ST JOE CO
Form PRE 14A
March 12, 2010

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549
SCHEDULE 14A
(Rule 14a-101)
SCHEDULE 14A INFORMATION
Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934

Filed by the Registrant þ
Filed by a party other than the Registrant o
Check the appropriate box:
þ Preliminary Proxy Statement

o Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

o Definitive Proxy Statement

o Definitive Additional Materials

o Soliciting Material Pursuant to Section 240.14a-12

The St. Joe Company

(Name of Registrant as Specified In Its Charter)

N/A

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

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þ No fee required.

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(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):

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(1) Amount Previously Paid:

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(3) Filing Party:

(4) Date Filed:

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THE ST. JOE COMPANY
NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

To Be Held May 11, 2010

The 2010 Annual Meeting of Shareholders of The St. Joe Company will be held in the Riverfront Conference Room at 245 Riverside Avenue, Jacksonville, Florida 32202, on Tuesday, May 11, 2010, at 10:00 a.m., eastern time.

Shareholders will vote on the following matters:

1. Election of seven members of our Board of Directors to serve until the next annual meeting;

2. Amendment of our Articles of Incorporation to delete the provisions regarding the number of our directors;

3. Approval of The St. Joe Company 2009 Employee Stock Purchase Plan as described in this proxy statement and attached hereto as Appendix A, which includes reserving up to 70,000 shares of our common stock for issuance under the Plan;

4. Ratification of the appointment of KPMG LLP as our independent registered public accounting firm for the 2010 fiscal year; and

5. Any other matters properly brought before the meeting.

Shareholders of record as of the close of business on March 15, 2010, are entitled to vote at the meeting. Your vote is important. If you are unable to attend the annual meeting, we urge you to cast your vote over the internet (as instructed in the Notice of Internet Availability of Proxy Materials) or by telephone as promptly as possible. You may also request a paper proxy card to submit your vote by mail, if you prefer.

Even if you have voted over the internet, by telephone or by returning a completed proxy card, you may still attend the meeting and vote in person. Please note, however, that if your shares are held of record by a broker, bank or other nominee and you wish to vote at the meeting, you must obtain a legally valid proxy issued in your name from that record holder.

By Order of the Board of Directors,

Reece B. Alford
Senior Vice President,
Corporate Counsel and Secretary
Dated: March , 2010

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The St. Joe Company
245 Riverside Avenue, Suite 500
Jacksonville, Florida 32202

PROXY STATEMENT

This proxy statement contains information about the 2010 Annual Meeting of Shareholders of The St. Joe Company. The meeting will be held on Tuesday, May 11, 2010, beginning at 10:00 a.m., eastern time, in the Riverfront Conference Room at 245 Riverside Avenue, Jacksonville, Florida 32202. This proxy statement is first being made available to our shareholders on or about March , 2010, in connection with the solicitation of proxies by the Board of Directors for the meeting.

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of Shareholders to be held on May 11, 2010: Our proxy statement and 2009 Annual Report are available at *www.proxyvote.com.*

I. General Information About the Annual Meeting

Who can vote at the annual meeting?

You are entitled to vote at the annual meeting if our records show that you held shares of common stock of the Company as of March 15, 2010. At the close of business on March 15, 2010, a total of shares of common stock of the Company were outstanding and entitled to vote. Each share of common stock has one vote. Your Notice of Internet Availability of Proxy Materials (Notice) shows the number of shares you are entitled to vote. Your individual vote is confidential and will not be disclosed to third parties except as required by law.

What is a proxy?

A proxy is your legal designation of another person to vote the stock you own. That other person is called a proxy. If you designate someone as your proxy in a written document, that document may also be called a proxy or a proxy card. Two of our officers, Wm. Britton Greene and Reece B. Alford, will serve as the proxies for the annual meeting. This means that when you submit a proxy card, these two officers will vote your shares on your behalf.

What is the difference between being a shareholder of record and a beneficial owner?

If your shares are registered directly in your name with our transfer agent, American Stock Transfer & Trust Company, you are considered the shareholder of record for those shares. We are mailing a Notice to you directly.

If your shares are held in a brokerage account or by a bank or other nominee, you are considered the beneficial owner of shares held in street name, and the Notice will be forwarded to you by your bank, broker or other nominee. The bank, broker or other nominee is the shareholder of record of those shares. As the beneficial owner, you have the right to direct your bank, broker or other nominee how to vote. Beneficial owners that receive a

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Notice by mail from the shareholder of record should follow the instructions included in the Notice to view the proxy statement and transmit voting instructions.

What am I voting on and what are the Board s voting recommendations?

Our shareholders will be voting on the following matters:

Proposal 1 asks you to elect seven members of our Board of Directors to serve until the next annual meeting. The Board recommends that you vote for all nominees.

Proposal 2 asks you to approve an amendment of our Articles of Incorporation to delete the provisions regarding the number of our directors.

Proposal 3 asks you to approve our 2009 Employee Stock Purchase Plan as described in this proxy statement and attached hereto as Appendix A, which includes reserving up to 70,000 shares of our common stock for issuance under the Plan. The Board recommends that you vote for this proposal.

Proposal 4 asks you to ratify the appointment of KPMG LLP as our independent registered public accounting firm for the 2010 fiscal year. The Board recommends that you vote for this proposal.

We are not aware of any other matters to be presented at the meeting except for those described in this proxy statement. If any other matters are properly presented at the meeting, the appointed proxies will use their own judgment to determine how to vote your shares. If the meeting is continued or postponed, your common stock may be voted by the proxies at the new meeting as well, unless you revoke your proxy instructions.

What is the Notice Regarding Internet Availability of Proxy Materials?

In accordance with rules and regulations adopted by the Securities and Exchange Commission (SEC), instead of mailing a printed copy of our proxy materials to each shareholder, we may now furnish proxy materials via the internet. All shareholders of record will receive from us a Notice Regarding Internet Availability of Proxy Materials. If you are a beneficial owner, you will receive a Notice from your bank, broker or other nominee. The Notice will be mailed on or about March , 2010.

On the date of mailing of the Notice, shareholders will be able to access all of the proxy materials on *www.proxyvote.com*, the web site referred to in the Notice. The proxy materials will be available free of charge. The Notice will instruct you as to how you may access and review all of the important information contained in the proxy materials (including our 2009 Annual Report) over the internet. The Notice also instructs you as to how you may submit your proxy over the internet. If you received a Notice and would like to receive printed copies of the proxy materials, you should follow the instructions in the Notice for requesting such materials.

Beneficial owners that request a printed copy of the proxy materials also may receive a voting direction card and voting instructions from their bank, broker or other nominee. Those beneficial owners may mail the voting direction card, or may vote by telephone or over the internet as instructed by their bank, broker or other nominee.

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How do I vote?

Shareholders of record may vote using any of the methods described below. If your shares are held in the name of a bank, broker or other nominee, your nominee will provide you with voting instructions.

By Internet or Telephone. Our internet and telephone voting procedures for shareholders of record are designed to authenticate your identity, allow you to give your voting instructions and confirm that those instructions are properly recorded.

You may access the internet voting site at *www.proxyvote.com* to complete an electronic proxy card. Please have your Notice in hand when you go online. You will receive instructional screen prompts to guide you through the voting process. You also will have the ability to confirm your voting selections before your vote is recorded.

You can vote by calling toll free 1-800-690-6903 within the U.S., Canada and Puerto Rico. Please have your Notice in hand when you call. You will receive voice prompts to guide you through the process, and will have an opportunity to confirm your voting selections before your vote is recorded.

Internet and telephone voting facilities for shareholders of record will be available 24 hours a day until 11:59 p.m., eastern time, on May 10, 2010.

The availability of internet and telephone voting for beneficial owners will depend on the voting processes of your bank, broker or other nominee. You should follow the voting instructions in the materials that you receive from your nominee.

By Mail. If you request a paper copy of the proxy materials, you should mark, date and sign the proxy card and return it in the postage-paid envelope provided. The named proxies will vote any signed but unmarked proxy cards per the Board s recommendations. If you are a shareholder of record and the prepaid envelope is missing, please mail your completed proxy card to Vote Processing, c/o Broadridge Financial Solutions, Inc., 51 Mercedes Way, Edgewood, NY 11717.

In Person at the Annual Meeting. All shareholders may vote in person at the annual meeting. Voting your proxy by internet, telephone or mail does not limit your right to vote at the annual meeting. You also may be represented by another person at the annual meeting by executing a legally valid proxy designating that person to vote on your behalf.

If you are a beneficial owner of shares, you must obtain a legally valid proxy from your bank, broker or other nominee and present it to the inspector of elections with your ballot to be able to vote at the annual meeting. A legally valid proxy is an authorization from your bank, broker or other nominee to vote the shares held in the nominee s name that satisfies Florida and SEC requirements for proxies.

Can I change or revoke my proxy vote?

Yes. If you are a shareholder of record, you can change your proxy vote or revoke your proxy at any time before the annual meeting by:

entering a new vote over the internet or by telephone;

returning a signed proxy card with a later date;

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notifying our Corporate Secretary in writing at The St. Joe Company, 245 Riverside Avenue, Suite 500, Jacksonville, Florida 32202; or

submitting a written ballot at the annual meeting.

If you are a beneficial owner of shares, you may submit new voting instructions by contacting your bank, broker or other nominee. You may also vote in person at the annual meeting if you obtain a legally valid proxy from the shareholder of record as described in the answer to the previous question.

Your personal attendance at the annual meeting does not revoke your proxy. Your last vote, prior to or at the annual meeting, is the vote that will be counted.

What if I return my proxy or voting direction card but do not provide voting instructions?

Proxies and voting direction cards that are signed and returned but do not contain voting instructions will be voted:

For the election of the seven director nominees;

For the amendment of our Articles of Incorporation;

For the approval of our 2009 Employee Stock Purchase Plan;

For the ratification of the appointment of KPMG LLP as our independent registered public accounting firm for the 2010 fiscal year; and

In the best judgment of the named proxies on other matters properly brought before the annual meeting.

How many shares or votes must be present to hold the annual meeting?

In order for us to conduct our annual meeting, a majority of the shares outstanding and entitled to vote as of March 15, 2010 must be present in person or by proxy. This is referred to as a quorum. Your shares are counted as present at the annual meeting if you attend the annual meeting and vote in person or if you properly return a proxy by internet, telephone or mail. We will count abstentions and broker non-votes (as defined below) for purposes of determining a quorum.

Will my shares be voted if I do not provide my proxy or voting direction card?

If you are a shareholder of record, your shares will not be voted unless you provide a proxy or vote in person at the annual meeting. If you hold shares through an account with a bank, broker or other nominee and you do not provide voting instructions on a voting direction card, your shares may still be voted on certain matters.

Brokerage firms have authority under New York Stock Exchange (NYSE) rules to vote shares on routine matters for which their customers do not provide voting instructions at least 10 days before the meeting. The approval of the amendment to our Articles of Incorporation and the ratification of KPMG LLP as our independent registered public accounting firm for the 2010 fiscal year are considered routine matters. The election of directors and the approval of the 2009 Employee Stock Purchase Plan are not considered routine matters. If a proposal is not routine and the brokerage firm does not receive voting instructions from the beneficial

owner, the brokerage firm cannot vote the shares on that proposal. Shares that a broker is not authorized to vote are known as broker non-votes. We do not count broker non-votes as votes for or against any proposal. Broker non-votes, however, count for quorum purposes.

What is an abstention?

An abstention will occur at the annual meeting if you mark your vote for Proposal 2, 3 or 4 as abstain or if you attend the annual meeting, but do not vote on any proposal or other matter which is required to be voted on by our shareholders at the annual meeting. We do not count abstentions as votes for or against any proposal. Abstentions, however, count for quorum purposes.

What vote is required to approve each proposal?

Proposal 1:	The plurality of the votes cast at the annual meeting will determine the election of the directors. This means that the seven nominees receiving the highest number of votes will be elected.
Proposal 2:	The amendment of our Articles of Incorporation will be approved if the number of votes cast at the annual meeting for the approval of the amendment exceeds the number of votes cast at the annual meeting against the approval of the amendment.
Proposal 3:	Our 2009 Employee Stock Purchase Plan will be approved if the number of votes cast at the annual meeting for the approval of the Plan exceeds the number of votes cast at the annual meeting against the approval of the Plan.
Proposal 4:	KPMG LLP will be ratified as our independent registered public accounting firm for the 2010 fiscal year if the number of votes cast at the annual meeting for ratification exceeds the number of votes cast at the annual meeting against ratification.

Who will count the votes?

A representative of Broadridge Financial Solutions, Inc. will tabulate the votes and act as inspector of elections for the annual meeting.

Who pays for the costs of this proxy solicitation?

We will pay the cost of this proxy solicitation. In addition to soliciting proxies by mail, our employees may solicit proxies personally and by telephone. No employee will receive any additional or special compensation for doing this. We will, upon request, reimburse brokers, banks and other nominees for their reasonable expenses in sending proxy materials to their principals and obtaining their proxies.

What is householding, and how does it affect me?

If you and other residents at your mailing address are beneficial owners of shares held in street name, your bank, broker or other nominee may have given you notice that each household will receive only one annual report and proxy statement or Notice, as applicable, for each company in which you hold stock through that broker or bank. This practice is known as householding. Unless you responded that you do not wish to participate in

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householding, you will be deemed to have consented to participating, and only one copy of our Notice will be sent to that address.

If you wish to receive your own Notice for this year or for future years, or if you share an address with another shareholder and would like to receive only one Notice, please contact our Corporate Secretary at The St. Joe Company, 245 Riverside Avenue, Suite 500, Jacksonville, Florida 32202 (904-301-4200), being sure to supply the names of all shareholders at the same address, the name of the bank or brokerage firm, and the account number(s). The revocation of a consent to householding will be effective 30 days after the revocation notice is received.

Can I receive paper copies of your proxy materials, including the 2009 Annual Report?

If you would like a paper copy of our proxy statement, proxy card and 2009 Annual Report (which includes our 2009 Form 10-K), we will provide them without charge, upon request, to any holder of record or beneficial owner of common stock entitled to vote at the annual meeting. Requests for paper copies should be made by telephone or over the internet according to the instructions provided in the Notice.

Can I find additional information on the Company s website?

Yes. Although the information contained on our website is not part of this proxy statement, you will find information about the Company, including our Board, charters of Board committees, excerpts from our Amended and Restated Articles of Incorporation and Bylaws, Code of Conduct and Governance Principles and Policies at *www.joe.com* by clicking About JOE at the top of the page, then clicking the Corporate Governance link (or you may access this information directly at *http://ir.joe.com/governance.cfm*). Our filings with the SEC, including our 2009 Annual Report on Form 10-K and this proxy statement, and information about insider transactions are available on our website at *www.joe.com* by clicking About JOE at the top of the page, then clicking SEC filings under the Investor Relations link (or you may access this information directly at *http://ir.joe.com/sec.cfm*). Additional information about insider transactions may be found on our website at *www.joe.com* by clicking About JOE at the top of the page, then clicking Insider Transactions under the Corporate Governance link (or you may access this information directly at *http://ir.joe.com/transactions.cfm*).

Shareholders may obtain, without charge, paper copies of any of the above documents by writing to: The St. Joe Company, 245 Riverside Avenue, Suite 500, Jacksonville, Florida 32202, Attn: Investor Relations.

II. Proposals

Proposal No. 1
Election of Directors

Information About the Nominees

Seven directors are to be elected at the annual meeting to serve on our Board of Directors, and the nominees are described below. Each director elected at the annual meeting will hold office until the next annual meeting and the election of a successor. All of the nominees are current directors of the Company. Each has agreed to be named in this proxy statement and to serve if elected. Dr. Adam W. Herbert, Jr., one of our current directors, declined to stand for re-election due to his retirement from the Board.

The biographies of each of the nominees below contains information regarding the person s service as a director, business experience, director positions held currently or at any time in the last five years and the experiences, qualifications, attributes or skills that caused the Governance and Nominating Committee and the Board to determine that the person should serve as one of our directors.

Michael L. Ainslie Director since 1998 Age 66	Mr. Ainslie, a private investor, was the President, Chief Executive Officer and a director of Sotheby s Holdings from 1984 to 1994. From 1980 to 1984, Mr. Ainslie was President and Chief Executive Officer of the National Trust for Historic Preservation. He is a Trustee of Vanderbilt University, serves as Chairman Emeritus of the Posse Foundation and Chairman of the Board of Lehman Brothers, Inc. Mr. Ainslie has extensive executive experience in diverse, complex businesses, including companies with real estate investments and operations. He also has public company experience, including in the areas of executive compensation and risk assessment and oversight.
Hugh M. Durden Director since 2000 Chairman since 2008 Lead Director from 2003 to 2008 Age 67	Mr. Durden has served as Chairman of the Board of the Company since August 2008, and he served as Lead Director from 2003 to 2008. He has also served as Chairman of The Alfred I. duPont Testamentary Trust since January 2005. From 1972 until 2000, he was an executive with Wachovia Corporation, serving as President of Wachovia Corporate Services from 1994 to 2000. He is a director of The Nemours Foundation, Chairman of the EARTH University Investment Committee and a director of Web.com Group, Inc., a website design and internet services company. Mr. Durden has gained valuable leadership skills from his extensive executive experience in major organizations. Also important is the expertise he has acquired in the areas of strategic planning and corporate governance. Mr. Durden also has current public company experience.

Thomas A. Fanning
Director since 2005
Age 53

Mr. Fanning is the Chief Operating Officer of The Southern Company, previously serving as its Executive Vice President and Chief Financial Officer from 2003 through 2007. He has held various other management positions with The Southern Company and its affiliates since 1980, including serving as Chief Executive Officer of Gulf Power Company from 2002 to 2003, and Chief Financial Officer of Georgia Power Company from 1999 to 2002. Mr. Fanning also serves as a trustee of the Southern Center for International Studies and as a member of The Georgia Institute of Technology Alexander Tharpe Athletic Board and Management College Board.

Mr. Fanning has current executive experience in a large, complex organization operating in a highly regulated industry. Especially important are the extensive skills he has acquired in the areas of financial reporting and risk assessment and oversight.

Wm. Britton Greene
Director since 2008
Age 55

Mr. Greene has served as Chief Executive Officer of the Company since May 2008 and as President since October 2007. He was promoted to Chief Operating Officer in August 2006. He joined us in January 1998 as Vice President of West Florida residential and resort operations and was appointed President of West Florida in 2000, President of St. Joe Towns & Resorts in February 2004 and President of St. Joe Commercial in March 2006. Prior to joining us, Mr. Greene was president of Markborough Florida, a real estate development firm, from 1992 to 1997. Mr. Greene is a current Trustee and past president of The St. Joe Community Foundation, a member of the Florida Council of 100, a member of the University of Florida Real Estate Advisory Board, a director of the University of North Florida Foundation and a director of the Gulf Coast Aerospace Alliance.

Mr. Greene has extensive real estate experience, including valuable operational experience successfully managing various areas of our business. Mr. Greene s strong real estate background and current executive role provide unique insights regarding the Company s strategies and operations.

Delores M. Kesler
Director since 2004
Age 69

Ms. Kesler has served as Chairman of ATS Services, Inc., a human resource solutions company, and Chairman and Chief Executive Officer of Adium, LLC, a capital investment company, since 1997. Ms. Kesler is also a founder of Accustaff, Inc. (now MPS Group, Inc.), a strategic staffing, consulting and outsourcing company, and served as its Chairman and Chief Executive Officer from 1978 until her retirement in 1997. Ms. Kesler currently serves as the Chairman of the Board of PSS World Medical, Inc., a distributor of medical products.

Having built a large, successful business, Ms. Kesler has valuable entrepreneurial and organizational management skills. She also has current public company experience, including board leadership roles.

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John S. Lord Director since 2000 Age 63	Mr. Lord has served as the Chairman of The Nemours Foundation since 2007. He retired as President of Bank of America - Central Florida in 2000. He held various positions with Bank of America and its predecessor banks for over 20 years. Mr. Lord has served as a trustee of The Alfred I. duPont Testamentary Trust and a director of The Nemours Foundation since 2000. Mr. Lord also serves as a director of ABC Fine Wine and Spirits, an Overseer at the Crummer School of Business at Rollins College in Winter Park, Florida and a member of the Florida Council of 100. Mr. Lord has extensive executive experience in major organizations and has valuable expertise with financial issues and risk assessment and oversight. Also important are the professional connections Mr. Lord maintains through his involvement in a prominent state civic group.
Walter L. Revell Director Since 1994 Age 75	Mr. Revell has been Chairman of the Board and Chief Executive Officer of Revell Investments International, Inc. since 1984. He was also Chairman of the Board and Chief Executive Officer of H. J. Ross Associates, Inc., consulting engineers and planners, from 1991 through 2002. He was President, Chief Executive Officer and a director of Post, Buckley, Schuh & Jernigan, Inc., consulting engineers and planners, from 1975 through 1983. He served as Secretary of Transportation for the State of Florida from 1972 to 1975. He is also a director of International Finance Bank; Edd Helms Group, a diversified services company in electrical, air-conditioning and data communications; and NCL Corporation Ltd., the holding company for Norwegian Cruise Line and other brands. Mr. Revell is also a member of the Florida Council of 100. Mr. Revell formerly served as a director of Rinker Group Limited, an international manufacturer and supplier of heavy building materials, and Calpine Corporation, an electric power producer. Mr. Revell has extensive executive and board experience from many years of service in the public and private sectors. Through this service he has acquired a deep network of valuable business and personal contacts in the Company s area of operations. He also has unique institutional knowledge and perspective gained from his long tenure with the Company.

The Board recommends the shareholders vote **FOR** election of each of the seven director nominees listed above to serve until the next annual meeting and the election of a successor.

Proposal No. 2
Amendment of Articles of Incorporation

Article VI of our Amended and Restated Articles of Incorporation, as amended (the Articles of Incorporation), requires that we have at least nine but no more than 15 directors. The exact number of directors is established annually by the Board of Directors. The Board proposes to amend our Articles of Incorporation by eliminating the provisions regarding the number of directors of the Company.

If the amendment to the Articles of Incorporation is approved by the shareholders, the Board will amend the Company s Bylaws to require that the Company have at least five directors. If the amendment is not approved, the Governance and Nominating Committee will seek two additional director candidates.

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The Board believes the proposed amendment to the Articles of Incorporation is in the best interests of the Company. The proposed amendment would provide the Board greater flexibility to use its discretion to establish an appropriate number of directors from time-to-time based on the needs of the Company and the availability of qualified candidates.

The Board recommends the shareholders vote **FOR** the amendment of our Articles of Incorporation to eliminate the provisions regarding the number of directors of the Company.

Proposal No. 3
Approval of the 2009 Employee Stock Purchase Plan

Overview

The St. Joe Company 2009 Employee Stock Purchase Plan (the Plan) was unanimously adopted by the Board of Directors on July 16, 2009, subject to approval by our shareholders. The Plan is designed to encourage employees to become shareholders and to increase their ownership of our common stock by providing employees with an opportunity to purchase our common stock at a discounted price through payroll deductions.

The Plan is intended to comply with the requirements of Section 423 of the Internal Revenue Code of 1986, as amended (the Code), and to assure the participants of the tax advantages provided thereby. In order for the purchase of stock under the Plan to qualify for this treatment, the Plan must be approved by our shareholders within 12 months of the Plan s adoption. If the Plan is not approved, we will reconsider whether or not to continue providing this benefit to employees.

The full text of the Plan is set forth in Appendix A to this Proxy Statement, and the description of the Plan set forth herein is qualified in its entirety by reference to the full text of the Plan.

Summary of the Plan

Administration. The Plan is administered by the Compensation Committee of the Board of Directors. The Committee s interpretations and decisions with respect to the Plan are final and conclusive. The Committee has the authority to delegate administration of the Plan to one or more of our employees.

Eligibility. Participation in the Plan is limited to full-time employees who have at least 90 days of continuous service and who complete the applicable enrollment procedures. Part-time employees (employees working 20 hours per week or less) and seasonal employees (employees whose customary employment is for five months or less in any year) are not eligible to participate in the Plan. We have approximately 140 employees, including officers, who are eligible to participate in the Plan. Non-employee directors are not eligible participants.

Authorized Shares. A total of 70,000 shares of our common stock will be authorized for issuance or purchase under the Plan. Any shares of common stock delivered under the Plan may be newly issued shares, treasury shares or shares purchased in the open market. Consistent with past practice, we presently intend to purchase shares in the open market for delivery under the Plan.

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The number of shares of common stock initially authorized for issuance under the Plan is subject to adjustment by the Compensation Committee in the event of a recapitalization, stock split, stock dividend or similar corporate transaction.

Participation. Generally, an employee must provide 30 days advance notice to elect to participate in the Plan, to change an election under the Plan or to cease participating in the Plan. Once an employee has properly elected to enroll in the Plan, funds will be deducted from the employee s payroll over the course of each calendar month in accordance with the employee s election (each month is referred to in the Plan as an Accumulation Period). Payroll deductions must be at least 1% but not more than 50% of an employee s base salary. On the last business day of each month (referred to in the Plan as an Investment Date) the custodian of the Plan will acquire shares of common stock for the employee using the accumulated payroll deductions.

Shares purchased will be maintained in a separate investment account for each participant. Participants may at any time, subject to Company policies regarding trading in Company stock, direct the custodian to sell all or any portion of the shares held in that participant s investment account and to remit the proceeds to the participant. Alternatively, the participant may choose to have the shares transferred to a brokerage account designated by the participant.

Discounted Purchase Price. Participants in the Plan may purchase shares of our common stock at a discount. The price per share of the common stock sold to Plan participants will be 85% of the fair market value of such share on the applicable investment date. For shares purchased on the open market, the difference between the discounted purchase price paid by the participant and the fair market value of the shares purchased will be paid by the Company.

Limitation on Purchases. The fair market value of the shares of the common stock which may be purchased by any participant under the Plan may not exceed $25,000 during any calendar year.

Amendment and Termination of the Plan. The Compensation Committee may amend the Plan at any time. Without approval of shareholders, however, no such amendment may increase the aggregate number of shares reserved under the Plan, materially increase the benefits accruing to participants or materially modify the requirements as to eligibility for participation. The Compensation Committee may also terminate the Plan at any time.

Summary of U.S. Federal Income Tax Consequences

The Plan, and the right of participants to make purchases under the Plan, is intended to qualify under the provisions of Sections 421 and 423 of the Code. Under these provisions, no income will be taxable to a participant until the shares purchased under the Plan are sold or otherwise disposed of. Upon sale or other disposition of the shares, the participant will generally be subject to tax and the amount of the tax will depend upon the holding period.

If the shares are sold or otherwise disposed of more than two years from the investment date, then the participant will recognize ordinary income measured as the lesser of (i) the excess of the fair market value of the shares at the time of such sale or disposition over the purchase price or (ii) an amount equal to the discount offered on the purchase. Any additional gain will be treated as long-term capital gain.

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If the shares are sold or otherwise disposed of before the expiration of the holding period, the participant will recognize ordinary income generally measured as the excess of the fair market value of the shares on the date the shares are purchased over the purchase price. Any additional gain or loss on such sale or disposition will be long-term or short-term capital gain or loss, depending on the holding period. The Company is not entitled to a deduction for amounts taxed as ordinary income or capital gain to a participant except to the extent that ordinary income is recognized by participants upon a sale or disposition of shares prior to the expiration of the holding period described above.

The foregoing is only a summary of the effect of federal income taxation upon the participant and the Company with respect to the shares purchased under the Plan. Reference should also be made to the applicable provisions of the Code.

New Plan Benefits

Since the amount of benefits to be received by each participant is determined by his or her elections to participate and to purchase shares under the Plan at various future dates, the amount of future benefits to be allocated to any individual or group of individuals under the Plan is not determinable.

No executive officer participated in the Plan or the prior employee stock purchase plan during 2009. All non-executive officer employees as a group purchased an aggregate of 11,797 shares under the Plan and our prior employee stock purchase plan during 2009.

Existing Equity Compensation Plan Information

The following table summarizes the number of shares of our common stock available for issuance under our existing equity compensation plans as of December 31, 2009:

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in the First Column)
Equity compensation plans approved by security holders	531,856	$ 35.37	1,994,249
Equity compensation plans not approved by security holders			
Total	531,856	$ 35.37	1,994,249

For additional information regarding our existing equity compensation plans, refer to Note 2 to our consolidated financial statements under the heading Stock-Based Compensation in our Annual Report on Form 10-K for the year ended December 31, 2009, as filed with the SEC on February 23, 2010.

Board of Directors Recommendation

The Board recommends the shareholders vote **FOR** approval of The St. Joe Company 2009 Employee Stock Purchase Plan.

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Proposal No. 4
Ratification of Appointment of Independent Registered Public Accounting Firm

The Audit and Finance Committee has appointed the firm of KPMG LLP, an independent registered public accounting firm, to audit our consolidated financial statements for the 2010 fiscal year and has directed that such appointment be submitted to our shareholders for ratification at the annual meeting. If the shareholders do not ratify the appointment of KPMG LLP as our independent registered public accounting firm, the Audit and Finance Committee will reconsider the appointment.

KPMG LLP has served as our independent accountants since 1990. A representative of KPMG LLP will be present at the annual meeting to answer pertinent shareholder questions and will be given an opportunity to make a statement. For more information regarding KPMG s 2009 engagement, see Independent Registered Public Accounting Firm Information on page 21.

The Board recommends the shareholders vote **FOR** ratification of KPMG LLP as our independent registered public accounting firm for the 2010 fiscal year.

Other Matters

The Board of Directors does not know of any other business to be presented at the meeting. If, however, any other matters come before the meeting, it is the intention of the proxies to vote your shares in accordance with their own judgment in such matters.

III. Corporate Governance and Related Matters

Governance Principles and Policies

Our Board of Directors has adopted corporate governance principles and policies to provide, along with the charters of the Board committees, a framework for the governance and management of the Company in accordance with high ethical standards and in recognition of its responsibilities to various constituencies. These principles are intended to reflect the Board s long-standing commitment to the ethical conduct of our business in compliance with the letter and the spirit of applicable laws, regulations and accounting principles. Recognizing that corporate governance is subject to on-going and energetic debate, the Board reviews these principles and other aspects of the Company s governance at least once a year.

Our corporate governance principles address the role of the Board, the composition of the Board, Board leadership, the functioning of the Board, the committees of the Board, management succession, ethics and conflicts of interest. These principles specifically provide that two-thirds of the members of the Board must be outside directors who meet the independence criteria established by the NYSE and that no more than one member of the Board will be an employee of the Company unless the Board, in its discretion, determines that an additional employee-director would facilitate the Company s succession plan.

The top priority of our Board of Directors is the ethical management of the Company for profitable, long-term growth for the benefit of our shareholders. To that end, the Board has

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adopted corporate governance policies to align management and shareholder interests. Some of the more noteworthy of these corporate governance policies include:

We do not make loans to directors or executive officers.

We do not backdate or reprice stock options.

The Governance and Nominating Committee annually evaluates the performance of the Board, its committees and each of the directors.

While we encourage employees to own Company stock through their retirement plans, the plans allow employees to diversify their holdings.

None of the directors, executive officers or the Company may trade in our securities during any blackout period in which participants in our individual account plans (e.g., 401(k) plan and employee stock purchase plan) are not permitted to trade their shares of Company stock held in such plans.

Our directors and their affiliates may not engage in shorting our stock or lend any of their shares to others to be used for such purposes.

Our directors will not sell any stock they receive in compensation for their services as directors, except for that number of shares necessary to pay any taxes that become due and payable upon the exercise of options or the lapse of restrictions on restricted stock, until the earlier of five years or the termination of their service on the Board.

Code of Conduct

Our Board of Directors has adopted a Code of Conduct applicable to all directors, officers and employees. Its purpose is to promote our commitment to the Company s standards for ethical business practices. The Code of Conduct provides that it is our policy that our business be conducted in accordance with the highest legal and ethical standards. Our reputation for integrity is one of our most valuable assets, and each employee and member of the Board is expected to contribute to the care and preservation of that asset. Our Code of Conduct addresses a number of issues, including conflicts of interest, corporate opportunities, protection of company assets, confidentiality, insider trading, accounting matters, record keeping, working with governments, antitrust, legal compliance and fair dealing. Under our corporate governance principles, no waiver of any ethics policy is permitted for directors and executive officers. Our directors review the Code of Conduct annually to ensure that it appropriately addresses the business practices of the Company.

Our corporate governance principles and policies and our Code of Conduct are available on our website at *www.joe.com* by clicking About JOE at the top of the page, then clicking the Corporate Governance link (or you may access this information directly at *http://ir.joe.com/governance.cfm*). We intend to post on our website information regarding any amendment to the Code of Conduct or any waiver granted under the Code of Conduct covered by Item 5.05 of Form 8-K. Please note that the information on our website is not incorporated by reference in this proxy statement.

Copies of our corporate governance principles and policies and our Code of Conduct are also available upon request by contacting us at the following address: The St. Joe Company, 245 Riverside Avenue, Suite 500, Jacksonville, Florida 32202, Attn: Corporate Secretary.

The Board and its Committees

The Board met nine times in 2009. Each member of the Board attended at least 75% of the meetings of the Board and committees on which he or she served in 2009. Non-management directors meet in executive session without management at each regularly scheduled Board meeting. Mr. Durden, our Chairman of the Board, presides during such sessions. Board members are expected to attend our annual meetings. At our 2009 annual meeting, all members of the Board were present.

Leadership Structure

The Board of Directors has determined that, at this time, having an independent director serve as Chairman of the Board is in the best interests of the shareholders. The Board elected an experienced, independent Chairman in 2008 in connection with the departure of a long-serving Chairman and CEO and the transition of Mr. Greene into the CEO role. The Board believes that our independent Chairman serves as a valuable resource and sounding board for Mr. Greene during the current difficult operating environment. This structure also ensures a greater role for the independent directors in the oversight of the Company. The Board will continue to evaluate this structure from time to time.

Director Independence

The Board annually determines the independence of directors based on a review by the directors and the recommendation of the Governance and Nominating Committee. The Governance and Nominating Committee considers director independence when making its recommendations regarding director nominees. No director is considered independent unless the Board has determined that he or she has no material relationship with the Company, either directly or as a partner, shareholder, or officer of an organization that has a material relationship with the Company. Material relationships can include commercial, industrial, banking, consulting, legal, accounting, charitable, and familial relationships, among others.

To evaluate the materiality of any director relationship with the Company, the Board applies the categorical independence standards found in the NYSE listing guidelines. The NYSE guidelines state that a director will not be deemed independent in any of the following circumstances:

> *Employment.* During the past three years, the director has been an employee, or an immediate family member of the director has been an executive officer, of the Company.
>
> *Compensation.* The director has received, or an immediate family member of the director has received, during any 12 month period within the last three years, more than $120,000 in direct compensation from the Company, other than director fees.
>
> *Certain Relationships with Auditors.* (A) The director is a current partner or employee of our independent auditor (KPMG LLP); (B) the director has an immediate family member who is a current partner of such a firm; (C) the director has an immediate family member who is a current employee of such a firm and who personally works on our audit; or (D) the director or an immediate family member of the director was within the last three years (but is no longer) a partner or employee of such a firm and personally worked on our audit within that time.

Compensation Committee Interlocks. The director or an immediate family member of the director is, or has been within the last three years, employed as an executive officer of another company where any of our current executives at the same time serves or served on that company s compensation committee.

Certain Relationships with Other Companies. The director is employed by, or an immediate family member of the director is an executive officer of, a company that has made payments to, or received payments from, the Company for property or services in an amount which, in any of the last three fiscal years, exceeds the greater of $1 million or 2% of such other company s consolidated gross revenues.

Charitable Contributions. The NYSE listing standards emphasize that the Board should consider any donations to a charitable organization for which a director serves as an executive officer in evaluating the director s independence generally. The Company must disclose certain significant contributions to a charitable organization (in excess of $1 million or 2% of the organization s gross revenues) for which a director serves as an executive officer.

In addition to the NYSE standards for director independence, the Board has adopted an additional categorical standard for director independence. The Board has determined that transactions with the Company involving a director or candidate for director or an entity with whom the director or candidate is affiliated that are conducted on an arm s-length basis in the ordinary course of business will not be deemed to affect a director s independence. This categorical standard for independence may be found in our Governance Principles on our website at *www.joe.com* by clicking About JOE at the top of the page, then clicking the Corporate Governance link (or you may access this information directly at *http://ir.joe.com/governanceprinciples.cfm*).

Members of the Audit and Finance Committee, Compensation Committee and Governance and Nominating Committee must also meet all applicable independence tests of the NYSE, the SEC and the Internal Revenue Service.

In January 2010, all directors completed questionnaires which asked them about their relationships with the Company (and those of their immediate family members) and other potential conflicts of interest. The responses to these questionnaires did not reveal any transaction or relationship between the directors and the Company requiring board consideration in connection with the determination of director independence.

Based on the review and recommendations of the Governance and Nominating Committee, the Board determined that all of the nominees, other than Mr. Greene, are independent as required by the NYSE in that they have no material relationships with the Company, either directly or indirectly. The Board also determined that all the members of the Audit and Finance, Compensation and Governance and Nominating Committees also meet the applicable independence tests.

Committees of the Board

The Board has the following three standing committees: Governance and Nominating Committee, Audit and Finance Committee and Compensation Committee. Each committee is further described below.

The Board of Directors has adopted a written charter for each committee. These charters are available on our website at *www.joe.com* by clicking About JOE at the top of the page,

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then clicking the Corporate Governance link (or you may access this information directly at *http://ir.joe.com/governance.cfm*). Please note that the information on our website is not incorporated by reference in this proxy statement. Copies of our Board committee charters are also available upon request by contacting us at the following address: The St. Joe Company, 245 Riverside Avenue, Suite 500, Jacksonville, Florida 32202, Attn: Corporate Secretary.

Governance and Nominating Committee

The current members of the Governance and Nominating Committee are Mr. Lord (Chair), Mr. Ainslie, Mr. Durden, Dr. Herbert and Mr. Revell. Each member is independent as required by the NYSE. The Governance and Nominating Committee met twice in 2009. On April 1, 2010, Mr. Durden will become the Committee Chair, and Dr. Herbert will cease to serve on the Committee due to his retirement from the Board.

The primary functions of the Governance and Nominating Committee are to:

- identify qualified individuals to become Board members;
- determine the composition of the Board and its committees;
- develop a process to assess Board effectiveness;
- develop and implement our corporate governance principles; and
- otherwise take a leadership role in shaping our corporate governance.

In fulfilling its duty to recommend nominees for election as directors, the Committee seeks a diverse group of candidates (in the broadest sense, including with respect to age, gender, ethnic background and national origin) who combine a broad spectrum of backgrounds, experience, skills and expertise and who would make a significant contribution to the Board, the Company and our shareholders. In addition to diversity, the Committee considers, among other things, the following criteria:

- proven strength of character, mature judgment, objectivity, intelligence and highest personal and business ethics, integrity and values;
- reputation, both personal and professional, consistent with our image and reputation;
- sufficient time and commitment to devote to our affairs;
- significant business and professional expertise with high-level managerial experience in complex organizations, including accounting and finance, real estate, government, banking, educational or other comparable institutions;
- proven track record of excellence in their field of expertise;
- independence, as defined by the SEC and NYSE, including a commitment to represent the long-term interests of all of our shareholders;
- financial knowledge and experience, including qualification as expert or financially literate as defined by the SEC and NYSE;

ability and willingness to serve on the Board for an extended period of time; and

not subject to any disqualifying factor as described in the our Code of Conduct (i.e., relationships with competitors, suppliers, contractors or consultants).

The Governance and Nominating Committee has generally identified director candidates through the business relationships, experience and networking of our directors and executive officers. The Committee has not used professional search firms. When a potential candidate is identified, the Committee evaluates the candidate s qualifications through candidate interviews and background checks.

The Governance and Nominating Committee would consider qualified candidates for director suggested by our shareholders and would evaluate such candidates according to the same criteria used for other director nominees. Shareholders can suggest qualified candidates for director by writing to The St. Joe Company, 245 Riverside Avenue, Suite 500, Jacksonville, Florida 32202, Attn: Corporate Secretary. Submissions that meet the criteria outlined above, on our website and in the Committee charter will be forwarded to the Chair of the Governance and Nominating Committee for further review and consideration.

The Governance and Nominating Committee conducts an annual assessment of the performance of the Board in which each director evaluates the effectiveness of the Board, its Committees and each director.

Audit and Finance Committee

The current members of the Audit and Finance Committee are Mr. Fanning (Chair), Dr. Herbert, Ms. Kesler, Mr. Lord and Mr. Revell. Each of the Committee members is independent as required by the NYSE. During 2009, the Audit and Finance Committee met nine times. On April 1, 2010, Mr. Ainslie will become a member of the Committee, and Dr. Herbert will cease to serve on the Committee due to his retirement from the Board.

The primary functions of the Audit and Finance Committee are to:

- engage, appoint, evaluate and compensate the independent registered public accounting firm, and review and approve in advance all audit, audit related and permitted non-audit services performed by the independent registered public accounting firm;
- provide independent and objective oversight of the Company s accounting functions and internal controls and monitor the objectivity of the Company s financial statements;
- review our critical accounting policies, our annual and quarterly reports on Forms 10-K and 10-Q, and our earnings releases before they are published;
- monitor our capital requirements and review and provide guidance to the Board and management about all proposals concerning our major financial policies; and
- monitor risks that may affect the Company.

The Board has determined that:

- each member of the Audit and Finance Committee is financially literate and independent as required by the rules of the SEC and the NYSE; and
- Messrs. Fanning, Lord and Revell are audit committee financial experts, as defined by the rules of the SEC.

See the Audit and Finance Committee Report on page 20 for more information on the responsibilities of the Audit and Finance Committee.

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Compensation Committee

The current members of the Compensation Committee are Mr. Ainslie (Chair), Mr. Durden, Mr. Fanning and Ms. Kesler. The Committee met seven times in 2009. Each member is independent as required by the NYSE. On April 1, 2010, Mr. Lord will become a member and the Chair of the Committee, and Mr. Ainslie will cease to serve on the Committee.

The Compensation Committee reviews and approves compensation and benefits for our senior officers, reviews and approves director compensation and supervises the administration of all employee benefit plans.

Committee agendas are established in consultation with the Committee chair, the Committee s compensation consultant and management. The Committee meets in executive session following each regular meeting to discuss compensation issues.

The Committee has engaged a compensation consulting firm, Towers Watson, to advise the Committee on evaluating executive and director compensation programs and in setting executive and director compensation. Towers Watson has advised the Committee since May 2005. A senior representative from Towers Watson participates in most Committee meetings and is available between meetings to act as a resource for the Committee and management. The use of a compensation consultant provides additional assurance that our compensation programs are reasonable and consistent with Company objectives and balanced with the marketplace where we compete for talent. The consultant also provides valuable information and advice regarding compensation trends and best practices, plan design and the appropriateness of individual awards. Additional discussion of the services provided by Towers Watson in 2009 may be found under Peer Group Compensation Review on page 26 and Director Compensation in 2009 on page 56. Towers Watson did not provide any non-executive compensation consulting services to the Company in 2009.

Our President and CEO and Vice President Human Resources and Corporate Development, in consultation with the Committee s compensation consultant, formulate recommendations on base salaries, bonus awards and equity incentives for senior officers (other than the CEO). The President and CEO provides the Committee with a performance assessment for each of the other senior officers in order to assist the Committee in making decisions with respect to compensation recommendations. The Committee performs an annual written assessment of the performance of our President and CEO.

The President and CEO, the Executive Vice President and CFO, the Vice President Human Resources and Corporate Development and our Senior Vice President, Corporate Counsel and Secretary generally attend Committee meetings but are not present for the executive sessions or for any specific discussion of their own compensation.

See the Compensation Discussion and Analysis on page 24, the Compensation Committee Report on page 34 and Compensation Committee Interlocks and Insider Participation on page 34 for more information regarding the Compensation Committee.

Oversight of Risk Management

The Company is exposed to a number of significant risks and members of senior management, including our President and CEO and our Executive Vice President and CFO, meet quarterly to update and evaluate these risks, identify new or emerging risks, and discuss strategies to manage them effectively. A member of senior management is assigned to monitor

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and manage each identified risk. This process is facilitated by our risk manager, who reports directly to the Chair of the Audit and Finance Committee, with day-to-day administrative oversight by the Executive Vice President and CFO.

The Board and its Committees oversee our risk management program. Each quarter the Audit and Finance Committee reviews and discusses with management an update regarding the Company s overall risk profile. Each identified risk is also assigned to one of the Board Committees or the full Board for in-depth discussion and review on an annual basis. Matters discussed at Committee meetings are also reported to the full Board by the Committee Chairs at meetings of the Board.

The Compensation Committee has also reviewed the compensation policies and practices for our employees and has determined that they do not create risks that are reasonably likely to have a material adverse effect on the Company.

Contacting the 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. Durden, 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, 245 Riverside Avenue, Suite 500, Jacksonville, Florida 32202; or
- by telephone at 800-571-4840 or 904-301-4272.

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 and Finance Committee for review.

Audit and Finance Committee Information

Audit and Finance Committee Report

The role of the Audit and Finance Committee is to provide independent and objective oversight of the Company s accounting and financial reporting functions and internal controls and to monitor the objectivity of the Company s financial statements.

In the performance of its oversight function, the Committee has reviewed and discussed the audited financial statements with management and our independent registered public accounting firm, KPMG LLP. The Committee has also discussed with KPMG LLP the matters required to be discussed by Statement on Auditing Standards No. 61, *Communication with Audit Committees*, as currently in effect, as adopted by the Public Company Accounting Oversight Board (PCAOB). The Committee has received the written disclosures and the letter from KPMG LLP required by PCAOB Rule 3526, *Communication with Audit Committees Concerning Independence*, as currently in effect, and has discussed with KPMG LLP its independence.

Finally, the Committee also has discussed with management the non-audit services provided by KPMG LLP to the Company and has considered whether the provision of non-

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audit services by KPMG LLP to the Company is consistent with maintaining KPMG LLP s independence. The Committee has concluded that such services do not impair KPMG LLP s independence and has advised them of that conclusion.

All members of the Audit and Finance Committee are financially literate under applicable NYSE rules, and Messrs. Fanning, Lord and Revell are audit committee financial experts as defined by the rules of the SEC. As described in the Audit and Finance Committee Charter, the Committee s responsibility is one of oversight. Members of the Committee rely on the information provided to them and on the representations made by management, internal auditors and the independent auditors.

Based on the review and discussions described in this report, and subject to the limitations on the role and responsibilities of the Committee referred to above and in the Audit and Finance Committee Charter, the Audit and Finance Committee recommended to the Board of Directors that the Company s audited financial statements be included in the Company s Annual Report on Form 10-K for the year ended December 31, 2009, filed with the SEC.

Approved and submitted by the Audit and Finance Committee:

Thomas A. Fanning, *Chair*
Dr. Adam W. Herbert, Jr.
Delores M. Kesler
John S. Lord
Walter L. Revell

Engagement of the Independent Registered Public Accounting Firm

The Audit and Finance Committee is responsible for approving every engagement of KPMG LLP to perform audit or permitted non-audit services on behalf of the Company or any of its subsidiaries before KPMG LLP is engaged to provide those services, subject to the de minimis exceptions permitted by the rules of the SEC.

Independent Registered Public Accounting Firm Information

In accordance with Audit and Finance Committee policy and legal requirements, all services to be provided by our independent registered public accounting firm, including audit services, audit-related services, tax services and any other services, are required to be pre-approved by the Audit and Finance Committee prior to engagement. In most cases, pre-approval is provided by the full Audit and Finance Committee for a particular defined task or scope of work and is subject to a specific budget. For unexpected matters, the Chair of the Audit and Finance Committee has been delegated authority to pre-approve additional services, subject to certain dollar limitations, and the Audit and Finance Committee is then informed of each such service.

The following table sets forth fees billed to the Company by KPMG LLP in or for the fiscal years 2009 and 2008. The aggregate fees included in the Audit Fees category are fees billed *for* the fiscal years, and the aggregate fees included in each of the other categories are fees billed *in* the fiscal years. All fees described in the table below were approved by the Audit and Finance Committee in accordance with our pre-approval policy.

	2009	2008
Audit Fees[1]	$ 908,500	$ 1,069,365
Audit-Related Fees[2]	-0-	50,000
Tax Fees[3]	219,935	275,065
All Other Fees	-0-	-0-
Total Fees	$ 1,128,435	$ 1,394,430

[1] Audit fees include all fees and out-of-pocket expenses incurred for the annual audit and quarterly reviews of our consolidated financial statements and the audit of our internal controls over financial reporting, as well as services provided in connection with SEC filings.

[2] Audit-related fees include fees for the review of our accounting treatment of certain installment sale transactions and related installment note monetizations.

[3] Tax fees consist of fees for tax compliance and tax consultation services.

KPMG LLP also served as independent auditors for The St. Joe Community Foundation (the Foundation) in 2008. The Foundation paid KPMG LLP audit fees in the amount of $11,500 during 2008. The Foundation also paid KPMG LLP fees for tax services in the amount of $3,250 in 2008.

KPMG LLP also serves as independent auditors for three joint ventures in which the Company is a partner. These joint ventures paid KPMG LLP audit fees in the amount of $46,500 in 2009 and $59,000 in 2008; and tax fees of $9,000 in 2009 and $5,700 in 2008.

Certain Relationships and Related Transactions

Related Person Transactions Policy and Procedures. The Board has adopted a policy prohibiting transactions involving the Company and its employees, officers and directors (related persons), with certain exceptions. The policy is part of our Code of Conduct. The policy states that related persons may not have any direct or indirect material interest in any transaction, arrangement or relationship in which the Company, or a competitor of the Company, is a participant. Indirect interests include those through (1) an immediate family member; (2) any person acting on the related person s behalf; or (3) any entity in which the related person or any of his or her immediate family members are an employee, officer, partner or principal or with which a related person or his or her immediate family members have a significant business relationship.

Our policy prohibiting related person transactions does not apply to interests in transactions arising from (1) arms-length purchases or sales of goods, real property or services; (2) a related person s position as a director of another corporation or organization that is a party to the transaction; (3) the direct or indirect ownership of less than a 5% equity interest in a public company which is a party to the transaction; and (4) our benefit policies and programs.

Executive officers must disclose to the compliance officer any proposed related person transaction. The compliance officer will then report such proposed transaction to the Board. For related person transactions involving a director, the director must notify the Chairman of the Governance and Nominating Committee and the compliance officer, who will then bring the matter before the full Board. The Board will resolve any conflict of interest question

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involving an executive officer or director without compromising the Company s interests. During its review, the Board will consider the nature of the related person s interest in the transaction; the material terms of the transaction; whether or not the transaction would qualify for an exception to the policy; and any other matters the Board deems appropriate. Any director or executive officer involved in the transaction would be recused from all discussions and decisions about the transaction.

Our legal staff is primarily responsible for the development and implementation of processes and controls to monitor and obtain information with respect to related person transactions. Although shareholders are not subject to our Code of Conduct, we do apply the policy against related person transactions to shareholders owning five percent or more of our outstanding common stock.

Reportable Transactions. There are no reportable transactions.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires our directors, executive officers and beneficial owners of more than 10% of our common stock to file reports with the SEC reporting ownership of and transactions in common stock and to furnish copies of the reports to the Company. We believe all such reports were timely filed during 2009.

Shareholder Proposals for the 2011 Annual Meeting

You may submit proposals on matters appropriate for shareholder action for the 2011 Annual Meeting of Shareholders. These proposals must be made in accordance with the rules of the SEC and our Bylaws. A proposal for the 2011 annual meeting must be received by our Corporate Secretary at The St. Joe Company, 245 Riverside Avenue, Suite 500, Jacksonville, Florida 32202 as follows:

1. Pursuant to our Bylaws, a shareholder proposal or a director nomination must be received no sooner than November , 2011 and no later than December , 2011, to be eligible to be presented from the floor for vote at the meeting (but not included in our 2011 proxy statement), or

2. Pursuant to the rules of the SEC, the proposal must be received by December , 2011, to be eligible for inclusion in our 2011 proxy statement.

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IV. Executive Compensation and Other Information

Executive Officers

Wm. Britton Greene, 55, has served as Chief Executive Officer of the Company since May 2008 and as President since October 2007. He was promoted to Chief Operating Officer in August 2006. He joined us in January 1998 as Vice President of West Florida residential and resort operations and was appointed President of West Florida in 2000, President of St. Joe Towns & Resorts in February 2004 and President of St. Joe Commercial in March 2006. Prior to joining us, Mr. Greene was president of Markborough Florida, a real estate development firm, from 1992 to 1997. Mr. Greene is a current Trustee and past president of The St. Joe Community Foundation, a member of the Florida Council of 100, a member of the University of Florida Real Estate Advisory Board, a director of the University of North Florida Foundation and a director of the Gulf Coast Aerospace Alliance.

William S. McCalmont, 54, has served since May 2007 as Chief Financial Officer and was promoted to Executive Vice President in January 2009. Prior to joining the Company, Mr. McCalmont served as Executive Vice President and Chief Financial Officer of Ace Cash Express, Inc. from August 2003 to January 2007 and as a member of a real estate consulting group from January 2002 to August 2003. From September 2000 to August 2001, Mr. McCalmont was the Chief Financial Officer of HQ Global Workplaces, Inc., which filed a voluntary petition for reorganization under Chapter 11 of the United States Bankruptcy Code in March 2002. Previously, Mr. McCalmont served in senior management positions with Harrah s Entertainment, Inc., La Quinta Inns, Inc., FelCor Suite Hotels, Inc. and Embassy Suites, Inc. Mr. McCalmont is a director of LaSalle Hotel Properties, a real estate investment trust, and a Trustee of The St. Joe Community Foundation.

Due to the decreased size and scope of operations of the Company, the two officers described above are our only executive officers. They are included in the Summary Compensation Table on page 35 and are sometimes referred to herein as our named executives. In addition, Christine M. Marx, our former General Counsel and Secretary, and Stephen W. Solomon, our former Senior Vice President and Treasurer, served as executive officers for 2009 and are also included as named executives pursuant to SEC rules.

Compensation Discussion and Analysis

This Compensation Discussion and Analysis (CD&A) contains a discussion of our compensation policies and practices and the material elements of compensation awarded to the named executives for 2009.

Business Background

We are one of the largest real estate development companies in Florida. We own approximately 577,000 acres concentrated primarily in Northwest Florida and are engaged in residential and commercial real estate development and rural land sales. We also have significant interests in timber.

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

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unstable financial institutions, lower valuation of retirement savings accounts, lower corporate earnings, lower business investment and lower consumer spending.

This challenging environment has exerted negative pressure on the demand for all of our real estate products. Despite these challenging conditions, we successfully continued our efforts to reduce cash expenditures, eliminate expenses, increase our financial flexibility and develop strategic relationships. We accomplished important strategic objectives in 2009 to help position the Company for the future, including the following:

We entered into a strategic alliance agreement with Southwest Airlines to facilitate the commencement of low-fare air service beginning in May 2010 to the new Northwest Florida Beaches International Airport under construction in Northwest Florida. We expect that the connectivity Southwest brings to the region will stimulate tourism, economic development, job growth and real estate absorption in our projects across Northwest Florida.

We signed agreements with The Haskell Company, TranSystems Corporation and CB Richard Ellis Group, Inc. to masterplan and market for joint venture, lease or sale certain land adjacent to the new airport.

We implemented a tax strategy to benefit from the sale of certain non-strategic assets at a loss. Under federal tax rules, losses from asset sales realized in 2009 can be carried back and applied to taxable income from 2007, which will result in a sizable federal income tax refund in 2010. Assets sold as part of this strategy included the remaining assets of our Victoria Park community in Deland, Florida and our St. Johns Golf & Country Club outside of Jacksonville, Florida.

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

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

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

Compensation Objectives

In the difficult and challenging operating environment of recent years, our compensation program has been focused primarily on retaining key executives while motivating them to optimize the operational performance of the Company and focus on long-term value creation for our shareholders. For these reasons, our compensation program is designed to:

reward executive officers who have contributed in substantive ways to the success of the Company and the creation of long-term shareholder value;

retain executive officers that meet or exceed the Company s performance standards; and

provide executive officers with an ownership stake in the Company in order to align their interests with those of shareholders.

To accomplish these objectives, we have implemented a compensation program for our executive officers consisting of base salaries, annual performance-based cash bonuses, equity

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awards and certain retirement, health and welfare benefits. Each element of total compensation is linked to a compensation objective:

- base salaries and fringe benefits are intended to retain talented individuals;
- annual cash bonuses are designed to promote and reward outstanding short-term performance based on pre-determined Company goals; and
- equity awards are intended to align the financial interests of executive officers with shareholders, to promote sustained long-term performance, to reward executive officers for such performance and to motivate them to stay with the Company.

Peer Group Compensation Review

As part of our analysis in determining executive officer compensation, we look to compensation practices at other companies to determine if we are in-line with market compensation practices. In 2009, with the assistance of the Compensation Committee s compensation consultant, Towers Watson, we created a peer group of companies with significant real estate or real estate-related activities, such as development companies, large property owners, companies with significant timber holdings, homebuilders and real estate investment trusts. We believe that these types of companies employ management with similar skillsets as our management team, and they could be competitors for executive talent. Importantly, we also included only public companies in the peer group as there are management issues and concerns unique to operating as a public company. Finally, we limited the peer group to public companies with a market capitalization in the range of one-half to two times the market capitalization of our Company as we believe that companies of a similar size would be more likely to experience similar strategic and operational goals and challenges.

The companies in the peer group included the following:

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

Towers Watson compiled summary compensation data for the peer group for our review. We reviewed the information for general comparative purposes, but did not establish any formal benchmarks or guidelines. After review, we determined that our compensation practices are generally consistent with the practices of the peer group and no immediate changes were made in our compensation practices as a result of the review.

Internal Pay Equity

Factors Considered. When structuring the compensation levels of the named executives as compared to each other, we consider various factors, including the following:

- the level of the named executive s operational and organizational responsibility;
- the relative importance of the named executive s operational and organizational specialty in our business and corresponding premiums associated with hiring the best in class with those specialties with higher relative importance;
- the breadth and scope of the named executive s responsibilities as we have consolidated our business and management team;
- pay levels at other companies for comparable executive positions;
- the source or talent pool from which the named executive was recruited;
- the availability of other candidates qualified to fill the named executive s position;
- the named executive s possible exposure to personal legal liability arising from his or her position; and
- the named executive s performance during the time in the position.

In addition, current market dynamics may exert pressure from time to time as competing organizations attempt to attract talented individuals with the skills to navigate the challenges related to the real estate and economic downturn. Such methods could include recruiting executives with underwater stock options to a competing company with large stock option grants offered at lower stock prices.

Discussion of Named Executives. As President and Chief Executive Officer, Mr. Greene s total compensation is significantly higher than the other named executives. See the Summary Compensation Table on page 35. Mr. Greene has been with the Company since 1998 and has gained extensive experience successfully managing various aspects of our business. This knowledge of the Company and depth of operational experience is valuable in his role as President and CEO, especially during the current challenging real estate operating environment. Mr. Greene s compensation reflects our desire to retain his services and motivate his performance. Further, due to our successful cost-cutting measures, including significantly reduced headcount, Mr. Greene is required to exercise extensive direct oversight of many operational areas of the Company. In addition, as President and CEO, he holds the highest level of operational, organizational and strategic responsibilities within Company management and is exposed to personal legal liability (for example, signing annual and quarterly financial statement certifications).

As Executive Vice President and Chief Financial Officer, Mr. McCalmont s 2009 compensation was also significantly higher than the other named executives. This difference reflects Mr. McCalmont s critically important role in proactively managing and responding to our current challenging operating conditions. For example, Mr. McCalmont has been instrumental in reducing our cash expenditures, eliminating expenses and increasing our financial flexibility which better position the Company to withstand the difficult conditions in the economy and in our real estate markets. Mr. McCalmont has also assumed significant operational responsibilities, including management of the Company s commercial, resort and clubs and information services operations. He is also exposed to personal legal liability (for example, signing annual and quarterly financial statement certifications).

The other current named executives were hired into roles with less operational responsibility or were promoted from more junior positions within the Company to assume greater responsibility over time.

Base Salaries

The base salaries of our named executives at December 31, 2009 (or in the case of Mr. Solomon, December 30, 2009, his date of termination) were as follows:

Name	Position	2009 Base Salary ($)
Wm. Britton Greene	President and Chief Executive Officer	700,000
William S. McCalmont	Executive Vice President and Chief Financial Officer	400,000
Christine M. Marx	Former General Counsel and Corporate Secretary	325,000
Stephen W. Solomon	Former Senior Vice President and Treasurer	291,500

Mr. Greene s base salary was not increased in 2009. Mr. McCalmont received an approximately 11% base salary increase in 2009 in connection with his promotion to Executive Vice President in January 2009 and his increased operational responsibilities described above. The other named executives received only modest annual base salary increases at the same rates of increase awarded to other employees.

Although sizable base salaries are important for executive recruitment and retention, we believe having a significant, or even a majority, of an executive s total compensation linked to the performance of the Company serves to more effectively align executives and shareholders interests. For 2009, the proportion of base salary to target total compensation for our named executives ranged from 26% (for Mr. Greene) to 44% (for Mr. Solomon).

Annual Performance-Based Bonuses

We adopted in 2009 an annual incentive plan designed to reward short term performance by linking cash bonus awards with the achievement of annual Company performance goals. We believe that making such compensation at risk provides significant motivation for increasing individual and Company performance.

Mechanics of the Plan. In the past, we have had formulas for determining the payout under an award based on the percentage of goal achievement. This year, we purposefully moved away from formulas in favor of allowing the Committee to retain greater discretion regarding the evaluation of Company performance, the weighting of goal achievement and the degree of award payouts. We believed that this type of model would more accurately reflect the type of value-creation business initiatives and goals needed in the current difficult operating environment.

In early 2009, we assigned each named executive a designated target award calculated as a percentage of the named executive s base salary. The target awards, expressed as a percentage of base salary with the corresponding dollar amount, were as follows: Mr. Greene, 100% ($700,000); Mr. McCalmont, 75% ($300,000); Ms. Marx, 65% ($211,250); and Mr. Solomon, 50% ($145,750). The actual awards could range from 0% to 100% of the target awards based on the Committee s determination of the percentage achievement of the

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Company s performance goals. The Committee retained the discretion, however, to pay more than 100% of the target awards for exceptional Company performance.

2009 Performance Goals. At the beginning of 2009, we expected that our real estate markets would continue to experience low levels of activity due to the ongoing real estate downturn, the credit crisis and recessionary economic conditions. In this difficult operating environment, we knew that we would need to focus on a variety of activities necessary to strengthen the Company to withstand the current adverse market conditions and to create long term shareholder value, none of which could be measured solely by traditional operating metrics such as earnings per share, revenues or EBITDA.

We could have used earnings or revenues goals for our short-term incentive plan, but we believe that such measures could have been detrimental to our long-term value creation efforts. For example, if we had used a revenues goal, we could have been incentivized to sell large tracts of rural land that could be more valuable to the Company and our shareholders in the future.

The performance goals established for the 2009 plan, the rationale behind the goals and the achievement of the goals, are described as follows:

1. Maintain a strong liquidity position consistent with the 2009 Business Plan. Specifically, we established a goal to end 2009 with at least $225 million of liquidity, including cash and available capacity on our revolving credit facility.

> ***Rationale:*** With greatly diminished revenues and income from operations as a result of the current difficult operating environment, the creation and conservation of significant cash reserves are needed to sustain the Company. Focusing on cash as an operating metric also enables us to accomplish important strategic transactions, such as the disposition of non-strategic assets at a loss and the pension plan annuitization, which may generate non-cash accounting charges that could negatively impact our earnings, but that would nevertheless be beneficial to the Company.
>
> ***Achievement:*** We significantly exceeded this goal by ending 2009 with liquidity of approximately $289 million, including approximately $164 million of cash and $125 million of available capacity on our revolving credit facility. In addition to the achievement of the quantitative goal, the Committee also qualitatively evaluated the measures taken by management to achieve this liquidity position, such as the disposition of non-strategic assets and the successful increase in the size of our revolving credit facility.

2. Position our lands in the West Bay Sector to be available for commercial and industrial customers and partners. In this area, we established specific goals for 2009 (i) to prepare at least 52 acres of shovel-ready parcels in the West Bay Sector Plan, and (ii) to assist the local airport authority in obtaining approval for an extension of the runway at the Northwest Florida Beaches International Airport to 10,000 feet.

> ***Rationale:*** We own 71,000 acres in the West Bay Sector Plan in Bay County, Florida surrounding the new Northwest Florida Beaches International Airport, which is scheduled to open in May 2010. In order to realize benefits from the expected demand for our real estate adjacent to the new airport, it is critically important that we have commercial real estate sites ready and available for customers to purchase or lease. In addition, a 10,000 foot runway at the airport increases the universe of potential commercial users of the new airport.

Achievement: We achieved these goals by successfully assisting the local airport authority in obtaining the necessary approvals for the runway extension and by preparing 110 acres of shovel-ready parcels in the West Bay Sector Plan.

3. Execute at least one agreement that will promote economic development in the West Bay Sector.

Rationale: An important strategy of the Company is to engage third-parties that are willing to invest in the future of Northwest Florida, which will ultimately create value in our significant land holdings there. Currently, we are focusing our greatest efforts on stimulating economic development on our lands in the West Bay Sector adjacent to the new Northwest Florida Beaches International Airport. This area has momentum and significant potential for commercial activity in connection with the opening of the new airport.

Achievement: We successfully achieved this goal by executing an important strategic alliance agreement with Southwest Airlines providing for the commencement of low-fare air service to the new airport when it opens. We expect that the connectivity Southwest Airlines brings to the region will stimulate tourism, economic development, job growth and real estate absorption in our projects across Northwest Florida, including activity in the West Bay Sector. We also signed agreements with The Haskell Company, TranSystems Corporation and CB Richard Ellis Group, Inc. to masterplan and market for joint venture, lease or sale certain land in the West Bay Sector adjacent to the new airport.

4. Create and implement a business plan for JOE s current mitigation banks. Specifically, we established a goal to sell at least 10 mitigation bank credits by the end of 2009. We own conservation lands that are designated as environmental mitigation banks with credits that can be used for development projects. Although we originally intended to use these mitigation banks for our own development activities, the available credits can be sold to third-party developers.

Rationale: In the current difficult operating environment, it is important that we seek to find innovative ways to generate revenues from our existing resources. Another purpose of this goal is to encourage creativity and innovation that can be used to develop other revenue-generating projects and initiatives.

Achievement: We signed contracts for the sale of 7.4 credits in 2009 and successfully obtained regulatory approvals to increase the geographic areas in which credits from our existing mitigation banks may be used, which will expand the number of potential purchasers of our mitigation bank credits in the future.

Award Payouts Under the Plan. In order to determine the award payouts under the short-term incentive plan, the Committee evaluated the achievements for all of the goal categories, using its discretion to determine the weighting and relative achievement of the performance goals, and also considered additional Company achievements during 2009. In light of the significant goal achievements described above, the Committee determined that the Company s performance goals were 100% achieved. Citing exceptional Company and individual performance during 2009, Mr. Greene was awarded $750,000 (a 107% payout), and Mr. McCalmont was awarded $325,000 (a 108% payout). Ms. Marx and Mr. Solomon both received a 100% payout under the plan. See the Summary Compensation Table on page 35 and Grants of Plan-Based Awards in 2009 on page 39 for more information regarding the 2009 awards under the short-term incentive plan.

Long-Term Incentive Program

Our long-term incentive program is designed to align executive and shareholder interests and encourage long-term executive performance and retention. Our shareholders approved last year a new Equity Incentive Plan that provides for a variety of possible equity-based awards. Our Equity Incentive Plan is administered by the Compensation Committee.

Equity Grant Practices. Our practice has been to make at least one equity award each year to our named executives as part of their total annual compensation. These awards are based on an established percentage of their base salaries. The target award percentages for the named executives for 2009 were as follows: Mr. Greene, 185%; Mr. McCalmont, 125%; Ms. Marx, 75%; and Mr. Solomon, 75%. These award percentages were determined to be in line with the peer group practices described above. The internal pay equity factors described above also support the higher target percentages for Mr. Greene and Mr. McCalmont.

Annual equity awards are granted in February at the regular quarterly meeting of the Committee. The Committee s quarterly meetings are scheduled in September of the prior year. Committee meetings are scheduled without regard to anticipated earnings announcements or the release of other material, non-public information. Generally, the date the Committee takes action with respect to an award is the same date as the grant date for the awards. Generally, awards of restricted stock are initially denominated in dollars, which amounts are then converted to shares by dividing the approved dollar value of the award by the closing share price on the date of grant. We do not backdate stock options.

2009 Equity Grants. Each named executive was granted an annual equity award that included both (1) restricted stock that may vest depending upon Company performance over a three year performance period, and (2) restricted stock vesting in equal annual installments over four years. The target awards for the named executives were initially calculated based on the target award percentages described above with the two types of awards equally weighted. For the restricted stock with performance-based vesting conditions, the targeted shares were then doubled in order to provide upside potential to the executives in the event of exceptional Company performance.

After calculating the target awards as described above, the Committee then reduced the number of shares to be awarded to each executive in the 2009 grants by approximately 30%. The Committee implemented this reduction because it perceived that the Company s stock price on the date of grant was unusually depressed due to market factors in late 2008 and early 2009 unrelated to the intrinsic value of the Company, such as the continuing crisis in the financial system and the recession. Without this significant reduction, the Committee was concerned that the named executives would receive a windfall when the financial markets returned to more normal trading conditions.

The restricted stock with performance-based vesting conditions will vest according to how well our total shareholder return during the performance period compares to the total shareholder returns of companies within two peer groups established by reference to the S&P 500 Index and the S&P SuperComposite Homebuilder Index. See Grants of Plan-Based Awards in 2009 on page 39 for more information about these equity grants and the performance-based vesting conditions.

We believe that restricted stock with performance-based vesting conditions provide the perceived certainty of restricted stock awards and align the financial interests of executives with shareholders by promoting stock price appreciation. Because of the fluctuations in our stock price due to uncertainties in the financial markets and the current difficult operating

environment, another form of equity award, such as stock options, may not have provided the same level of perceived value as restricted stock with performance-based conditions. Restricted stock grants also deliver value more efficiently than stock options by delivering intended value with fewer shares. This benefits existing shareholders through less dilution of their ownership and the delivery of value while using fewer authorized shares under our equity incentive plans.

We also included restricted stock with time-based vesting in our 2009 grants in order to provide our executives with a strong retention incentive and the stability of incentive payouts during the current down business cycle. Although less effective than stock options or restricted stock with performance-based vesting conditions, restricted stock with time-based vesting also serves to motivate performance as its value increases with stock price increases.

Policies Regarding Equity Ownership. We have a Stock Ownership Policy in order to promote the alignment of the financial interests of our senior management and directors with our shareholders. The policy requires senior management, including the named executives, to own a minimum amount of Company stock (either a minimum number of shares or a minimum value of owned shares) ranging from 5,000 shares or $275,000 to 100,000 shares or $5.5 million. For directors, the minimum amount of Company stock required to be owned under the policy is 5,000 shares or $275,000.

The executives subject to the policy have five years from the date of adoption to reach the minimum ownership thresholds. The thresholds for those age 55 or older will be reduced by 10% per year up to 50% because the Committee thought it reasonable to allow for a certain amount of investment diversification as the executives approach retirement age in light of the volatility of stock prices in the real estate industry.

We do not reprice stock options to account for decreases in our share price after the date of grant. We prohibit short sales on our stock, and the purchase or sale of options, puts, calls or other derivative securities that are directly linked to our stock, by named executives and other officers and directors. Certain members of management, including the named executives and directors, are required to receive permission from our legal department prior to conducting transactions in Company securities. We have quarterly blackout periods, and unscheduled blackout periods from time-to-time, during which no trading is permitted by these persons.

Retirement Plans

The Company provides retirement benefits to the named executives through a cash balance defined benefit pension plan (the Pension Plan), a 401(k) retirement plan, a non-qualified supplemental executive retirement plan (SERP) and a non-qualified deferred capital accumulation plan (DCAP). The terms of these plans and the benefits accrued to the named executives under the plans are described under Pension Benefits in 2009 on page 44 and Nonqualified Deferred Compensation in 2009 on page 46. We believe that these retirement benefits are important tools for retaining and rewarding executive officers service by providing meaningful retirement savings through tax-favorable plans. Although we have no target percentage for retirement plans to contribute to total compensation, we do consider retirement benefits when setting an executive officer s total compensation.

Other Compensation

We provide our named executives with other benefits, reflected in the All Other Compensation column in the Summary Compensation Table on page 35, that we believe are reasonable, competitive, supported by a clear business rationale and consistent with our overall executive compensation program. The costs of these benefits constitute only a small percentage of each named executive s total compensation, and include, among other things, financial planning expenses, premiums paid on life insurance policies and the cost of an annual physical.

Severance Payments to Ms. Marx and Mr. Solomon

We have made, or will make, payments to Ms. Marx and Mr. Solomon in connection with their termination of employment in December 2009. These amounts are required to be paid pursuant to the terms of Ms. Marx s employment agreement and Mr. Solomon s severance agreement. These payments are described under the heading All Other Compensation on page 37 and Potential Payments Upon Termination or Change in Control on page 47.

Employment Agreements

Mr. Greene and Mr. McCalmont. Mr. Greene and Mr. McCalmont currently have employment agreements with the Company, the primary purpose of which is to provide compensation to the executive in the event of termination without cause. Mr. Greene and Mr. McCalmont have substantially the same form of employment agreement which provides for payments in the event of certain termination events occurring either before or after a change in control. Prior to a change in control, if Mr. Greene terminates his employment for good reason or he is terminated without cause, he would receive, among other payments, a lump sum payment equal to two times the sum of his base salary plus target bonus (a 2.0 multiple). In the same circumstances, Mr. McCalmont s agreement provides for a lump sum payment calculated using a 1.5 multiple. Both employment agreements provide for a 2.0 multiple for termination events occurring after a change in control. The employment agreements have double triggers in that a change in control alone will not require payments, unless a termination event occurs as well.

These employment agreements promote two objectives beneficial to the Company. First, they provide these executives with the financial security needed to allow them to fully focus on their operational responsibilities. The Company is facing a very challenging operating environment which requires full management attention. Secondly, we believe that the benefits provided by these employment agreements are in-line with current compensation practices of other public companies that could be competitors for our executive talent. Without these employment agreements, we could have difficulty retaining our named executives.

Other than termination benefits, the employment agreements provide that the named executives are entitled to receive at least the base salary in effect for the executive on the date of the employment agreement, together with guaranteed participation in our annual bonus plan and other incentive, retirement and savings plans. The agreements also provide for an annual physical and up to $10,000 per year for financial planning expenses. The employment agreements have no termination date.

Ms. Marx. Ms. Marx had the same form of employment agreement as Mr. Greene and Mr. McCalmont (with a 1.5 multiple) prior to her termination of employment in December 2009. We have made, or will make, payments to Ms. Marx as required by the provisions of her employment agreement regarding termination without cause.

Mr. Solomon. Mr. Solomon elected to retain his existing employment and severance agreements entered into in 1999 when he joined the Company instead of signing the new standard form of employment agreement in 2007. Mr. Solomon s severance agreement provides for a 3.0 multiple (3.0 times the sum of his base salary plus the average of his bonus for the three prior years) for termination events occurring after a change in control.

In May 2009, our largest shareholder and its affiliated entities increased their ownership of our common stock to more than 25% of our outstanding common stock. This event qualified as a change in control under Mr. Solomon s severance agreement. We have made, or will make, payments to Mr. Solomon as required by the provisions of his severance agreement regarding termination following a change in control. Mr. Solomon also had an employment agreement which is no longer relevant as it pertained to termination events occurring prior to a change in control.

Additional Information. The termination provisions of the employment or severance agreements of the named executives and the potential or actual payments under these agreements in connection with specific termination events, whether before or after a change in control, are more specifically described under Potential Payments Upon Termination or Change in Control on page 47. The payments to Ms. Marx and Mr. Solomon are also discussed under All Other Compensation on page 37.

Compensation Committee Report

The Compensation Committee has reviewed and discussed with management the Compensation Discussion and Analysis included in this proxy statement. Based on its review and discussions with management, the Committee recommended to our Board of Directors that the Compensation Discussion and Analysis be included in the Company s 2010 proxy statement. This report is provided by the following independent directors, who comprise the Committee:

Michael L. Ainslie, Chair
Hugh M. Durden
Thomas A. Fanning
Delores M. Kesler

Compensation Committee Interlocks and Insider Participation

During 2009, the Compensation Committee consisted of, and it currently consists of, independent members of the Board of Directors. No current or former member of the Committee is or was during 2009 an executive officer of another company on whose board or its comparable committee one of our executive officers serves.

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Summary Compensation Table

The table below summarizes the total compensation paid or awarded to each of the named executives for the years ended December 31, 2009, 2008 and 2007, calculated in accordance with SEC rules.

and Position	Year[1]	Salary[2] ($)	Bonus[3] ($)	Stock Awards[4] ($)	Option Awards ($)	Non-Equity Incentive Plan Compensation ($)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($)	All Other Compensation ($)
reene[5]	2009	726,923	-0-	1,109,736	-0-	750,000	65,238	156,373
ief	2008	664,904	-0-	5,423,650	-0-	490,000	18,492	100,494
r	2007	514,134	-0-	312,517	984,899	163,700	22,525	88,166
almont[6]	2009	407,789	-0-	428,490	-0-	325,000	29,001	66,251
resident and	2008	344,615	-0-	986,929	-0-	164,000	38,847	58,686
Officer	2007	208,654	-0-	1,828,015	1,728,900	95,900	-0-	217,038
arx[7]	2009	335,888	15,000	203,506	-0-	211,250	51,606	925,168
Counsel and	2008	314,844	-0-	650,087	-0-	133,000	30,187	65,012
ary	2007	305,396	-0-	572,490	351,001	77,800	29,613	74,431
omon[8]	2009	301,390	-0-	182,928	-0-	145,750	114,310	1,482,234
ice President	2008	282,744	-0-	581,594	-0-	99,600	12,047	34,998

1 More information regarding 2008 compensation is found in our 2009 proxy statement filed with the SEC on March 31, 2009, and more information regarding 2007 compensation is found in our 2008 proxy statement filed with the SEC on March 28, 2008.

2 For 2009, actual salaries paid slightly exceeded annual base salary levels due to our bi-weekly pay calendar which included a December 31 payroll.

3 The bonus amounts paid under our 2009 short-term incentive plan are reported in the Non-Equity Incentive Plan Compensation column.

4 The 2009 stock award amounts include the grant date fair value of awards with time-based vesting, as well as the grant date fair value of performance awards. The grant date values of the performance awards for the named executives are: Mr. Greene, $658,290; Mr. McCalmont, $254,178; Ms. Marx, $120,719; and Mr. Solomon,

$108,512. The grant date fair values of the performance awards were calculated based on the probable outcome of the performance conditions on the date of grant, consistent with the applicable accounting literature. If we had assumed that the highest level of performance conditions are probable, the maximum values of the performance awards as of the date of grant would have been as follows: Mr. Greene, $902,893; Mr. McCalmont, $348,624; Ms. Marx, $165,575; and Mr. Solomon, $148,832.

[5] Mr. Greene was promoted to Chief Executive Officer on May 13, 2008. Prior to that time he served as President and Chief Operating Officer.

[6] Mr. McCalmont commenced employment as Chief Financial Officer on May 10, 2007. He was promoted to Executive Vice President on January 31, 2009.

[7] Ms. Marx s employment with the Company terminated on December 31, 2009.

[8] Mr. Solomon s employment with the Company terminated on December 30, 2009. Mr. Solomon was not a named executive for 2007, and information for that year has been omitted.

Salary and Bonus

A discussion of the 2009 base salaries of the named executives is set forth under Base Salaries in the CD&A on page 28. The discussion under Internal Pay Equity in the CD&A on page 27 provides information regarding the varying salary levels of the named executives. In addition to the bonus amounts reported for the named executives in the Non-Equity Incentive Plan Compensation column, Ms. Marx was paid an additional $15,000 bonus for exceptional performance in 2009.

Stock Awards and Option Awards

For a discussion of our long-term incentive program and our 2009 equity grants, refer to Long-Term Incentive Program in the CD&A on page 31.

The amounts shown reflect the grant date fair value of restricted stock and stock options granted in the years shown, excluding any contingency for forfeitures. The assumptions used in the calculation of these amounts for 2009 are described in note 2 of our financial statements in our Form 10-K for the year ended December 31, 2009, as filed with the SEC on February 23, 2010.

Since these amounts reflect the grant date fair value for these awards, they may not correspond to the actual value that will be realized by the named executives after the awards vest and when the related common stock is sold. To see the value actually received by the named executives in 2009 from equity awards in prior years, refer to Option Exercises and Stock Vested in 2009 on page 44.

Non-Equity Incentive Plan Compensation

The amounts reported in the Non-Equity Incentive Plan Compensation column reflect the bonus amounts earned by the named executives under our short-term incentive plan in 2009. The material provisions of that plan are described in the CD&A under Annual Performance-Based Bonuses on page 28. These amounts are the actual amounts earned by each named executive under the awards described under Grants of Plan-Based Awards in 2009 on page 39. Payments under the short-term incentive plan were based on the Company s performance during 2009 as described in the CD&A under Annual Performance-Based Bonuses 2009 Performance Goals on page 29.

Change in Pension Value and Nonqualified Deferred Compensation Earnings

The amounts reported in this column represent the sum of (1) the change in present values of the pension plan benefits for each named executive and (2) the above-market interest earned on each named executive s account in the DCAP. The following table summarizes the amounts attributable to each category for the named executives:

Name	Year	Change in Pension Value ($)	DCAP Above Market Interest ($)
Mr. Greene	2009	65,238	-0-
Mr. McCalmont	2009	29,001	-0-
Ms. Marx	2009	43,095	8,511

Mr. Solomon	2009	90,921	23,389

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The changes in pension values shown reflect the changes in the present value of pension benefits from one year end to the next. Factors affecting the changes in present values include the impact of the value of benefits earned in the current year, the growth in the value of benefits earned in prior years due to the passage of time and the impact of changes in assumptions. This present value calculation is based on actuarial assumptions and discounting and is not a direct reflection of the change in each participant s actual account balance in the pension plan during the year.

The assumptions used to calculate the change in present values include a discount rate of 5.63% at December 31, 2009 and 6.35% at December 31, 2008; future interest crediting rate of 4.25% at both December 31, 2009 and December 31, 2008; lump sum form of payment; and a normal retirement age of 65. Turnover, disability, future salary increases, pre-retirement mortality and increases in IRC 401(a)(17) compensation limits were ignored for calculation purposes.

Refer to Pension Benefits in 2009 on page 44 for more information about the pension benefits available to the named executives.

We pay 7% interest on participants accounts in the DCAP. The amounts shown above reflect the portion of the interest payment in excess of 5.51%, or 120% of the applicable federal long-term interest rate. These payments are deemed by the SEC to be above-market interest payments. The total interest payment to the DCAP for each named executive is shown under Nonqualified Deferred Compensation in 2009 on page 46.

All Other Compensation

The following table describes each component of the amounts shown in the All Other Compensation column for 2009.

Name	**Company Contributions to SERP ($)**	**Company Contributions to 401(k) and DCAP ($)**	**Financial Planning Expenses ($)**	**Term Life Insurance Premiums ($)**	**Annual Physical Exam ($)**	**Severance Benefits ($)**	**Total ($)**
Mr. Greene	143,419	8,575	3,479	900	-0-	-0-	156,373
Mr. McCalmont	53,100	8,575	3,005	590	981	-0-	66,251
Ms. Marx	57,541	11,933	10,000	481	-0-	845,213	925,168
Mr. Solomon	33,511	10,915	10,000	436	-0-	1,427,372	1,482,234

Company Contributions to SERP, 401(k) and DCAP. We make annual contributions to each named executive s account maintained in connection with the SERP, DCAP and 401(k) plan. A discussion of these retirement plans is found in the CD&A under Retirement Plans on page 32. More information regarding the SERP and DCAP is found under Nonqualified Deferred Compensation in 2009 on page 46. With respect to the Company contributions to the 401(k) plan and the DCAP, the Company contributed $8,575 to each named executive s account in the 401(k) plan, and any amount in excess of $8,575 reflects contributions to the DCAP.

Financial Planning Expenses. Each named executive may be reimbursed for up to $10,000 annually for financial planning expenses. We believe that this benefit helps the named executives to optimize the value received from all of the compensation elements offered by the Company.

Term Life Insurance Premiums. These amounts represent life insurance premiums paid by the Company on behalf of the named executive officers for term life insurance premiums for policies providing coverage based on their base salaries up to $600,000. These policies are available to all full-time employees.

Annual Physical Exam. Each named executive may be reimbursed for up to $5,000 annually for the cost of a physical exam.

Severance Benefits. The amount shown for Ms. Marx includes the following cash amounts paid, or payable, pursuant to her employment agreement in connection with her termination of employment:

$804,375 severance payment calculated as 1.5 times the sum of Ms. Marx s base salary plus her targeted annual bonus;

$20,838 for the approximate cost of the Company s portion of the health insurance premiums to be paid for 18 months based on 2010 rates for these benefits; and

$20,000 as possible reimbursement for outplacement services.

The amount shown for Mr. Solomon includes the following cash amounts paid, or payable, pursuant to his severance agreement in connection with his termination of employment:

$1,095,300 severance payment calculated as three times the sum of Mr. Solomon s base salary plus an average of his bonuses for the three prior years;

$256,262 for a supplemental pension amount;

$25,271 for his accrued vacation time;

$30,540 for the approximate cost of health insurance premiums to be paid for 18 months based on 2010 rates for these benefits. We would be required to pay for continued health insurance for an additional 24 months in the event that Mr. Solomon remains unemployed after 18 months; and

$20,000 as possible reimbursement for outplacement services.

Refer to Severance Payments to Ms. Marx and Mr. Solomon on page 33 and Potential Payments Upon Termination or Change in Control on page 47 for more information.

Other Benefits. We maintained private box leases in 2009 in a football stadium and a sports and entertainment arena for business purposes. We did not renew either of these private box leases for 2010. Occasionally, named executives invited family members and friends to use these venues for personal purposes. This personal use has no incremental costs to the Company other than incidental catering charges.

The Company purchases hours of flight time from a corporate aircraft service for business purposes. We did not provide hours of personal flight time at our expense to any named executive in 2009. Infrequently, however, spouses of named executives may accompany named executives during business flights. This spousal use has no incremental cost to the Company.

The named executives may have received additional incidental perquisites not subject to SEC reporting.

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Grants of Plan-Based Awards in 2009

The following table provides information about equity and non-equity awards granted to the named executives in 2009.

Name	Grant Date	Estimated Possible Payouts Under Non-Equity Incentive Plan Awards Target ($)	Estimated Future Payouts Under Equity Incentive Plan Awards Threshold (#)	Target (#)	Maximum (#)	All Other Stock Awards: Number of Shares of Stock or Units (#)	Grant Date Fair Value of Stock Awards ($)
Mr. Greene	2/10/2009	700,000					
	2/10/2009		5,245	20,349	41,956		658,290
	2/10/2009					20,978	451,447
Mr. McCalmont	2/10/2009	300,000					
	2/10/2009		2,025	7,857	16,200		254,178
	2/10/2009					8,100	174,312
Ms. Marx	2/10/2009	211,250					
	2/10/2009		962	3,732	7,694		120,719
	2/10/2009					3,847	82,787
Mr. Solomon	2/10/2009	145,750					
	2/10/2009		865	3,354	6,916		108,512
	2/10/2009					3,458	74,416

Estimated Possible Payouts Under Non-Equity Incentive Plan Awards

This column shows the 2009 target payout for each named executive under our short-term incentive plan. There were no threshold or maximum amounts payable under the plan. The plan was structured such that the named executives could have earned between 0% and 100% of the target awards depending on the achievement of the performance goals, but the plan also stated that the Compensation Committee, in its discretion, could choose to pay more than 100% of the target awards for exceptional Company performance. The performance goals and salary multiples for determining the target payouts are described in the CD&A under Annual Performance-Based Bonuses on page 28.

The amounts shown represent cash payouts that were possible under our short-term incentive plan. The potential payouts were performance-based and completely at risk. The actual payouts under the 2009 short-term incentive plan are found in the Summary Compensation Table on page 35.

Estimated Future Payouts Under Equity Incentive Plan Awards

The awards shown were grants of restricted stock with performance-based vesting conditions. The vesting of these shares will be based on the performance of our stock price from February 10, 2009 through January 31, 2012. The total shareholder return of our stock during the performance period will be measured and compared to the total shareholder return of companies in certain peer groups established by reference to the S&P 500 Index and the S&P SuperComposite Homebuilder Index. Our total shareholder return and the total shareholder return for each company in the peer groups will be calculated based on the change in each company s stock price, plus any dividends paid, divided by the beginning stock price for each company.

Once our percentile rank is determined with respect to each peer group, our overall percentile rank will be determined by averaging the two ranks, weighting the percentile rank for the S&P 500 peer group at 40% and for the S&P Homebuilder peer group at 60%. Our weighted composite percentile rank will then be used to determine the number of the shares awarded that will actually vest, if any, according to a graduated vesting schedule. The vesting schedule for these awards is as follows:

Company s Weighted Average Percentile Rank	Percent of Restricted Shares to Vest
75th and above	100%
70th	90
65th	80
60th	70
55th	60
50th	50
45th	42.5
40th	35
35th	27.5
30th	20
25th	12.5
Below 25th	0

The threshold amount shown in the table represents 12.5% vesting based on the achievement of a 25th percentile rank. The maximum amount shown represents 100% vesting based on the achievement of a 75th or greater percentile rank. There is no target amount specified in the vesting schedule for these awards. Pursuant to SEC rules, however, the target amount shown in the table is a representative amount of the shares that would vest based on our percentile rank at December 31, 2009 (48.5%). This amount reflects performance for only the first 9.5 months of the three year performance period and could vary significantly over the remainder of the performance period.

During the restricted period, each share of restricted stock entitles the named executive to receive any dividends that we may declare with respect to our common stock. We, however, do not currently pay any quarterly dividends.

For more information regarding the 2009 grants of restricted stock with performance-based vesting conditions, refer to the discussion in the CD&A under the heading Long-Term Incentive Program 2009 Equity Grants on page 31.

All Other Stock Awards

The stock awards shown were grants of restricted stock with time-based vesting. The February 10, 2009 awards were granted with a vesting schedule of 25% annually beginning on the first anniversary of the grant date.

During the restricted period, each share of restricted stock entitles the named executive to receive any dividends that we may declare with respect to our common stock. We, however, do not currently pay any quarterly dividends.

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For more information regarding the 2009 grants of restricted stock, refer to the discussion in the CD&A under the heading Long-Term Incentive Program 2009 Equity Grants on page 31.

Grant Date Fair Value of Stock Awards

This column shows the grant date fair value under FASB ASC Topic 718 of the restricted stock granted to the named executives in 2009, excluding any contingency for forfeitures. Generally, the grant date fair value is the amount that we would expense in our financial statements over the award s vesting schedule. For restricted stock with time-based vesting conditions, the fair value is calculated using the closing price of our common stock on the grant date.

For restricted stock with performance-based vesting conditions, the fair value is determined using a Monte Carlo simulation pricing model. This model is based upon the closing price of our common stock on the grant date, and takes into account assumptions regarding a number of other variables including expected stock price volatility over the term of the awards, the relative performance of our stock price and shareholder returns compared to those companies in our peer groups and a risk-free interest rate assumption. For additional information regarding the valuation assumptions, refer to note 2 of our financial statements in our Form 10-K for the year ended December 31, 2009, as filed with the SEC on February 23, 2010.

The grant date fair values of the restricted stock with performance-based vesting conditions were calculated based on the probable outcome of the performance conditions on the date of grant, consistent with the applicable accounting literature. If we assume that the highest level of performance conditions are probable, the maximum values of the performance awards as of the date of grant would be as follows: Mr. Greene, $902,893; Mr. McCalmont, $348,624; Ms. Marx, $165,575; and Mr. Solomon, $148,832.

The amounts shown reflect the grant date fair values for the awards, and do not necessarily correspond to the actual value that will be recognized by the named executives from the awards. Whether, and to what extent, a named executive realizes value will depend on our stock price at the time of vesting and at the time of sale of the related common stock.

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