Pro Forma Condensed Consolidated Financial Information should not be read to be indicative of the Company s financial condition or results of operations that might be achieved as of any future date or for any future period. The Unaudited Pro Forma Condensed Consolidated Financial Information, including the notes thereto, should be read in conjunction with the historical financial statements of the Company included in its Annual Report on Form 10-K for the year ended December 31, 2012, and its Quarterly Reports on Form 10-Q filed for its quarters ended, March 31, June 30, and September 30, 2013.

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The St. Joe Company

Unaudited Pro Forma Condensed Consolidated Balance Sheet

As of September 30, 2013

(In thousands)

	Historical	(Unaudited) Pro forma Adjustments		Pro forma
ASSETS				
Investments in real estate, net	$ 382,779	$ (53,944)	**a**	$ 328,835
Cash and cash equivalents	22,831	555,091	**a, b**	577,922
Investments	146,051			146,051
Notes receivable, net	7,898			7,898
Pledged treasury securities	26,404			26,404
Prepaid pension asset	35,324			35,324
Property and equipment, net	11,655	(271)	**a**	11,384
Deferred tax asset	12,046	(12,046)	**c**	
Other assets	22,084	(592)	**a**	21,492
Total Assets	**$ 667,072**	**$ 488,238**		**$ 1,155,310**
LIABILITIES AND EQUITY				
LIABILITIES:				
Debt	$ 37,832	$		$ 37,832
Accounts payable	14,761	(265)	**a**	14,496
Income taxes payable		147,508	**c**	147,508
Accrued liabilities and deferred credits	53,151	(4,514)	**a, c**	48,637
Total liabilities	105,744	142,729		248,473
EQUITY:				
Common stock, no par value	892,027			892,027
Retained earnings	(326,431)	345,509	**c, d**	19,078
Accumulated other comprehensive loss	(7,375)			(7,375)
Treasury stock at cost	(285)			(285)
Total stockholders equity	557,936	345,509		903,445
Noncontrolling interest	3,392			3,392
Total equity	561,328	345,509		906,837
Total Liabilities and Equity	**$ 667,072**	**$ 488,238**		**$ 1,155,310**

See Notes to the Unaudited Pro Forma Condensed Consolidated Financial Statements

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The St. Joe Company

Unaudited Pro Forma Condensed Consolidated Statement of Operations

For the Nine Months Ended September 30, 2013

(In thousands, except share and per share amounts)

	Historical	(Unaudited) Pro forma Adjustments		Pro forma
Revenues:				
Real estate sales	$ 27,859	$		$ 27,859
Resorts, leisure and leasing revenues	42,384			42,384
Timber Sales	27,145	(21,881)	**e**	5,264
Total Assets	**97,388**	**(21,881)**		**75,507**
Expenses:				
Cost of real estate sales	15,721			15,721
Cost of resorts, leisure and leasing revenues	33,460			33,460
Cost of timber sales	16,661	(12,757)	**e**	3,904
Other operating expenses	8,710	(145)	**e**	8,565
Corporate expense	13,123	(68)	**e**	13,055
Depreciation, depletion and amortization	6,972	(1,156)	**e**	5,816
Total Expenses	**94,647**	**(14,126)**		**80,521**
Operating income (loss)	**2,741**	**(7,755)**		**(5,014)**
Other income (expense):				
Investment income, net	1,008			1,008
Interest expense	(1,392)			(1,392)
Other, net	2,250	(879)	**e**	1,371
Total other income	**1,866**	**(879)**		**987**
Income (loss) from operations before equity in loss of unconsolidated affiliates and income taxes	**4,607**	**(8,634)**		**(4,027)**
Equity in loss of unconsolidated affiliates	(39)			(39)
Income tax expense	158	(8)	**e**	150
Net income (loss)	**$ 4,410**	**$ (8,626)**		**$ (4,216)**
Net loss attributable to non controlling interest	20			20
Net income (loss) attributable to the Company	**$ 4,430**	**$ (8,626)**		**$ (4,196)**
INCOME (LOSS) PER SHARE				
Basic and Diluted				

Basic and diluted average shares outstanding	92,285,161		92,285,161
Net income (loss) attributable to the Company	**$ 0.05**	**$ (0.10)**	**$ (0.05)**

See Notes to the Unaudited Pro Forma Condensed Consolidated Financial Statements

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The St. Joe Company

Unaudited Pro Forma Condensed Consolidated Statement of Operations

For the Year Ended December 31, 2012

(In thousands, except share and per share amounts)

	Historical	(Unaudited) Pro forma Adjustments		Pro forma
Revenues:				
Real estate sales	$ 56,012	$		$ 56,012
Resorts, leisure and leasing revenues	44,407			44,407
Timber Sales	38,977	(31,585)	**e**	7,392
Total Assets	**139,396**	**(31,585)**		**107,811**
Expenses:				
Cost of real estate sales	28,193			28,193
Cost of resorts, leisure and leasing revenues	39,082			39,083
Cost of timber sales	24,000	(18,701)	**e**	5,299
Other operating expenses	15,321	(207)	**e**	15,114
Corporate expense	18,004			18,004
Depreciation, depletion and amortization	10,110	(1,727)	**e**	8,383
Impairment losses	2,551			2,551
Total Expenses	**137,262**	**(20,635)**		**116,627**
Operating income (loss)	**2,134**	**(10,950)**		**(8,816)**
Other income (expense):				
Investment income, net	1,219			1,219
Interest expense	(2,820)			(2,820)
Other, net	5,890	(1,151)	**e**	4,739
Total other income	**4,289**	**(1,151)**		**3,138**
Income (loss) from operations before equity in loss of unconsolidated affiliates and income taxes	**6,423**	**(12,101)**		**(5,678)**
Equity in loss of unconsolidated affiliates	(46)			(46)
Income tax expense	387	207	**e**	594
Net income (loss)	**$ 5,990**	**$ (12,308)**		**$ (6,318)**
Net loss attributable to non controlling interest	22			22
Net income (loss) attributable to the Company	**$ 6,012**	**$ (12,308)**		**$ (6,296)**
INCOME (LOSS) PER SHARE				

Basic and Diluted			
Basic and diluted average shares outstanding	92,258,110		92,258,110
Net income (loss) attributable to the Company	**$ 0.07**	**$ (0.14)**	**$ (0.07)**

See Notes to the Unaudited Pro Forma Condensed Consolidated Financial Statements

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The St. Joe Company

Notes to the Unaudited Pro Forma Condensed Consolidated Financial Statements

Pro forma adjustments (a, b, c, d and e as referenced in the unaudited pro forma condensed consolidated financial statements)

a) Pro forma adjustments to eliminate approximately $56 million of assets and approximately $3 million of liabilities to be sold in the Transaction.

b) Pro forma adjustments to record the estimated cash proceeds to be received from the Transaction, which is comprised of the $565 million purchase price subject to adjustment as set forth in the Sale Agreement, less estimated closing costs of $9 million and approximately $1 million of prepaid hunting lease payments that will be remitted to the Purchaser as part of the Transaction. The acreage to be included in the Subject Lands is subject to limited adjustments based on title and environmental diligence and casualty events between signing and closing. Any such adjustments may not reduce the purchase price by more than $40 million.

In connection with the execution of the Sale Agreement, the Purchaser delivered a cash deposit of $37.5 million. The balance of the purchase price is payable at closing in (i) cash, or (iii) a combination thereof, Timber Notes as determined by the Company in the Company s sole discretion at least 20 days prior to the closing. As of December 11, 2013, the Company has not determined if it will elect for a portion of the purchase price to be paid in Timber notes or the amount. If the Company would elect for a portion of the purchase price to be paid in Timber Notes it is expected to have the following impact: (i) reduce the amount of expected cash proceeds to be received at that time of the Transaction, (ii) create a note receivable for the amount of the Timber Note as determined by the Company, (iii) reduce the amount of income tax currently payable and create a deferred tax liability and (vi) reduce the amount of the gain on the Transaction.

In addition, if the Company elects for a portion of the purchase price to be paid in Timber Notes, subsequent to the Transaction the Company expects to contribute the Timber Notes to a bankruptcy-remote, qualified special purpose entity (the entity). The entity subsequently expects to monetize the Timber Notes by issuing debt securities to third party investors equal to approximately 85-90% of the of the value of the Timber Notes and expects to distribute approximately 85-90% of the net proceeds to the Company. The Company expects to retain a beneficial interest in the entity.

c) Pro forma adjustments to reflect the estimated effects on income taxes, of which approximately $147 million is current income tax expense and approximately $10 million is deferred income tax expense. The Company expects to utilize approximately $85 million of the Company s federal net operating loss carryforwards and $499 million of the Company s state net operating loss carryforwards. Subsequent to the Transaction the Company expects to have no remaining federal net operating loss carryforwards and $102 million of state net operating loss carryforwards, which are expected to be available to offset future taxable income through 2031.

d) Pro forma adjustment to reflect the estimated gain on the Transaction, which is comprised of the $565 million purchase price subject to adjustment as set forth in the Sale Agreement, less estimated closing costs of $9 million,

less estimated income tax expense of $158 million and less the carrying value of the assets and liabilities to be sold of $53 million at September 30, 2013.

e) Pro forma adjustments for the estimated forestry operations related to the proposed Subject Lands and certain other assets and inventory and rights under certain continuing leases and contracts. Pro forma adjustments do not include reductions in corporate overhead costs, including employee costs.

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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 segments. The Subject Lands, certain other assets and inventory and rights under certain continuing leases and contracts to be included in the Transactions are in our residential real estate, rural land, forestry and other segments. The pro forma adjustments for the Transaction are expected to have the following effects on the Company s five reportable segments:

Pro Forma Financial Information by business segment as of September 30, 2013 is as follows:

	Historical	(Unaudited) Pro Forma Adjustments (In thousands)		Pro Forma
Assets				
Residential real estate	$ 144,157	$ (3,229)	**a**	$ 140,928
Commercial real estate	62,779			62,779
Rural land	6,156	(4,270)	**a**	1,886
Resorts, leisure and leasing operations	139,534			139,534
Forestry	52,904	(41,918)	**a**	10,986
Other	261,542	537,655	**a, b, c**	799,197
Consolidated Assets	**$ 667,072**	**$ 488,238**		**$ 1,155,310**

Pro Forma Financial Information by business segment for the nine months ended September 30, 2013 is as follows:

	Historical	(Unaudited) Pro Forma Adjustments (In thousands)		Pro Forma
Operating Revenues				
Residential real estate	$ 23,996	$		$ 23,996
Commercial real estate	341			341
Rural land	31			31
Resorts, leisure and leasing operations	45,524			45,524
Forestry	27,145	(21,881)	**e**	5,264
Other	351			351
Consolidated operating revenues	**$ 97,388**	**$ (21,881)**		**$ 75,507**

	Historical	(Unaudited) Pro Forma Adjustments (In thousands)	Pro Forma

Income (loss) before equity in loss from unconsolidated affiliates				
Residential real estate	$ 2,596	$		$ 2,596
Commercial real estate	(1,794)			(1,794)
Rural land	(19)			(19)
Resorts, leisure and leasing operations	5,697			5,697
Forestry	10,096	(8,702)	**e**	1,394
Other	(11,969)	68	**e**	(11,901)
Consolidated income (loss) before equity in loss from unconsolidated affiliates	**$ 4,607**	**$ (8,634)**		**$ (4,027)**

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Pro Forma Financial Information by business segment for the year ended December 31, 2012 is as follows:

	Historical	(Unaudited) Pro Forma Adjustments (In thousands)		Pro Forma
Operating Revenues				
Residential real estate	$ 22,141	$		$ 22,141
Commercial real estate	10,374			10,374
Rural land	23,413			23,413
Resorts, leisure and leasing operations	44,407			44,407
Forestry	38,977	(31,585)	**e**	7,392
Other	84			84
Consolidated operating revenues	**$ 139,396**	**$ (31,585)**		**$ 107,811**

	Historical	(Unaudited) Pro Forma Adjustments (In thousands)		Pro Forma
Income (loss) before equity in loss from unconsolidated affiliates				
Residential real estate	$ (6,772)	$		$ (6,772)
Commercial real estate	(271)			(271)
Rural land	16,791			16,791
Resorts, leisure and leasing operations	(1,414)			(1,414)
Forestry	13,475	(12,101)	**e**	1,374
Other	(15,386)			(15,386)
Consolidated income (loss) before equity in loss from unconsolidated affiliates	**$ 6,423**	**$ (12,101)**		**$ (5,678)**

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SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information regarding (1) all shareholders known by the Company to be the beneficial owners of more than 5% of our issued and outstanding shares of common stock, (2) each director and each Named Executive Officer currently serving with us and (3) all directors and current executive officers as a group, together with the approximate percentages of issued and outstanding shares of common stock owned by each of them. Percentages are calculated based upon shares issued and outstanding plus shares which the holder has the right to acquire under share options exercisable within 60 days. Unless otherwise indicated, amounts are as of January 27, 2014 and each of the shareholders has sole voting and investment power with respect to the shares of common stock beneficially owned, subject to community property laws where applicable. As of January 27, 2014, we had 92,282,030 shares of common stock outstanding. Unless otherwise indicated, the address of each person named in the table below is c/o The St. Joe Company, 133 South WaterSound Parkway, WaterSound, Florida 32413.

Beneficial Owner	Number of Shares Beneficially Owned	Percent of Class[1]
5% Shareholders:		
Fairholme Capital Management, LLC, Bruce R. Berkowitz and Fairholme Funds, Inc. 4400 Biscayne Boulevard, 9th Floor Miami, FL 33137	25,010,633[2]	27.1%
Blackrock, Inc. 40 East 52nd Street New York, NY 10022	17,250,122[3]	18.7%
Janus Capital Management, LLC and Janus Contrarian Fund 151 Detroit Street Denver, CO 80206	11,706,395[4]	12.7%
T. Rowe Price Associates, Inc. 100 E. Pratt Street Baltimore, MD 21202	6,495,320[5]	7.0%
The Vanguard Group, Inc. P.O. Box 2600 V26 Valley Forge, PA 19482	4,621,094[6]	5.0%
Directors and Named Executive Officers[7]:		
Cesar L. Alvarez		
Bruce R. Berkowitz	25,010,633[2]	27.1%
Howard S. Frank		
Jeffrey Keil	8,408	*
Stanley Martin	8,408	*
Thomas P. Murphy, Jr.	17,152	*
Patrick Bienvenue		
Kenneth Borick	15,912[8]	*
Park Brady	29,838	*

David Harrelson	1,315	*
Directors and Executive Officers as a Group twelve (12) persons	25,091,666[8]	27.2%

* Represents beneficial ownership of less than one percent (1%) of our outstanding common stock.

(1) The percentages reported are based on 92,282,030 shares of Common Stock outstanding as of January 27, 2014.

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(2) Based on a Schedule 13D/A filed by Fairholme Capital Management, LLC, on November 8, 2013. The amount shown for Bruce R. Berkowitz is based on the number of shares reported on Amendment No. 13 to the Schedule 13D filed on November 8, 2013 with the SEC (the Fairholme 13D). According to the Fairholme 13D, Mr. Berkowitz shares the power to vote or direct the vote of 23,841,602 shares and shares the power to dispose or direct the disposition of 25,010,633 shares as of November 6, 2013.
(3) Based on a Schedule 13G/A filed by Blackrock, Inc. on January 10, 2014. This number represents the aggregate number of shares beneficially owned by Blackrock, Inc. It includes 16,979,194 shares over which Blackrock, Inc. has sole voting power and 17,250,122 shares over which Blackrock, Inc. has sole dispositive power.
(4) Based on a Schedule 13G/A filed by Janus Capital Management, LLC on February 14, 2013.
(5) Based on a Schedule 13G/A filed by T.Rowe Price Associates, Inc. on February 6, 2013.
(6) Based on a Schedule 13G filed by The Vanguard Group, Inc. on February 11, 2013.
(7) Excludes Thomas Hoyer, Louis Dubin and Marek Bakun. Mr. Hoyer stepped down from his position as Chief Financial Officer on October 23, 2013. Mr. Dubin resigned from his position as Executive Vice President on April 24, 2013. Consequently, we do not know and could not know the number of shares beneficially held by either of Messrs. Hoyer and Dubin as of January 27, 2014. Mr. Bakun was appointed as Chief Financial Officer on October 7, 2013 and he does not beneficially own any shares.
(8) Includes 3,795 shares issuable upon the exercise of stock options exercisable within 60 days.

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OTHER MATTERS

Shareholder Proposals and Nominations

The Special Meeting is in addition to, and not in lieu of, the 2014 Annual Meeting. Shareholder proposals should be sent to us at The St. Joe Company, 133 South WaterSound Parkway, WaterSound, Florida 32413. To be considered for inclusion in our proxy statement for the 2014 Annual Meeting of Shareholders the deadline for submission of shareholder proposals, pursuant to Rule 14a-8 of the Exchange Act, was December 5, 2013. Additionally, pursuant to our Bylaws, we must receive notice of any shareholder proposal to be submitted at the 2014 Annual Meeting of Shareholders, but not required to be included in our proxy statement, no earlier than January 16, 2014 and no later than February 5, 2014. The persons named in the proxies solicited by management may exercise discretionary voting authority with respect to such proposal in accordance with Florida law and our Bylaws, including to the fullest extent permitted by Rule 14a-4(c)(3) of the SEC s proxy rules.

Transaction of Other Business

At the date of this proxy statement, the only business which the Board intends to present or knows that others will present at the Special Meeting is as set forth above. If any other matter or matters are properly brought before the Special Meeting, or an adjournment or postponement thereof, it is the intention of the persons named in the accompanying form of proxy to vote the proxy on such matters in accordance with their best judgment.

List of Shareholders Entitled To Vote at the Special Meeting

The names of shareholders of record entitled to vote at the Special Meeting will be available at our corporate office for a period of 10 days prior to the Special Meeting and continuing through the Special Meeting.

Expenses Relating to this Proxy Solicitation

We will pay all expenses relating to this proxy solicitation. In addition to this solicitation by mail, our officers, directors, and employees may solicit proxies by telephone or personal call without extra compensation for that activity. We also expect to reimburse banks, brokers and other persons for reasonable out-of-pocket expenses in forwarding proxy materials to beneficial owners of our stock and obtaining the proxies of those owners.

Communication with St. Joe s Board of Directors

Any shareholder or other interested party who desires to contact any member of the Board of Directors (including our independent Chairman, Mr. Berkowitz, or the non-management directors as a group) may do so in one of the following three ways:

electronically by sending an e-mail to the following address: directors@joe.com;

in writing to the following address: Board of Directors, The St. Joe Company, 133 South WaterSound Parkway, WaterSound, Florida 32413; or

by telephone at 800-571-4840.

Communications relating to relevant business matters are distributed by the Corporate Secretary to the members of the Board as appropriate depending on the facts and circumstances outlined in the communication received. For example, any complaints regarding accounting, internal accounting controls and auditing matters would be forwarded by the Corporate Secretary to the Chair of the Audit Committee for review.

Available Information

We file annual reports on Form 10-K, quarterly reports on Form 10-Q, and current reports on Form 8-K with the SEC. These reports, any amendments to these reports, proxy statements and certain other documents we file with

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the SEC are available through the SEC s website at www.sec.gov or free of charge on our website located at www.joe.com as soon as reasonably practicable after we file the documents with the SEC. The public may also read and copy these reports and any other materials we file with the SEC at the SEC s Public Reference Room at 100 F Street, NE, Washington, D.C. 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330.

The SEC allows us to incorporate by reference into this proxy statement documents that we file with the SEC. This means that we can disclose important information to you by referring you to those documents but these documents are not included in or delivered with this proxy. The information incorporated by reference is considered to be a part of this proxy statement, and later information that we file with the SEC will update and supersede that information. We incorporate by reference the documents listed below and any documents filed by us with the SEC pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act after the date of this proxy statement and before the date of the Special Meeting:

Annual Report on Form 10-K for the fiscal year ended December 31, 2012;

Quarterly Reports on Form 10-Q filed on May 8, 2013, August 8, 2013 and November 7, 2013; and

Current Reports on Form 8-K filed on March 18, 2013, March 27, 2013, April 25, 2013, May, 22, 2013, October 3, 2013 and November 7, 2013.

Notwithstanding the foregoing, information furnished under Items 2.02 and 7.01 of any Current Report on Form 8-K, including the related exhibits, is not incorporated by reference in this proxy statement. Furthermore, to the extent that this proxy statement contains references to the internet website of the Company, the information on the website does not constitute part of, and is not incorporated by reference into, this proxy statement. In addition, statements contained in this proxy statement, or in any document incorporated in this proxy statement by reference, regarding the contents of any contract or other document, are only summaries of the material terms and as such we encourage you to carefully read in its entirety that contract or other document filed as an exhibit with the SEC.

We will furnish without charge by first class mail to each person whose proxy is being solicited, upon written or oral request of any such person, a copy of the 2012 Form 10-K as filed with the SEC, including the financial statements and schedules thereto, but not the exhibits, and the Quarterly Reports on Form 10-Q and Current Reports on Form 8-K and any other documents which we incorporate by reference. A request for a copy of such report should be directed to The St. Joe Company, 133 South WaterSound Parkway, WaterSound, Florida 32413, Attn: Investor Relations, Telephone: 850-231-6400. A copy of any exhibit to the 2012 Form 10-K will be forwarded following receipt of a written request with respect thereto addressed to Investor Relations.

Any statement contained in a document incorporated or deemed to be incorporated by reference into this proxy statement will be deemed to be modified or superseded for the purposes of this proxy statement to the extent that a statement contained in this proxy statement or any other subsequently filed document that is deemed to be incorporated by reference into this proxy statement modifies or supersedes the statement. Any statement so modified or superseded will not be deemed, except as so modified or superseded, to constitute a part of this proxy statement.

Householding

We have adopted a procedure approved by the SEC called householding. Under this procedure, shareholders of record who have the same address and last name will receive only one copy of our proxy statement, unless one or more of these shareholders notifies us that they wish to continue receiving individual copies. This procedure will reduce our printing costs and postage fees.

If you are eligible for householding, but you and other shareholders of record with whom you share an address currently receive multiple copies of materials from the Company, or if you hold stock in more than one account,

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and in either case you wish to receive only a single copy of materials from the Company for your household, please contact our Corporate Secretary at The St. Joe Company, 133 South WaterSound Parkway, WaterSound, Florida 32413 (850-231-6400).

If you participate in householding and wish to receive a separate copy of the proxy statement, or if you do not wish to participate in householding and prefer to receive separate copies of materials from the Company in the future, please contact our Corporate Secretary as indicated above. Beneficial shareholders can request information about householding from their nominee.

THIS PROXY STATEMENT DOES NOT CONSTITUTE THE SOLICITATION OF A PROXY IN ANY JURISDICTION TO OR FROM ANY PERSON TO WHOM OR FROM WHOM IT IS UNLAWFUL TO MAKE SUCH PROXY SOLICITATION IN THAT JURISDICTION. YOU SHOULD RELY ONLY ON THE INFORMATION CONTAINED OR INCORPORATED BY REFERENCE IN THIS PROXY STATEMENT TO VOTE YOUR SHARES AT THE SPECIAL MEETING. WE HAVE NOT AUTHORIZED ANYONE TO PROVIDE YOU WITH INFORMATION THAT IS DIFFERENT FROM WHAT IS CONTAINED IN THIS PROXY STATEMENT. THIS PROXY STATEMENT IS DATED JANUARY 31, 2014. YOU SHOULD NOT ASSUME THAT THE INFORMATION CONTAINED IN THIS PROXY STATEMENT IS ACCURATE AS OF ANY DATE OTHER THAN THAT DATE, AND THE MAILING OF THIS PROXY STATEMENT TO SHAREHOLDERS DOES NOT CREATE ANY IMPLICATION TO THE CONTRARY.

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Annex A

EXECUTION VERSION

PURCHASE AND SALE AGREEMENT

DATED AS OF NOVEMBER 6, 2013

BETWEEN

THE ST. JOE COMPANY

as Seller

AND

AGRESERVES, INC.

as Purchaser

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SCHEDULES AND EXHIBITS

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PURCHASE AND SALE AGREEMENT

THIS PURCHASE AND SALE AGREEMENT (this "**Agreement**") is made as of the 6th day of November, 2013 by and between THE ST. JOE COMPANY, a Florida corporation ("**Seller**"), and AGRESERVES, INC., a Utah corporation ("**Purchaser**").

STATEMENT OF BACKGROUND

A. Seller and certain wholly-owned and controlled Affiliates of Seller described in **Section A** of Seller's Disclosure Letter (the "**Seller Subsidiaries**") are the owners of approximately 382,834 acres of timberlands located in Bay, Calhoun, Franklin, Gadsden, Gulf, Jefferson, Leon, Liberty and Wakulla Counties, Florida that Seller and the Seller Subsidiaries wish to sell, assign, transfer or convey, together with certain other assets, inventory and rights under certain continuing leases, contracts and other agreements, to Purchaser in accordance with the terms and subject to the conditions set forth in this Agreement; and

B. Purchaser wishes to acquire and accept such timberlands and other assets being transferred to it in accordance with the terms and subject to the conditions set forth in this Agreement.

C. The board of directors of Seller ("**Seller Board**") has: (i) determined that the Transaction is in the best interests of Seller and its shareholders and declared advisable that Seller enter into this Agreement, (ii) approved the execution, delivery and performance of this Agreement and the Transaction, and (iii) resolved to recommend adoption of this Agreement by the shareholders of Seller.

STATEMENT OF AGREEMENT

NOW, THEREFORE, in consideration of the foregoing, their respective representations, warranties, covenants and agreements set forth in this Agreement, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties, intending to be legally bound, hereby agree as follows:

ARTICLE I

PROPERTY; PURCHASE PRICE

Section 1.1 **Agreement to Purchase and Sell.** Subject to and in accordance with the terms, conditions and provisions of this Agreement, and for the consideration stated herein, Seller agrees to sell (and to cause the Seller Subsidiaries to sell) the Property to Purchaser and Purchaser agrees to buy the Property from Seller and the Seller Subsidiaries.

Section 1.2 **Property.** Subject to the terms, conditions and provisions of this Agreement, Seller shall at the Closing sell, assign, transfer and convey to Purchaser (or cause the Seller Subsidiaries to sell, assign, transfer and convey to Purchaser), and Purchaser shall acquire, assume and accept from Seller or the Seller Subsidiaries, all of Seller's (or such Seller Subsidiaries') right, title and interest to the following assets (other than the Excluded Assets as defined below) (collectively, the "**Property**"), free and clear of all Liens other than the Permitted Exceptions, and in the case of Personal Property, free and clear of all Liens other than the Permitted Exceptions described in **clauses (d)**, **(n)** or **(q)** of **Section 1.6**:

(a) Timberlands. The real property held by Seller or the Seller Subsidiaries in fee simple depicted on the section maps attached hereto as **Schedule 1-A** (but excluding the Identified REC Parcels and Identified Title Carveouts), together with all of Seller's or Seller Subsidiaries' right, title and interest in and to (i) all timber, biomass and other organic

products growing, standing or lying thereon (collectively, the **Timber**), (ii) all buildings thereon, (iii) all roads, rights of way, bridges and other improvements and fixtures thereon, (iv) all subsurface rights and all rights to oil, gas and other minerals of any kind (including, without limitation, all

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sand, rock, fill dirt and gravel) therein, thereon or thereunder, (v) all water and water rights of any kind appurtenant thereto and/or used thereon, and all riparian rights, ground water rights, stock in water companies, wells, and well rights related to the Timberlands, (vi) all other privileges, appurtenances, easements (including the Purchaser Easements in respect thereof), rights of access and other rights appertaining thereto (including, without limitation, carbon sequestration, development and air rights or credits, if any); and (vii) all rights to inject or store substances in caverns, reservoirs or other formations and horizons lying beneath the surface thereof (collectively, the **Timberlands**), subject only to the Permitted Exceptions; provided, however, that Seller reserves for itself and its successors and assigns the Reserved Easements described in **Section 1.2(a)** of Seller s Disclosure Letter; provided, further, that as promptly as practicable after the Effective Date, Seller and Purchaser shall revise **Schedule 1-A** to contain appropriate legal descriptions for the Timberlands (based on the legal descriptions attached to the Completed Title Commitments as verified and adjusted by the parties to include all of the real property depicted on **Schedule 1-A** as of the date hereof but excluding the Identified REC Parcels, the Identified Title Carveouts and any other real property which is part of the Excluded Assets).

(b) Personal Property. The machinery, equipment, facilities, motor vehicles, appliances, tools, supplies, furnishings, inventory, and other tangible personal property listed or described in **Section 1.2(b)** of Seller s Disclosure Letter and any other personal property owned or used by Seller or any Seller Subsidiary relating exclusively to or used exclusively in connection with any of the Timberlands (collectively, the **Personal Property**).

(c) Licenses. To the fullest extent transferable under applicable Law, the rights of Seller or the Seller Subsidiaries under all licenses, permits, authorizations (electrical, sewage treatment, water, transportation, or other utility capacity, development rights, entitlements), orders, registrations, certificates, variances, approvals, franchises and consents of Governmental Authorities or other Persons that are in effect at the Closing and that relate exclusively to the Timberlands or the Personal Property (collectively, the **Licenses**).

(d) Assumed Contracts. The rights of Seller or the Seller Subsidiaries under those agreements listed or described in **Section 1.2(d)** of Seller s Disclosure Letter, together with (i) any other lease or license under which Seller or any Seller Subsidiary has granted to a third party agricultural, grazing, apiary, hunting, recreational or other similar rights with respect to the Timberlands or any renewal of such lease or license made in compliance with **Section 6.2(d)(ii)**, (ii) Contracts that relate to the Timberlands or the forest operations conducted on the Timberlands and are entered into between the Effective Date and the Closing Date in compliance with **Section 6.2(d)(iii)**, or (iii) Contracts that are new leases entered into between the Effective Date and the Closing Date in compliance with **Section 6.2(d)(ii)**, in each case, (x) only to the extent the same can be assigned without the consent of the counterparty thereto (unless such consent is obtained prior to the Closing) and (y) together with all refundable security deposits and prepayments in connection with any of the foregoing, but excluding the rights of Seller or the Seller Subsidiaries under any Ancillary Agreement (collectively, the **Assumed Contracts**).

(e) Assumed Condemnations. The interests of Seller or the Seller Subsidiaries in any Condemnation (but excluding the Gadsden County condemnation described in **Section 1.2(x)** of Seller s Disclosure Letter) (i) that exists on the Effective Date, including those Condemnations listed in **Section 1.2(e)** of Seller s Disclosure Letter (or if resolved prior to the Closing, the proceeds actually received therefrom, net of all unreimbursed reasonable costs incurred by Seller to recover such proceeds) or (ii) that arises between the Effective Date and the Closing Date, but in each case only to the extent attributable to the Timberlands (collectively, the Condemnations described above, the **Assumed Condemnations**).

(f) Books and Records. The Books and Records (as defined in **Section 6.4**).

(g) Intangible Property. All intangible personal property to the extent used exclusively in connection with the ownership, use or operation of any of the Property identified in clauses (a)-(f) above, including (i) all bonds, warranties and guaranties, if any and (ii) all plans, specifications, working drawings, and

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similar property relating exclusively to the Property, in each of clauses (i) and (ii) above, to the extent transferable under applicable Law and assignable by Seller or any Seller Subsidiary without the consent of or payment of any fee to any third party (unless such consent has been obtained) and without the payment of any additional consideration for such assignment, but excluding, for clarity, Seller s right, title and interest in and to the name The St. Joe Company or any derivation thereof (collectively, the **Intangible Property**).

Unless expressly identified or described in this **Section 1.2** or as otherwise expressly provided in this Agreement, no other assets of Seller or the Seller Subsidiaries, including cash proceeds or accounts receivable in respect of sales of Timber removed from the Timberlands in accordance with this Agreement, shall be included within or constitute the Property. For the avoidance of doubt, the assets listed in **Section 1.2(x)** of Seller s Disclosure Letter (the **Excluded Assets**) are not part of the Property (and shall be retained by Seller or the Seller Subsidiaries, as applicable).

Section 1.3 **Assumed Liabilities.** Subject to the terms, conditions and provisions of this Agreement, Seller shall at the Closing assign to Purchaser (or shall cause the Seller Subsidiaries to assign to Purchaser), and Purchaser shall undertake, assume and agree to perform, pay, become liable for and discharge when due, and hold Seller and the Seller Subsidiaries and their respective directors, officers, employees, Affiliates, controlling persons, agents and representatives, and their respective successors and assigns, harmless from any and all liabilities and obligations arising in the ordinary course of business, whether accrued or unaccrued, absolute or contingent, known or unknown, asserted or unasserted, resulting from or related to the Property or any contract, commitment or undertaking to the extent related to the Property, to the extent such liabilities and obligations relate to the period of performance commencing on or after the Closing (collectively, the **Assumed Liabilities**). Except for the Assumed Liabilities, liabilities under the Assumed Contracts arising after Closing and any other liabilities which Purchaser has agreed to assume pursuant to the express terms of this Agreement and the other agreements to be delivered at Closing, Purchaser shall not assume, and will not be deemed to have assumed, any liabilities or obligations of Seller or any Seller Subsidiary resulting from the transactions contemplated by this Agreement.

Section 1.4 **Purchase Price; Deposit; Allocation and Payment of Purchase Price.**

(a) The aggregate purchase price payable by Purchaser to Seller in consideration for the Property shall be the sum of Five Hundred Sixty-Five Million and No/100 Dollars ($565,000,000.00), subject to adjustment as provided in **Section 1.7** (as so adjusted, the **Purchase Price**), and allocated between the Installment Note Purchase Price and the Cash Purchase Price as provided by **Section 1.4(c).** Following execution of this Agreement, Seller and Purchaser shall cooperate in good faith to jointly prepare a written allocation of the Purchase Price among (i) the Timberlands, Licenses, Assumed Contracts, and Assumed Condemnations (taken together) but excluding the Timber, on a county-by-county basis, (ii) the Timber, on a county-by-county basis, and (iii) the Personal Property and Intangible Property (taken together), in each case, based on reasonable estimates of their fair market values. The Parties shall negotiate in good faith to resolve any disputes that arise in connection with the allocation of the Purchase Price, and if the Parties are unable to resolve any such disputes on or before December 20, 2013, that Parties shall appoint a nationally recognized accounting firm, and such firm shall resolve any disputes regarding the allocation of the Purchase Price. Such accounting firm s conclusions shall be final and binding on the Parties. The Parties agree that the allocation of the Purchase Price shall be documented in a written agreement signed by both Parties on or prior to the Closing Date. The Parties shall equally share the costs of work performed by the accounting firm. The allocation of the Purchase Price shall be made in accordance with Section 1060 of the Code and applicable Treasury Regulations. Except to the extent such action or inaction would cause any Party to be in violation of the final determination of any Tax Authority, each of the Parties shall: (i) be bound by this allocation of Purchase Price for purposes of determining any Taxes; (ii) prepare and file, and cause their Affiliates to prepare and file, their Tax Returns on a basis consistent with the allocation of Purchase Price; and (iii) take no position, and cause their Affiliates to take no position, inconsistent with the allocation of Purchase Price on any applicable Tax Return or in any proceeding before any Tax

Authority or otherwise. In the event that the agreed allocation of Purchase Price is disputed by any Tax Authority, the Party receiving notice of the dispute shall promptly notify the

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other Parties concerning the dispute and shall consult with the other Parties concerning the resolution of the dispute and each Party shall cooperate in good faith in responding to such challenge in order to preserve the effectiveness of the allocations determined pursuant to this **Section 1.4(a)**.

(b) On the Effective Date, and as a condition precedent to the effectiveness of this Agreement, Purchaser shall deposit with the Title Company pursuant to the escrow agreement in the form of Exhibit A attached hereto (the **Escrow Agreement**), a sum equal to Thirty-Seven Million Five Hundred Thousand and No/100 Dollars ($37,500,000.00) (together with any interest thereon, collectively, the **Deposit**). The Deposit shall either be (i) delivered to Seller at the Closing and applied as a credit towards the Purchase Price or (ii) if the Closing does not occur, disbursed in accordance with **Section 11.1** and **Section 11.2**.

(c) Not later than twenty (20) days before the Closing Date, Seller shall determine (in Seller s sole discretion) the allocation of the Purchase Price between the Installment Note Purchase Price and the Cash Purchase Price (provided that the sum of the Installment Note Purchase Price and the Cash Purchase Price must equal the Purchase Price). If the Purchase Price is adjusted prior to Closing as provided in **Section 1.7**, the Installment Note Purchase Price and the Cash Purchase Price shall be accordingly adjusted on a pro rata basis.

(d) The Purchase Price shall be payable at Closing as follows:

(i) The Cash Purchase Price shall be payable by Purchaser to Seller in cash by wire transfer of immediately available funds, to the bank account or accounts designated by Seller.

(ii) The Installment Note Purchase Price shall be payable by Purchaser to Seller, or to those parties designated in writing by Seller, in the form of one or more installment notes issued by Purchaser Subsidiary, substantially in the form of **Exhibit J** (each, a **Timber Note**), in an aggregate principal amount equal to the Installment Note Purchase Price. Each Timber Note shall be issued in the denomination requested by Seller not later than the Closing Date. Each Timber Note shall be fully secured by an irrevocable standby letter of credit in form and substance reasonably satisfactory to Seller (each, a **Letter of Credit**), issued by a Credit Enhancement Bank for the account of Purchaser Subsidiary. Purchaser and Purchaser Subsidiary will be responsible for all fees and expenses associated with the Letters of Credit and any related documents or instruments; however, Purchaser shall receive a credit against the Purchase Price with respect to all such fees and expenses.

Section 1.5 **Proxy**. On the Effective Date, and as a condition precedent to the effectiveness of this Agreement, Seller shall obtain and deliver to Purchaser, an irrevocable proxy (the **Proxy**) executed by Fairholme Funds, Inc. on behalf of The Fairholme Fund, a shareholder of Seller, in substantially the form attached hereto as **Exhibit O**, pursuant to which such shareholder shall grant Purchaser a proxy to vote to approve the transactions contemplated hereby.

Section 1.6 **Permitted Exceptions**. The Property shall be sold, transferred, assigned and conveyed to Purchaser subject to the following matters (collectively, the **Permitted Exceptions**).

(a) All Laws, including all building or zoning ordinances, and restrictions on the ability of any Person to build upon or use the Property imposed by any current or future development standards, building or zoning ordinances or any other Law, which do not individually or in the aggregate have a material adverse effect on the use of the Core Timberlands for growing and harvesting timber or conducting cattle and livestock operations;

(b) Riparian rights of third parties or any Governmental Authority;

(c) Rights of others (whether owned in fee or by easement) in and to any portion of the Timberlands that lies within any public road or maintained right of way (including, without limitation, the Florida Department of Transportation);

(d) Liens for Taxes (including ad valorem real property Taxes and assessments) not yet due and payable as of the Closing;

(e) Easements, discrepancies or conflicts in boundary lines, shortages in area, vacancies, excesses, encroachments or any other facts not of record that a current and accurate survey of the Timberlands would disclose other than (i) those that Seller agrees to cure or is obligated to cure pursuant to this Agreement or (ii) those which individually or in the aggregate would have a material adverse effect on the use, value, enjoyment or operation of (A) growing and harvesting timber or conducting cattle and livestock operations on the Core Timberlands; or (B) the Non-Core Timberlands;

(f) Rights, if any, relating to the construction and maintenance in connection with any public utility of existing wires, poles, pipes, conduits and appurtenances thereto, on, under, above or across the Timberlands;

(g) Any matter disclosed in **Section 1.6(g)** of Seller s Disclosure Letter;

(h) Any matter affecting title to the Timberlands that is specifically listed in **Schedule B, Section 2 or II,** of the Completed Title Commitment and is not objected to by Purchaser and any Title Objection that Purchaser has expressly waived or is deemed to have waived pursuant to **Section 1.7(b)**;

(i) The claims of lack of access rights described in **Section 1.6(i)** of Seller s Disclosure Letter, and any other claim of lack of access rights to any portion of the Timberlands which does not individually or in the aggregate have a material adverse effect on the use, value, enjoyment or operation of (A) growing and harvesting timber or conducting cattle and livestock operations on the Core Timberlands; or (B) the Non-Core Timberlands;

(j) The Reserved Easements granted to or reserved by Seller pursuant to any provision of this Agreement;

(k) Rights of others under any of the Licenses or the Assumed Contracts, as tenants or contract parties only;