ST JOE CO
Form 10-K
February 25, 2008

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

Form 10-K

(Mark One)

þ	**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934** **For the fiscal year ended December 31, 2007**
	or
o	**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934** **For the transition period from to**

Commission File No. 1-10466

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

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

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

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

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

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

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

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

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

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

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

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

The aggregate market value of the registrant s Common Stock held by non-affiliates based on the closing price on June 30, 2007, was approximately $3.34 billion.

As of February 21, 2008, there were 105,478,740 shares of Common Stock, no par value, issued and 75,320,370 shares outstanding, with 30,158,370 shares of treasury stock.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant s definitive Proxy Statement for the Annual Meeting of our Shareholders to be held on May 13, 2008 (the proxy statement) are incorporated by reference in Part III of this Report. Other documents incorporated by reference in this Report are listed in the Exhibit Index.

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* Portions of the Proxy Statement for the Annual Meeting of our Shareholders to be held on May 13, 2008, are incorporated by reference in Part III of this Form 10-K.

PART I

Item 1. *Business*

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

JOE was incorporated in 1936 and is now one of the largest real estate development companies in Florida. We believe that we are the largest private landowner in Florida. The majority of our land is located in Northwest Florida. We own approximately 700,000 acres, approximately 310,000 acres of which are within ten miles of the coast of the Gulf of Mexico.

We are engaged in town and resort development, commercial and industrial development and rural land sales. We also have significant interests in timber. We believe we are one of the few real estate development companies to have assembled the range of real estate, financial, marketing and regulatory expertise necessary to take a large-scale approach to real estate development. We believe we have a number of key business strengths and competitive advantages, including one of the largest inventories of private land suitable for development in Florida, as well as a very low cost basis in most of our land.

Our four operating segments are:

Residential Real Estate

Commercial Real Estate

Rural Land Sales

Forestry

Our mission is to create a family of places in Northwest Florida that inspire people and make the region an even better place to live, work and play. We seek to accomplish our mission and create value by securing higher and better land-use entitlements, facilitating infrastructure improvements, developing community amenities, undertaking strategic and expert land planning and development, parceling our land holdings in creative ways and performing land restoration and enhancement.

Restructuring

Since 1997, we have created an array of imaginative real estate products ranging from beachfront resorts and suburban, primary neighborhoods to commerce parks and rural recreational properties. During that time we focused on being a comprehensive, end-to-end developer. We were responsible for developing all aspects of a project from the initial land planning and entitlements phase, to infrastructure and amenity construction, to developing finished lots, to building homes for retail customers. This approach to development required a significant commitment of capital and resources.

In September 2006, we announced that we would streamline operations and exit the homebuilding business, which was primarily completed in 2007. Further organizational changes and headcount reductions were implemented in January 2007. In October 2007, we announced another plan for change in our business with the intent of enhancing and accelerating our value creation process.

The current restructuring plan includes the planned divestiture of certain non-core assets, a significant reduction in capital expenditures, a leaner operating structure and an increased focus on the use of strategic business partners. We have increased our focus on business-to-business relationships with strategic partners and customers who are interested in purchasing entitled land, who can provide development capital for projects and who may help accelerate development activity in our markets. We are also increasing our efforts to stimulate regional economic development and to identify and manage key regional inducers, primarily in Northwest Florida. As we have in the past, we will continue to obtain land-use entitlements to reposition our timberland holdings for higher and better uses, as we believe this is a necessary element of optimizing the value of our real estate assets.

In connection with our restructuring plan, we made the strategic decision to outsource the operation and management of our resort and hospitality operations in order to focus on our core development strengths. By the end of 2007, we had management agreements with four third party management companies. These companies are now operating The WaterColor Inn and Resort, our portfolio of golf courses, two marinas, the SummerCamp Beach Club and the WaterSound Beach Club.

As a result of the current restructuring plan, we are significantly reducing our employee base to a projected headcount of approximately 200. Approximately 500 employees in our hospitality, recreational and golf operations were hired by the third-party management companies described above in the fourth quarter of 2007.

Other Recent Developments

In addition to the restructuring described above, our business has experienced the following recent developments:

We announced on February 18, 2008 a management transition plan in which Wm. Britton Greene will become Chief Executive Officer effective as of May 13, 2008, the date of our annual shareholders meeting. Mr. Greene currently serves as our President and Chief Operating Officer. As part of the management transition plan, our current Chairman and Chief Executive Officer, Peter S. Rummell will retire from his position as Chief Executive Officer on May 13, 2008, but will retain his position as Chairman of the Board.

The Panama City/Bay County International Airport and Industrial District (the Airport Authority) continues to make progress on its efforts to relocate and construct a new international airport on land we donated in western Bay County. During 2007, the Airport Authority received final environmental permits, completed its financing package, successfully contracted the sale and redevelopment of its existing property and awarded a construction bid for the new airport. The Airport Authority held a ceremonial groundbreaking event on November 1, 2007.

Since the ground breaking, airport opponents have pursued two separate legal actions to derail the airport project. One is a complaint brought against the Federal Aviation Administration s record of decision in a federal appeals court. The second action is against the US Army Corps of Engineers and the US Fish and Wildlife Service against the environmental permits in federal district court.

In the first action, in January 2008, the court vacated an earlier stay thereby allowing construction to move forward. In the second action, in February 2008, the court denied two motions for injunctions to stop construction. There has not yet been a hearing on the merits of either case, but, in the meantime, construction continues. The Airport Authority estimates that the new airport will open in 2010, barring an adverse outcome in either of these actions, additional legal challenges or other unexpected delays.

We continued to experience difficult conditions in our residential real estate business in 2007, particularly in our resort and seasonal projects. Florida, like many other states across the nation, has experienced a dramatic slowdown in its residential real estate markets since mid-2005. Market conditions continued to deteriorate during 2007. A precipitous decline in demand, together with high levels of inventories of resale homes and home-sites in our markets, continue to negatively impact sales of our products. Further, the current highly publicized problems in the mortgage lending industry, together with the liquidity crisis in the credit markets, have decreased the availability of mortgage financing and created additional negative pressure on demand and consumer confidence in housing.

Due to the severe downturn in the market for residential real estate, we significantly increased our sales of rural land during 2007. We sold 105,963 acres of rural land in 2007, as compared to 34,336 acres in 2006, a 209%

increase. In October 2007, we announced that we would market for sale approximately 100,000 acres of non-strategic rural lands, and we had closed on the sale of 18,274 of these acres by the end of the 2007.

In order to preserve liquidity during difficult market conditions, we ceased paying a quarterly dividend to our shareholders in the fourth quarter of 2007.

In 2004, the Army Corps of Engineers issued a Regional General Permit which enables us to implement large-scale environmental and development planning for 48,150 acres in Walton and Bay Counties. The Natural Resources Defense Council and The Florida Sierra Club filed a lawsuit against the Army Corps of Engineers challenging this Regional General Permit in April 2005. At that time, a federal district court issued a preliminary injunction halting development under the permit. After further consideration, the federal district court in November 2006, upheld the permit and lifted the injunction, allowing development to proceed. An appeal was filed, and in December 2007, the 11th Circuit Court of Appeals affirmed the lower court s ruling and upheld the Regional General Permit. The plaintiffs have filed a petition for rehearing en banc.

We completed the sale of our office building portfolio in a series of transactions during the second and third quarters of 2007 for a total sales price of $377.5 million. The portfolio was located in seven markets throughout the Southeast and consisted of 17 buildings with approximately 2.3 million net rentable square feet.

In August 2007, we purchased the Greg Norman-designed Shark s Tooth Golf Club, together with 28 fully-developed home-sites in the Wild Heron community, additional land parcels and a beach club, all near Panama City Beach, Florida, for approximately $30.0 million.

In May 2007, we completed the sale of our mid-Atlantic homebuilding operations, known as Saussy Burbank, for a sales price of $76.3 million.

In April 2007, we completed the purchase of the Bay Point Marina in Bay County near Panama City Beach, Florida, for approximately $9.8 million.

Land-Use Entitlements

We have a broad range of land-use entitlements in hand or in various stages of the approval process for residential communities in Northwest Florida and other high-growth regions of the state, as well as commercial entitlements. As of December 31, 2007, we had approximately 46,200 residential units and 14.4 million commercial square feet in the entitlements pipeline, in addition to 633 acres zoned for commercial uses. The following tables describe our residential and commercial projects with land-use entitlements that are in development, pre-development planning or the entitlements process. These entitlements are on approximately

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45,000 acres. Most of the projects are on lands we own and some of the projects are being developed through ventures with third parties.

Summary of Land-Use Entitlements(1)
Active JOE Residential and Mixed-Use Projects in Florida
December 31, 2007

Project	Class(2)	County	Project Acres	Project Units(3)	Residential Units Closed Since Inception	Residential Units Under Contract as of 12/31/07(4)	Total Residential Units Remaining	Remaining Commercial Entitlements (Sq. Ft.)(4)
In Development:(5)								
Artisan Park(6)	PR	Osceola	175	618	564		54	
Cutter Ridge	PR	Franklin	10	25			25	
Hawks Landing	PR	Bay	88	168	129		39	
Landings at Wetappo	RR	Gulf	113	24	7		17	
Palmetto Trace	PR	Bay	141	481	480		1	
Paseos(6)	PR	Palm Beach	175	325	325			
Pinewood	PR	Bay	104	264			264	
RiverCamps on Crooked Creek	RS	Bay	1,491	408	186		222	
Rivercrest(6)	PR	Hillsborough	413	1,382	1,382			
RiverSide at Chipola	RR	Calhoun	120	10	2		8	
RiverTown	PR	St. Johns	4,170	4,500	27		4,473	500,000
SevenShores (Perico Island)	RS	Manatee	192	686			686	9,000
SouthWood	VAR	Leon	3,370	4,770	2,243	301	2,226	4,577,360
St. Johns Golf & Country Club	PR	St. Johns	880	799	796		3	
SummerCamp Beach	RS	Franklin	762	499	80		419	25,000
Victoria Park	PR	Volusia	1,859	4,200	1,402	81	2,717	818,654
WaterColor	RS	Walton	499	1,140	880		260	47,600
WaterSound	VAR	Walton	2,425	1,432	22		1,410	457,380
WaterSound Beach	RS	Walton	256	511	440		71	29,000
WaterSound West Beach	RS	Walton	62	199	31		168	
Wild Heron(7)	RS	Bay	17	28	1		27	
WindMark Beach	RS	Gulf	2,020	1,662	133	1	1,528	75,000
Subtotal			19,342	24,131	9,130	383	14,618	6,538,994

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Project	Class(2)	County	Project Acres	Project Units(3)	Residential Units Closed Since Inception	Residential Units Under Contract as of 12/31/07(4)	Total Residential Units Remaining	Remaining Commercial Entitlements (Sq. Ft.)(4)
In Pre-Development:(5)								
Avenue A	PR	Gulf	6	96			96	
Bayview Estates	PR	Gulf	31	45			45	
Bayview Multifamily	PR	Gulf	20	300			300	
Beacon Hill	RR	Gulf	3	12			12	
Beckrich NE	PR	Bay	15	70			70	
Boggy Creek	PR	Bay	630	526			526	
Bonfire Beach	RS	Bay	550	750			750	70,000
Breakfast Point, Phase I	VAR	Bay	115	320			320	
Carabelle East	PR	Franklin	200	600			600	
College Station	PR	Bay	567	800			800	
DeerPoint Cedar Grove	PR	Bay	668	950			950	
East Lake Creek	PR	Bay	81	313			313	
East Lake Powell	RS	Bay	181	360			360	30,000
Howards Creek	RR	Gulf	8	33			33	
Laguna Beach West	PR	Bay	59	382			382	
Long Avenue	PR	Gulf	10	30			30	
Palmetto Bayou	PR	Bay	58	217			217	90,000
ParkSide	PR	Bay	48	480			480	
Pier Park NE	VAR	Bay	57	460			460	190,000
Pier Park Timeshare	RS	Bay	13	125			125	
Port St. Joe Draper, Phase 1	PR	Gulf	639	1,200			1,200	
Port St. Joe Draper, Phase 2	PR	Gulf	981	2,125			2,125	150,000
Port St. Joe Town Center	VAR	Gulf	180	624			624	500,000
Powell Adams	RS	Bay	56	3,131			3,131	
Sabal Island	RS	Gulf	45	18			18	
South Walton Multifamily	PR	Walton	40	212			212	
St. James Island Granite Point	RS	Fanklin	1,000	2,000			2,000	
The Cove	RR	Gulf	64	107			107	
Timber Island(8)	RS	Franklin	49	407			407	14,500
Topsail	VAR	Walton	115	627			627	300,000
Wavecrest	RS	Bay	7	95			95	
WestBay Corners SE	VAR	Bay	100	524			524	50,000
WestBay Corners SW	PR	Bay	64	160			160	
WestBay DSAP	VAR	Bay	15,089	5,628			5,628	4,330,000
WestBay Landing(9)	VAR	Bay	950	214			214	
Subtotal			22,699	23,941			23,941	5,724,500

Total	42,041	48,072	9,130	383	38,559	12,263,494

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

(2) Current JOE land classifications:

PR Primary residential

RS Resort and seasonal residential

RR Rural residential

VAR Includes multiple classifications. For example, a project may have substantial commercial and residential acres.

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

(4) Represents the remaining square feet with land-use entitlements as designated in a development order or expected given the existing property land use or zoning and present plans. Commercial entitlements include retail, office and industrial uses. Industrial uses total 6,128,381 square feet including SouthWood, RiverTown and the West Bay DSAP.

(5) A project is in development when construction on the project has commenced. A project in pre-development has land-use entitlements but is still under internal evaluation or requires one or more additional permits prior to the commencement of construction

(6) Artisan Park is 74 percent owned by JOE. Paseos and Rivercrest are each 50 percent owned by JOE.

(7) In August 2007, we acquired 28 homesites within the Wild Heron community in connection with our purchase of the Shark s Tooth Golf Club.

(8) Timber Island entitlements include seven residential units and 400 units for hotel or other transient uses (including units held with fractional ownership such as private residence clubs) and include 480 wet/dry marina slips.

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

Proposed JOE Residential and Mixed-Use Projects
In the Land-Use Entitlement Process in Florida(1)
December 31, 2007

Project	Class.(2)	County	Project Acres	Estimated Project Units(3)	Estimated Commercial Entitlements (Sq. Ft.)(3)
Breakfast Point, Phase 2	VAR	Bay	1,299	2,780	635,000
SouthSide	VAR	Leon	1,625	2,800	1,150,000
Star Avenue North	VAR	Bay	271	1,248	380,000
St. James Island McIntyre	RR	Franklin	1,704	340	
St. James Island RiverCamps	RS	Franklin	2,500	500	
Total			7,399	7,668	2,165,000

(1) A project is deemed to be in the land-use entitlement process when customary steps necessary for the preparation and submittal of an application, such as conducting pre-application meetings or similar discussions with governmental officials, have commenced and/or an application has been filed. All projects listed have

significant entitlement steps remaining that could affect their timing, scale and viability. There can be no assurance that these entitlements will ultimately be received.

(2) Current JOE land classifications:

PR Primary residential

RS Resort and seasonal residential

RR Rural residential

VAR Includes multiple classifications. For example, a project may have substantial commercial and residential acres.

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

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Summary of Additional Commercial Land-Use Entitlements(1)
(Commercial Projects Not Included in the Tables Above)
December 31, 2007

Project	County	Project Acres	Acres Sold Since Inception	Acres Under Contract As of 12/31/07	Total Acres Remaining
Airport Commerce	Leon	45	7		38
Airport Road	Franklin	13			13
Alf Coleman Retail	Bay	25	23		2
Avery St. Retail	Bay	10	10		
Beach Commerce	Bay	157	151		6
Beach Commerce II	Bay	112	13		99
Beckrich Office Park	Bay	17	12		5
Beckrich Retail	Bay	44	41		3
Cedar Grove Commerce	Bay	51	1	2	48
Franklin Industrial	Franklin	7			7
Glades Retail	Bay	14			14
Gulf Boulevard	Bay	78	27		51
Hammock Creek Commerce	Gadsden	165	27		138
Mill Creek Commerce	Bay	37			37
Nautilus Court	Bay	11	7		4
Port St. Joe Commerce II	Gulf	39	9		30
Port St. Joe Commerce III	Gulf	54			54
Port St. Joe Medical	Gulf	19			19
Powell Hills Retail	Bay	44			44
South Walton Commerce	Walton	39	18		21
Total		981	346	2	633

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

Residential Real Estate

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

In the past, we devoted significant resources to the conceptual design, planning, permitting and construction process for each of our new communities. We are continuing this process for certain key projects currently under development, and we will maintain this process for certain select communities going forward. In the future, however, we will primarily seek to either partner with third parties for the development of new communities or sell entitled land to third-party developers or investors.

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

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

WaterColor is situated on approximately 499 acres on the beaches of the Gulf of Mexico in south Walton County. The community includes approximately 1,140 units, including an 11-unit private residence club with fractional ownership. The community includes the WaterColor Inn and Resort, the recipient of many notable awards. The WaterColor Inn and Resort is now operated by Noble House Hotels & Resorts, a boutique hotel ownership and management company with 13 properties throughout the United States. Other WaterColor amenities include a beach club, spa, tennis center, an award-winning upscale restaurant, retail and commercial space and neighborhood parks.

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

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

WaterSound is situated on approximately 2,425 acres and is planned for a mixed-use resort community. It is located approximately three miles from WaterSound Beach north of U.S. 98 in Walton County. WaterSound includes a Davis Love III-designed, six-hole golf course. During 2007, WaterSound was the site of an Idea House sponsored by Southern Living magazine and featured in its August issue. WaterSound plans include 1,432 residential units, approximately 450,000 square feet of commercial space, pools, parks and other amenities.

RiverCamps on Crooked Creek is situated on approximately 1,491 acres in western Bay County bounded by West Bay, the Intracoastal Waterway and Crooked Creek. The community is planned for 408 high-quality finished homes in a low-density, rustic setting with access to various outdoor activities such as fishing, boating and hiking. In 2007, we opened the RiverHouse, a waterfront amenity featuring a pool, fitness center, meeting and dining areas and temporary docking facilities.

WindMark Beach is situated on approximately 2,020 acres in Gulf County near the town of Port St. Joe and includes approximately 3.5 miles of beachfront. This beachfront resort destination is planned to include approximately 1,662 units and 75,000 square feet of commercial space. We made substantial progress during 2007 on construction of the WindMark Beach town center, which is expected to open in May 2008.

SummerCamp Beach, in Franklin County, is situated on the Gulf of Mexico on approximately 762 acres. In July 2007, we opened the SummerCamp Beach Club, a private beachfront facility with a pool, restaurant, boardwalks and canoe and kayak rentals. Plans for SummerCamp Beach include approximately 499 units.

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

RiverTown, situated on approximately 4,170 acres located in St. Johns County south of Jacksonville, is currently planned for 4,500 housing units and 500,000 square feet of commercial space. RiverTown is designed to have unique neighborhoods offering homebuyers a wide variety of price points and lifestyles. The centerpiece of the community will be a 58-acre park along the St. Johns River. Sales at RiverTown began in December 2007.

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

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

Commercial Real Estate

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

We also develop commercial parcels within or near existing residential development projects. For each development, we have directed the conceptual design, planning and permitting process and then contracted for the construction of the horizontal infrastructure and any vertical building. Going forward, like our residential projects, we will seek to either partner with third parties for the development of certain new commercial projects or sell entitled land to third-party developers or investors.

Prior to 2007, we had acquired a portfolio of 17 office buildings located in seven markets throughout the Southeast with approximately 2.3 million net rentable square feet. We completed the sale of our office building portfolio in a series of transactions during the second and third quarters of 2007 for a total sales price of $377.5 million.

Rural Land Sales

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

We sell parcels of varying sizes ranging from a single acre or less to tens of thousands of acres. The pricing of these parcels varies significantly based on size, location, terrain, timber quality and other local factors. In 2007, we sold 105,963 acres of rural land for an aggregate price of $161.3 million.

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

Forestry

Our forestry segment focuses on the management and harvesting of our extensive timber holdings. We grow, harvest and sell timber and wood fiber. Our principal forestry product is softwood pulpwood. We also grow and sell softwood and hardwood sawtimber. We also own and operate a cypress sawmill and mulch plant, Sunshine State Cypress, but we are currently seeking to sell this asset.

On December 31, 2007, our standing pine inventory totaled approximately 23.2 million tons and our hardwood inventory totaled approximately 7.7 million tons. Our timberlands are harvested by local independent contractors under agreements that are generally renewed annually. We have a pulpwood supply agreement with Smurfit-Stone Container Corporation that requires us to deliver 700,000 tons of pulpwood annually through June 30, 2012.

Our strategy is to actively manage portions of our timberlands that produce adequate amounts of timber to meet our pulpwood supply agreement obligation with Smurfit-Stone. We also harvest and sell additional timber to regional sawmills that produce products other than pulpwood. In addition, our forestry operation is focused on selective harvesting, thinning and site preparation of timberlands that may later be sold or developed by us.

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Competition

The real estate development business is highly competitive and fragmented. With respect to our residential real estate business, our prospective customers generally have a variety of choices of new and existing homes and home-sites near our developments when considering a purchase. We compete with numerous developers of varying sizes, ranging from local to national in scope, some of which may have greater financial resources than we have. We attempt to differentiate our products primarily on the basis of community design, quality, uniqueness, amenities, location and developer reputation.

Supplemental Information

Information regarding the revenues, earnings and total assets of each of our operating segments can be found in Note 18 to our Consolidated Financial Statements included in this Report. Substantially all of our revenues are generated from domestic customers. All of our assets are located in the United States.

Employees

During the fourth quarter of 2007, we implemented organizational changes designed in part to streamline our operations, which resulted in a significant reduction in employee headcount. We outsourced all of our clubs and resorts operations to third-party management companies, and, as a result, approximately 500 employees were hired by those management companies by year end.

As of February 1, 2008, we had 337 employees, down from 1,083 employees on February 1, 2007. This decrease represents an approximately 69% reduction in total headcount. As part of our restructuring plan, total headcount is being reduced to approximately 200. Our employees work in the following segments:

	Total
Residential real estate	148
Commercial real estate	7
Rural land sales	14
Forestry	30
Corporate and other	138
Total	337

Website Access to Reports

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

Certifications

In 2007, we submitted to the New York Stock Exchange (NYSE) the Certification of our Chief Executive Officer required by Section 303A.12(a) of the NYSE Listed Company Manual, relating to our compliance with the NYSE s corporate governance listing standards. There were no qualifications to the certification. We have also filed as

Exhibits 31.1 and 31.2 to this Annual Report on Form 10-K the Chief Executive Officer and Chief Financial Officer certifications required to be filed with the SEC pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

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

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

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

Since mid-2005 through the present, the United States, and Florida in particular, have experienced a substantial, continuing decline in demand in most residential real estate markets. At the same time, the supply of existing homes for sale have risen nationwide, with dramatic increases in Florida. Although these weak market conditions have affected all of our residential real estate products, we have experienced the most significant decrease in demand and increase in resale inventories in our resort and seasonal markets. Contributing to the increase in homes and home sites available for sale are investors who are seeking to liquidate real estate investments acquired during the height of the real estate market earlier this decade.

The downturn in the real estate market is causing prices for residential real estate to decline. An increasing number of foreclosure sales and other distressed sales may contribute to further declines in market prices for homes and home sites. An environment of declining prices could further weaken real estate markets as many customers may delay purchases in anticipation of lower prices in the future.

As a result of the dramatic downturn in the residential real estate markets, revenues from our residential real estate segment have drastically declined, which has had an adverse affect on our financial condition and results of operations. We do not know how long the downturn in the real estate market will last or when real estate markets will return to more normal conditions, but our business will continue to suffer until market conditions improve. The already weak conditions in the real estate markets could be further exacerbated by a deterioration of national or regional economic conditions or by other risks, described below. If market conditions were to continue to worsen, the demand for our residential real estate products could further decline, negatively impacting our net income, cash flow and liquidity and potentially further impacting selling prices and/or absorption rates for our products.

A downturn in national or regional economic conditions, especially in Florida, could adversely impact our business.

Our real estate sales, revenues, financial condition and results of operations could decline if there were a deterioration of the national or certain regional economies. The dramatic declines in housing markets across the nation, severe problems in the subprime lending mortgage industry and the subsequent crisis in the credit markets have all had a negative impact on the national economy, affecting consumer confidence and spending. Some economists have already declared that the United States economy is experiencing a recession. This downturn in the national economy could adversely impact our business. Our sales and revenues would be especially affected by a downturn in economic conditions in Florida, where all of our developments are located. Data from the fourth quarter of 2007 indicates that Florida s economy has weakened significantly. Florida s consumer confidence index is at its lowest point in 16 years, and the state s unemployment rate has increased. In addition to economic conditions in Florida, our business is also affected by the economy of the Southeast region of the United States. We generate a disproportionate amount of our resort and seasonal sales in our Northwest Florida communities from customers in the Southeast, which sales would be impacted by a deterioration of economic conditions in that region. Furthermore, a significant percentage of our planned residential units are resort and seasonal products, purchases of which are particularly sensitive to the state of the economy.

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

Florida has experienced strong population growth in recent years, including the migration of Baby Boomers to the state. We believe that Baby Boomers seeking retirement or vacation homes in Florida will be important target customers for our real estate products in the future, and we intend to continue to plan and market products to them. In addition, the success of our primary communities will be dependent on strong in-migration population expansion in our regions of development, primarily Northwest Florida.

Despite strong growth in recent years, population data for 2007 indicates a dramatic drop in Florida s net in-migration statistics. The number of people who moved to Florida in 2007 exceeded those who left by only

35,301, which is significantly down from 268,347 in 2005. Florida s population growth could be negatively affected in the future by factors such as adverse economic conditions, the occurrence of hurricanes and the high cost of real estate, insurance and property taxes. In addition, as an alternative to Florida, other states such as Georgia, North and South Carolina and Tennessee are increasingly becoming retirement destinations and are attracting retiring Baby Boomers and the workforce population who may have otherwise considered moving to Florida.

Florida s population growth is expected to continue into the foreseeable future, although, as shown by the 2007 data described above, at a slower rate than experienced in recent years. A sustained and significant decrease in the demographic trend of increasing population in Florida, including the migration of Baby Boomers, could adversely affect our business. Furthermore, if persons considering moving to Florida do not view Northwest Florida as an attractive place to live or own a second home, our business could be adversely affected.

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

We are unlike most other real estate developers in that we have owned the majority of the land that we develop for many years, having acquired most of our land in the 1930 s and 1940 s. Consequently, we have a very low cost basis in the majority of our lands. In certain instances, however, we have acquired properties at market values for project development. Also, many of our projects have expensive amenities, such as pools, golf courses and clubs, or feature elaborate commercial areas requiring significant capital expenditures. Many of these costs are capitalized as part of the book value of the project land.

During 2007, we recorded total asset impairment costs of $23.2 million, $13.0 million of which related to the write down of capitalized costs at certain projects due to changes in development plans and the impairment of completed homes in several of our communities due to current market conditions. If market conditions were to continue to deteriorate, and the market values for our home sites, remaining homes held in inventory and other project land were to fall below the book value of these assets, we would need to take additional write-downs of the book value of these assets. Any such write-downs would decrease the value of these assets on our balance sheet and would reduce our net income.

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

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

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

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Increases in real estate property taxes and/or insurance premiums could reduce customer demand for homes and home sites in our developments.

Property insurance companies doing business in Florida have reacted to recent hurricanes by significantly increasing premiums, requiring higher deductibles, reducing limits, restricting coverages, imposing exclusions, refusing to insure certain property owners, and in some instances, ceasing insurance operations in the state. These actions have been most dramatically applied to coastal communities. A significant number of our developments are located in such coastal communities. This trend of rising insurance rates could continue if there are severe hurricanes in the future.

Florida has recently experienced dramatic increases in property values due to the record-setting real estate activity in the first half of this decade. As a result, local governments have been, and may continue, aggressively re-assessing the value of homes and real estate for property tax purposes. These larger assessments increase the total real estate property taxes due from property owners annually.

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

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

Many purchasers of our real estate products obtain mortgage loans to finance a substantial portion of the purchase price, or they may need to obtain mortgage loans to finance the construction costs of homes to be built on home sites purchased from us. Also, our homebuilder customers depend on retail purchasers who rely on mortgage financing. Many mortgage lenders and investors in mortgage loans are currently experiencing severe financial difficulties arising from losses incurred on sub-prime and other loans originated before the downturn in the real estate market. Due to these problems, the supply of mortgage products has been constrained, and the eligibility requirements for borrowers have been significantly tightened. These problems in the mortgage lending industry could adversely affect potential purchasers of our products, including our homebuilder customers, thus having a negative effect on demand for our products.

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

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

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

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

One fundamental factor in the economic growth of Northwest Florida is the need for state and local governments, in combination with the private sector, to plan and complete significant infrastructure improvements in the region, such as new roads, airports, medical facilities and schools. The future economic growth of

Northwest Florida and our financial results may be adversely affected if its infrastructure is not improved. There can be no assurance that these improvements will occur.

The most significant infrastructure improvement currently being considered in Northwest Florida is the proposed relocation of the Panama City-Bay County International Airport to a site in western Bay County located on land that we donated to the local Airport Authority. We believe that the relocation of the airport is critically important to the overall economic development of Northwest Florida. In the fourth quarter of 2007, the Airport Authority commenced construction of the new airport. Legal challenges to existing permits and approvals, however, could delay further construction. We cannot guarantee that existing or future legal challenges to the new airport will be successfully resolved. We also cannot guarantee that the construction of the airport will not encounter other difficulties, such as financing issues, construction difficulties or cost overruns, that may delay or prevent the completion of the new airport. If the relocation of the existing airport does not occur, our business prospects would be materially adversely affected.

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

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

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

We operate in a capital intensive industry and require significant capital expenditures to maintain our competitive position. We obtain funds for our capital expenditures through cash flow from operations, property sales and financings. Failure to secure needed additional financing, if and when needed, may limit our development activities which could reduce our revenues and results of operations. We expect to make significant capital expenditures in the future to enhance and maintain the operations of our properties and to develop our real estate holdings. In the event that our plans or assumptions change or prove to be inaccurate, or if our cash flow proves to be insufficient, due to unanticipated expenses or otherwise, we may need to obtain additional financing in order to support our plan of operations. Additional funding, whether obtained through public or private debt or equity financing, or from strategic alliances, may not be available when needed or may not be available on terms acceptable to us, if at all.

We rely on a senior revolving credit facility with adjustable interest rates to provide cash for operations and/or capital expenditures. Increases in interest rates can make it more expensive for us to obtain the funds we need to operate our business.

If we are not able to generate sufficient earnings to satisfy our debt covenants, we could default on our outstanding debt which could have a material adverse effect on our financial condition and results of operations.

We have a $500 million revolving credit facility which had $132 million outstanding on December 31, 2007. We also have a $100 million term loan and outstanding senior notes in the aggregate amount of $240 million. Our credit facility, as well as our term loan and senior notes, contain financial covenants that we must meet on a quarterly basis. These restrictive covenants require, among other things, that we generate earnings in excess of our fixed charges and that we not exceed certain debt levels. The most problematic covenant in the current real estate market is the required fixed charge coverage ratio. If we are not able to generate sufficient earnings to satisfy our fixed charge covenant, we could have an event of default under our credit facility, term loan, senior notes and certain other debt. Such a default could cause these lenders to immediately accelerate amounts due under our credit facility, term loan, senior notes and certain other debt. We would not be able to repay those accelerated amounts all at one time without selling substantial assets, which we might have to do at prices well below fair values, or refinancing the debt, which may not be achievable on acceptable terms. In the event of a default, the lenders could also seek to negotiate additional or more severe restrictive covenants or increased pricing. Any of these events could have a material adverse effect on our financial condition and results of operations.

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

With our exit from the homebuilding business, we are now highly dependent upon our relationships with national, regional and local homebuilders to be the primary customers for our home sites and to provide construction services at our residential developments. If homebuilders do not view our developments as desirable locations for homebuilding operations, our business will be adversely affected. Furthermore, due to the severe downturn in real estate markets across the nation, including our markets, homebuilders are now less willing to purchase home sites and invest capital in speculative construction. In addition, our national homebuilder customers that have already committed to purchase home sites from us could decide to allocate their limited resources to markets other than our Florida markets, which could lead to the reduction, delay or cancellation of existing commitments to purchase home sites in our developments. Any of these events could have an adverse effect on our results of operations.

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

As part of our 2007 business restructuring, we have increased our focus on executing our development and value creation strategies through joint ventures and strategic relationships. We are actively seeking strategic partners for alliances or joint venture relationships as part of our overall strategy for particular developments or regions. These joint venture partners may bring development experience, industry expertise, financial resources, financing capabilities, brand recognition and credibility or other competitive assets. We cannot assure you, however, that we will be able to attract partners that have the assets, reputation or other characteristics that would optimize our development opportunities. Once a partner has been identified, actually reaching an agreement on a transaction may be difficult to complete and may take a considerable amount of time considering that negotiations require careful balancing of the parties various objectives, assets, skills and interests.

A formal partnership with a joint venture partner may also involve special risks such as:

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

Joint ventures have a high failure rate. A key complicating factor is that strategic partners may have economic or business interests or goals that are inconsistent with ours or that are influenced by factors unrelated to our business.

These competing interests lead to the difficult challenges of successfully managing the relationship and communication between strategic partners and monitoring the execution of the partnership plan. We cannot assure you that we will have sufficient resources, experience and/or skills to effectively manage our ongoing relationships with our strategic partners. We may also be subject to adverse business

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consequences if the market reputation of a strategic partner deteriorates. If we cannot successfully execute transactions with strategic partners, our business could be adversely affected.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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If we are unable to retain or attract experienced real estate development personnel, our business may be adversely affected.

Our future success largely depends on our ability to attract and retain experienced real estate development personnel. The market for these employees is highly competitive. During 2006 and 2007 we had significant headcount reduction in a series of restructuring events. These changes, coupled with the continued downturn in our real estate markets, could have an adverse effect on the morale of our employees and cause them to seek other employment opportunities. If we cannot continue to retain and attract quality personnel, our ability to effectively operate our business may be significantly limited. We do not have key-person life insurance on any of our executive officers.

We are exposed to risks associated with real estate development.

Our real estate development activities entail risks that include:

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

Significant competition could have an adverse effect on our business.

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

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

Our real estate operations are cyclical.

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

Changes in our income tax estimates could affect our profitability.

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

Item 1B. ***Unresolved Staff Comments***

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

Item 2. ***Properties***

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

We own approximately 700,000 acres, the majority of which are located in Northwest Florida. Our land holdings include approximately 310,000 acres within ten miles of the coast of the Gulf of Mexico. Most of our raw land assets are managed as timberlands until designated for development. At December 31, 2007, approximately 333,000 acres were encumbered under a wood fiber supply agreement with Smurfit-Stone Container Corporation which expires on June 30, 2012. For more information on our real estate assets, see Item 1. Business.

Item 3. ***Legal Proceedings***

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

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

None.

PART II

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

We had approximately 50,500 beneficial owners of our common stock as of February 15, 2008. Our common stock is quoted on the New York Stock Exchange (NYSE) Composite Transactions Tape under the symbol JOE.

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

	Common Stock Price High	Common Stock Price Low	Dividends Declared
2007			
Fourth Quarter	$ 37.90	$ 27.12	$ 0.00
Third Quarter	47.34	30.43	0.16
Second Quarter	60.85	45.15	0.16
First Quarter	64.10	52.16	0.16

2006			
Fourth Quarter	$ 58.24	$ 51.05	$ 0.16
Third Quarter	58.36	42.40	0.16
Second Quarter	62.75	40.93	0.16
First Quarter	68.41	56.50	0.16

On February 21, 2008, the closing price of our common stock on the NYSE was $36.84. We have eliminated our quarterly dividends in connection with our restructuring plan.

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The following table describes our purchases of our common stock during the fourth quarter of 2007.

Period	(a) Total Number of Shares Purchased(1)	(b) Average Price Paid per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs(2)	(d) Maximum Dollar Amount that May Yet Be Purchased Under the Plans or Programs (In thousands)
Month Ended October 31, 2007	1,768	$ 34.20		$ 103,793
Month Ended November 30, 2007				$ 103,793
Month Ended December 31, 2007	5,412	$ 29.40		$ 103,793

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

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

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The following performance graph compares our cumulative shareholder returns for the period December 31, 2002 through December 31, 2007, assuming $100 was invested on December 31, 2002, in our common stock, in the Russell 1000 Index, in the S&P 500 Index and in the S&P Super Composite Homebuilder Index. In 2007 and prior years, we included a comparison to the Wilshire Real Estate Securities Index, which is no longer published. We have replaced the Wilshire index with the S&P Super Composite Homebuilder Index. Although we no longer build single-family homes, homebuilders are among our key customers and our businesses tend to follow similar market trends. We have also added this year comparative data from the S&P 500 Index. The Compensation Committee of our Board of Directors chose the S&P 500 Index and the S&P Super Composite Homebuilder Index to use as measurement tools in connection with certain performance-based compensation granted to members of management in February 2008. We believe, therefore, that for consistency purposes, it is appropriate to use these two indices in the performance graph going forward.

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

	12/31/02	12/31/03	12/31/04	12/31/05	12/31/06	12/31/07
The St. Joe Company	$ 100	$ 126	$ 219	$ 231	$ 186	$ 125
Russell 1000 Index	$ 100	$ 130	$ 145	$ 154	$ 178	$ 188
S&P 500 Index	$ 100	$ 129	$ 143	$ 150	$ 173	$ 183
S&P Super Composite Homebuilder Index	$ 100	$ 198	$ 271	$ 314	$ 253	$ 114

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

The following table sets forth Selected Consolidated Financial Data for The St. Joe Company on a historical basis for the five years ended December 31, 2007. This information should be read in conjunction with the consolidated financial statements of The St. Joe Company (including the related notes thereto) and Management s Discussion and Analysis of the Financial Condition and Results of Operations, each included elsewhere in this Form 10-K. This historical Selected Consolidated Financial Data has been derived from the audited consolidated financial statements and revised for discontinued operations.

	Year Ended December 31,				
	2007	**2006**	**2005**	**2004**	**2003**
	(In thousands, except per share amounts)				
Statement of Income Data:					
Total revenues(1)	$ 377,037	$ 524,306	$ 717,677	$ 643,799	$ 537,074
Total expenses	353,980	461,889	550,833	513,037	403,871
Operating profit	23,057	62,417	166,844	130,762	133,203
Other income (expense)	(4,651)	(9,371)	(3,029)	(3,725)	(1,884)
Income from continuing operations before equity in income (loss) of unconsolidated affiliates, income taxes, and minority interest	18,406	53,046	163,815	127,037	131,319
Equity in income (loss) of unconsolidated affiliates	(5,331)	8,905	12,541	5,342	(2,168)
Income tax expense	869	21,498	60,671	50,049	46,397
Income from continuing operations before minority interest	12,206	40,453	115,685	82,330	82,754
Minority interest	1,092	6,137	7,820	2,594	553
Income from continuing operations	11,114	34,316	107,865	79,736	82,201
Income (loss) from discontinued operations(2)	(1,035)	6,336	5,471	5,140	(6,286)
Gain on sale of discontinued operations(2)	29,128	10,368	13,322	5,224	
Net income	$ 39,207	$ 51,020	$ 126,658	$ 90,100	$ 75,915
Per Share Data:					
Basic					
Income from continuing operations	$ 0.15	$ 0.47	$ 1.44	$ 1.06	$ 1.08
Income (loss) from discontinued operations(2)	0.38	0.22	0.25	0.13	(.08)
Net income	0.53	$ 0.69	$ 1.69	$ 1.19	$ 1.00

Diluted										
Income from continuing operations	$	0.15	$	0.47	$	1.42	$	1.04	$	1.06
Income (loss) from discontinued operations(2)		0.38		0.22		0.24		0.13		(0.08)
Net income	$	0.53	$	0.69	$	1.66	$	1.17	$	0.98
Dividends declared and paid	$	0.48	$	0.64	$	0.60	$	0.52	$	0.32

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	December 31, 2007	2006	2005	2004	2003
Balance Sheet Data:					
Investment in real estate	$ 943,540	$ 1,213,562	$ 1,036,174	$ 942,630	$ 886,076
Cash and investments(3)	24,265	36,935	202,605	94,816	57,403
Property, plant and equipment, net	23,693	44,593	40,176	33,562	36,272
Total assets	1,263,966	1,560,395	1,591,946	1,403,629	1,275,730
Debt	541,181	627,056	554,446	421,110	382,176
Total stockholders equity	480,341	461,080	488,998	495,411	487,315

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

(2) Discontinued operations include the operations of Sunshine State Cypress, Inc., fourteen commercial office buildings and Saussy Burbank in 2007, four commercial office buildings in 2006, four commercial office buildings and Advantis Real Estate Services Company (Advantis) in 2005 and two commercial office buildings sold in 2004 (See Note 6 of Notes to Consolidated Financial Statements).

(3) Includes cash and cash equivalents.

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

Forward-looking Statements

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

- future operating performance, revenues, earnings, cash flows, and short and long-term revenue and earnings growth rates;
- future residential and commercial entitlements;
- expected development timetables and projected timing for sales or closings of housing units or home-sites in a community;
- development approvals and the ability to obtain such approvals, including possible legal challenges;
- the anticipated price ranges of developments;
- the number of units or commercial square footage that can be supported upon full build out of a development;
- the number, price and timing of anticipated land or building sales or acquisitions;

estimated land holdings for a particular use within a specific time frame;

absorption rates and expected gains on land and home site sales;

the levels of resale inventory in our developments and the regions in which they are located;

the development of relationships with strategic partners, including homebuilders;

the pace at which we release new products for sale;

comparisons to historical projects;

the amount of dividends, if any, we pay; and

the number or dollar amount of shares of company stock which may be purchased under our existing or future share-repurchase program.

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

Overview

The St. Joe Company is one of the largest real estate development companies in Florida. We believe we are the largest private landowner in Florida. The majority of our land is located in Northwest Florida and has a very low cost basis. In order to optimize the value of these core real estate assets, we seek to reposition our substantial timberland holdings for higher and better uses. We increase the value of our raw land assets through the entitlement, development and subsequent sale of residential and commercial parcels, home-sites and homes, or through the direct sale of unimproved land.

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

Our residential real estate segment generates revenues from:

- the sale of developed home-sites to retail customers and builders;
- the sale of parcels of entitled, undeveloped land;
- the sale of housing units built by us;
- rental income;
- resort and club operations;
- investments in limited partnerships and joint ventures;
- brokerage and title issuance fees on certain transactions within our residential real estate developments.

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

Since mid-2005 through the present, the United States, and Florida in particular, have experienced a substantial, continuing decline in demand in most residential real estate markets. At the same time, the supply of existing homes for sale has risen nationwide, with dramatic increases in Florida. Although these weak market conditions have affected sales of all of our residential real estate products, we have experienced the most significant decrease in demand and increase in resale inventories in our resort and seasonal markets.

The downturn in the real estate market is causing prices for residential real estate to decline. The already weak conditions in the real estate markets are being further exacerbated by problems in the mortgage lending industry, including a lack of mortgage availability and more restrictive lending standards, as well as the current deterioration of national economic conditions. Some economists have already declared that the United States is experiencing a recession which could cause further negative pressure on consumer confidence in housing.

As a result of the dramatic downturn in the residential real estate markets, revenues from our residential real estate segment have drastically declined, which has had an adverse affect on our financial condition and results of operations. We do not know how long the downturn in our real estate markets will last or when real estate markets will return to more normal conditions, but our business will continue to suffer until market conditions improve.

Despite current market conditions, we remain committed to long-term value creation. Our ability to obtain land-use entitlements for our properties is a key requirement in repositioning our land to higher and better uses and for the generation of revenues. At the end of 2007, we had land-use entitlements in hand or in process for approximately 46,200 residential units and 14.4 million square feet of commercial space, with an additional 633 acres zoned for commercial uses. We continue to plan and obtain entitlements for an increasingly diverse set of land uses including residential, retail, office, industrial and multi-family uses.

In September 2006, we announced that we would streamline operations and exit the homebuilding business, which was primarily completed in 2007. Further organizational changes and headcount reductions were implemented in January 2007. In October 2007, we announced another plan for change in our business with the intent of enhancing and accelerating our value creation process.

The current plan includes the divestiture of non-core assets, a significant reduction in capital expenditures, the elimination of quarterly dividends, a smaller operating structure requiring fewer employees and an increased focus on the use of strategic business partners. The new operating structure consists of a reduced corporate center focused on regional planning, land-use entitlements, and business-to-business relationships with strategic partners and customers who are interested in purchasing entitled land, who can provide development capital for projects and who may help accelerate development activity in our markets. We have increased our efforts to stimulate regional economic development and to identify and manage key regional inducers.

As a result of the current restructuring plan, we are significantly reducing our employee base to a projected headcount of approximately 200. Approximately 500 employees in our hospitality, recreational and golf operations were hired by third-party management companies in the fourth quarter of 2007.

We are continuing to develop our relationships with national, regional and local developers and homebuilders. We have executed purchase and option contracts with several national and regional homebuilders for the purchase of developed lots in various communities. These transactions involve land positions in pre-development phases of our communities as well as phases currently under development. These transactions provide opportunities for us to accelerate value realization, while at the same time decreasing capital investment and increasing efficiency in how we deliver primary real estate to the market. We expect national and regional developers and homebuilders to be important business partners going forward.

Critical Accounting Estimates

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

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

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

Real estate inventory costs include land and common development costs (such as roads, sewers and amenities), multi-family construction costs, capitalized property taxes, capitalized interest and certain indirect costs. A portion of real estate inventory and estimates for costs to complete are allocated to each unit based on the relative sales value of each unit as compared to the estimated sales value of the total project. These estimates are reevaluated at least annually, and more frequently if warranted by market conditions or other factors, with any adjustments being allocated prospectively to the remaining units available for sale. The accounting estimate related to inventory valuation is susceptible to change due to the use of assumptions about future sales proceeds and related real estate expenditures. Management s assumptions about future housing and home site sales prices, sales volume and sales velocity require significant judgment because the real estate market is cyclical and highly sensitive to changes in economic conditions. In addition, actual results could differ from management s estimates due to changes in anticipated development, construction and overhead costs. Although until 2007 we had not made significant adjustments affecting real estate gross profit margins, there can be no assurances that estimates used to generate future real estate gross profit margins will not differ from our current estimates. Construction costs for single-family homes are determined based upon actual costs incurred.

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

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

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

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

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

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

Pension Plan. We sponsor a cash balance defined-benefit pension plan covering a majority of our employees. Currently, our pension plan is over-funded and contributes income to the Company. The accounting for pension benefits is determined by specialized accounting and actuarial methods using numerous estimates, including discount rates, expected long-term investment returns on plan assets, employee turnover, mortality and retirement ages, and future salary increases. Changes in these key assumptions can have a significant effect on the pension plan s impact on the financial statements of the Company. We engage the services of an independent actuary and investment consultant to assist us in determining these assumptions and in the calculation of pension income. For example, in 2007, a 1% increase in the assumed long-term rate of return on pension assets would have resulted in a $2.5 million increase in pre-tax income ($1.7 million net of tax). A 1% decrease in the assumed long-term rate of return would have caused an equivalent decrease in pre-tax income. A 1% increase or decrease in the assumed discount rate would have resulted in less than a $0.4 million change in pre-tax income. Our pension plan is overfunded, and accordingly, generated income of $2.0 million, $3.1 million and $2.3 million in 2007, 2006 and 2005, respectively. Because the pension plan has an overfunded balance, no contributions to the pension plan are expected in the future.

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

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

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

Recently Issued Accounting Standards

In December 2007, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 160, *Noncontrolling Interests in Consolidated Financial Statements* (SFAS 160), an amendment of

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

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

In February 2007, the FASB issued Statement of Financial Accounting Standards No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* (SFAS 159). SFAS 159 permits entities to choose to measure many financial instruments and certain other items at fair value. The fair value option established by SFAS 159 permits all entities to choose to measure eligible items at fair value at specified election dates. A business entity must report unrealized gains and losses, on items for which the fair value option has been elected, in earnings at each subsequent reporting date. SFAS 159 is effective for fiscal years beginning after November 15, 2007. We are currently evaluating the impact of SFAS 159 on our consolidated financial statements.

We adopted FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes, an Interpretation of FASB Statement No. 109, Accounting for Income Taxes* (FIN 48) as of January 1, 2007. FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise s financial statements in accordance with FASB Statement No. 109, by defining a criterion that an individual tax position must meet for any part of the position to be recognized in an enterprise s financial statements. The interpretation requires a review of all tax positions accounted for in accordance with FASB Statement No. 109 and applies a more-likely-than-not recognition threshold. A tax position that meets the more-likely-than-not recognition threshold is initially and subsequently measured as the largest amount of tax benefit that is greater than 50 percent likely of being realized upon the ultimate settlement with the taxing authority that has full knowledge of all relevant information. As of January 1, 2007 upon the adoption of FIN 48, there was no impact on our financial statements.

In June 2007, the Emerging Issues Task Force (EITF) reached a consensus regarding *EITF Issue No. 06-11 Accounting for Income Tax Benefits of Dividends on Share Based Payment Awards* (EITF 06-11). EITF 06-11 states that a realized income tax benefit from dividends or dividend equivalents that are charged to retained earnings and are paid to employees for equity classified non-vested equity shares, non-vested equity share units, and outstanding equity share options should be recognized as an increase in additional paid-in capital. The amount recognized in additional paid-in capital for the realized income tax benefit from dividends on those awards should be included in the pool of excess tax benefits available to absorb potential future tax deficiencies on share-based payment awards. EITF 06-11 is effective for our fiscal year beginning January 1, 2008. We do not believe EITF 06-11 will have a material impact on our financial position or results of operations.

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* (SFAS 157). SFAS 157 establishes a single authoritative definition of fair value, sets out a framework for measuring fair value, and requires additional disclosures about fair-value measurements. SFAS 157 applies only to fair-value measurements that are already required or permitted by other accounting standards and is expected to increase the consistency of those measurements. SFAS 157 is effective for fiscal years beginning after November 15, 2007. The effective date for fair value measurements of certain nonfinancial assets and liabilities is effective for fiscal years beginning after November 15, 2008. We do not believe SFAS 157 will have a material impact on our financial position or results of operations.

In September 2006, the EITF issued *EITF Issue No. 06-8, Applicability of the Assessment of a Buyer s Continuing Investment under FAS No. 66 for the Sale of Condominiums (EITF 06-8).* EITF 06-8 states that in assessing the collectibility of the sales price pursuant to paragraph 37(d) of FAS 66, an entity should evaluate the adequacy of the buyer s initial and continuing investment to conclude that the sales price is collectible. If an entity is unable to meet the criteria of paragraph 37, including an assessment of collectibility using the initial and continuing investment tests described in paragraphs 8-12 of FAS 66, then the entity should apply the deposit method as described in paragraphs 65-67 of FAS 66. EITF 06-8 is effective for our fiscal year beginning January 1, 2008. We have not yet assessed the impact of EITF 06-8 on our consolidated financial statements, but believe that we will be required, in most cases, to collect additional deposits from buyers in order to recognize revenue under the percentage-of-completion method of accounting. If we are unable to meet the requirements of EITF 06-8, we would be required to recognize revenue using the deposit method, which would delay revenue recognition until consummation of the sale.

We adopted the recognition and disclosure provisions of Statement of Financial Accounting Standards No. 158, *Employers Accounting for Defined Benefit Pension and Other Postretirement Plans An Amendment of SFAS Statements No. 87, 88, 106, and 132R* (SFAS 158) in December 2006. SFAS 158 requires an employer to: (a) recognize in its statement of financial position an asset for a plan s overfunded status or a liability for a plan s underfunded status; (b) measure a plan s assets and its obligations that determine its funded status as of the end of the employer s fiscal year (with limited exceptions); and (c) recognize changes in the funded status of a defined benefit postretirement plan in the year in which the changes occur. Those changes are reported in comprehensive income of a business entity. The requirement to recognize the funded status of a benefit plan and the disclosure requirements were effective as of the end of the fiscal year ending after December 15, 2006. The requirement to measure plan assets and benefit obligations as of the date of the employer s fiscal year-end statement of financial position is effective for fiscal years ending after December 15, 2008. The adoption of SFAS 158 at December 31, 2006 resulted in the recording of an additional $2.7 million pension asset and an additional $4.4 million liability related to postretirement medical benefits. The adjustments to accumulated other comprehensive income for the pension plan and postretirement medical benefits were $1.7 million and $(2.7) million net of tax, respectively, for a net impact of $(1.0) million.

Results of Operations

Net income for 2007 was $39.2 million, or $0.53 per diluted share, compared with $51.0 million, or $0.69 per diluted share, in 2006, and $126.7 million, or $1.66 per diluted share, in 2005. Results for 2007 reported in discontinued operations include an after-tax gain on the sale of fourteen buildings within our office building portfolio totaling $29.1 million, or $0.39 per diluted share. Results for 2006 reported in discontinued operations included after-tax gains on sales of four office buildings totaling $10.4 million, or $0.14 per diluted share. Results for 2005 reported in discontinued operations included an after-tax loss of $5.9 million, or $0.08 per diluted share, resulting from the sale of Advantis Real Estate Services Company (Advantis), our former commercial real estate services unit. Discontinued operations for 2005 also included after-tax gains on sales of four office buildings totaling $19.2 million, or $0.25 per diluted share. In addition, discontinued operations for 2007, 2006 and 2005 include the operating results of the above mentioned buildings, Saussy Burbank and Sunshine State Cypress. The aggregate after-tax operating (loss) income included in discontinued operations were $(1.0) million, or $(.01) per diluted share, $6.3 million, or $0.08 per diluted share, and $5.5 million, or $.07 per diluted share, respectively.

Consolidated Results

Revenues and Expenses. The following table sets forth a comparison of the revenues and expenses for the three years ended December 31, 2007.

	Years Ended December 31,			2007 vs. 2006		2006 vs. 2005	
	2007	2006	2005	Difference	% Change	Difference	% Change
				(Dollars in millions)			
Revenues:							
Real estate sales	$ 307.9	$ 456.1	$ 646.7	$ (148.2)	(32)%	$ (190.6)	(29)%
Rental revenues	5.1	5.0	4.4	0.1	2	0.6	14
Timber sales	25.8	24.3	22.0	1.5	6	2.3	10
Other revenues	38.2	38.9	44.6	(0.7)	(2)	(5.7)	(13)
Total	$ 377.0	$ 524.3	$ 717.7	$ (147.3)	(28)%	$ (193.4)	(27)%
Expenses:							
Cost of real estate sales	145.8	247.5	366.6	(101.7)	(41)	(119.1)	(32)
Cost of rental revenues	4.6	3.9	2.8	0.7	18	1.1	39
Cost of timber sales	20.7	18.1	16.5	2.6	14	1.6	10
Cost of other revenues	39.8	41.1	39.5	(1.3)	(3)	1.6	4
Other operating expenses	68.4	66.0	57.4	2.4	4	8.6	15
Total	$ 279.3	$ 376.6	$ 482.8	$ (97.3)	(26)%	$ (106.2)	(22)%

The decreases in real estate sales revenue and cost of real estate sales for 2007 compared to 2006 were primarily due to lower sales volume and prices in our residential real estate segment as a result of the current slowdown in the real estate market partially offset by increases in rural land sales. Despite these decreases, our gross margin percentage on real estate sales increased during 2007 compared to 2006 primarily as a result of a change in mix to higher-margin rural land sales. Cost of rental revenues increased for 2007 compared to 2006 primarily due to shutdown costs related to one of our marinas. Other operating expenses increased in 2007 due to a $5.0 million termination fee paid to a third-party management company in our residential real estate segment, partially offset by lower administrative costs subsequent to the restructuring plan in our rural land sales segment.

The 2006 compared to 2005 decreases in revenues from real estate sales and costs of real estate sales were in each case primarily due to decreased sales in the residential real estate segment and, to a lesser extent, the commercial real estate segment. The decreases were partially offset by an increase in sales of rural land. The 2006 decrease in other revenues and related gross profit of other revenues was primarily due to decreased resale brokerage activity and increased resort costs. Other operating expenses increased in 2006 due to increased marketing costs, increased project administration expenses and increased insurance costs in our residential real estate segment. For further detailed discussion of revenues and expenses, see Segment Results below.

Corporate Expense. Corporate expense, representing corporate general and administrative expenses, decreased $18.6 million, or 36%, to $32.7 million in 2007 over 2006. The decrease was partially due to decreases in total stock compensation costs of $6.8 million. Total stock compensation decreased because the 2006 periods included the accelerated amortization of restricted stock related to the retirement of our former President / COO, and there were fewer overall share-based payment arrangement participants and unvested outstanding stock options in 2007. Other general and administrative expenses decreased approximately $11.8 million during 2007 compared to 2006. The decrease was primarily a result of the completion of our 2006 marketing program, reduced litigation costs and overall cost savings initiatives.

Corporate expense increased $3.3 million, or 7%, to $51.3 million in 2006 over 2005. The increase was primarily due to increased stock compensation and other compensation costs. Stock compensation costs increased $3.9 million primarily as a result of the acceleration of restricted stock amortization related to the retirement of our former President/COO and stock compensation expense recorded under SFAS 123R. Other compensation costs increased $3.5 million substantially related to retirement and/or severance costs of our former President/COO and CFO. These cost increases were primarily offset by a reduction in bonus expense of $3.2 million.

Impairment Losses. We review our long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Homes and home-sites substantially completed and ready for sale are measured at the lower of carrying value or fair value less costs to sell. For projects under development, an estimate of future cash flows on an undiscounted basis is performed using estimated future expenditures necessary to maintain the existing service potential of the project and using management s best estimates about future sales prices and holding periods. The decline in demand and market prices for residential real estate caused us to conclude that carrying amounts within our residential real estate segment may not be recoverable, and we performed an impairment analysis. As a result of our impairment analyses, we recorded an impairment charge of $13.6 million in the residential real estate segment.

We announced on October 8, 2007 our plan to dispose of Sunshine State Cypress as part of our restructuring plan. Our current estimate of its fair value based upon market analysis indicates that goodwill would not be recoverable. Accordingly, we recorded an impairment charge of $7.4 million, including costs to sell, to reduce the goodwill carrying value of Sunshine State Cypress to zero in the forestry segment in addition to a $1.5 million goodwill impairment loss in 2006, both of which are reported as part of our discontinued operations. We also recorded an impairment charge of $2.2 million to approximate fair value, less costs to sell, related to our investment in Saussy Burbank which was sold in May 2007, and is reported as part of our discontinued operations. No impairment losses were recorded in 2005.

Restructuring Charges. Restructuring charges include termination benefits and the write-off of capitalized homebuilding costs in connection with our exit from the Florida homebuilding business and our corporate reorganization. On October 8, 2007, we announced a restructuring plan that includes the divestiture of non-core assets, a significant reduction in capital expenditures, a leaner operating structure and an increased focus on the use of strategic business partners. As a result, we expect to take a charge to earnings of approximately $8.1 million, of which $6.1 million was recognized in 2007, with substantially all of the remaining charges to be recognized in 2008. The charges incurred will be primarily termination benefits to employees. We recorded a restructuring charge of $13.4 million during 2006 in connection with our exit from the Florida homebuilding business and a corporate reorganization. The charge included $9.3 million related to the write-off of previously capitalized homebuilding costs and $4.1 million related to one-time termination benefits. See note 12 in our consolidated financial statements for further detail of our restructuring reserve.

Other Income (Expense). Other income (expense) consists of investment income, interest expense, gains on sales and dispositions of assets, litigation expense, loss related to the monetization of installment notes and other income. Total other income (expense) was $(4.6) million in 2007, $(9.4) million in 2006 and $(3.0) million in 2005. Interest expense increased $6.1 million during 2007 compared to 2006 primarily as a result of an increase in average borrowings in 2007 as well as less capitalized interest. Other income, net increased to $2.0 million in 2007 from $(0.5) million in 2006. The net increase includes a receipt of a $3.5 million insurance settlement relating to the defense of an outstanding litigation matter in 2007 partially offset by a writedown of $2.6 million related to our retained interest of installment notes receivable and $2.6 million related to a contractor settlement within our residential real estate segment. In addition, in 2006 other, net included a litigation provision of $4.9 million related to a 1996 sales commission dispute. Gain on disposition of assets was $8.0 million during 2007 and represents the gain associated with three of the 17 buildings sold as part of our office building portfolio and in which we had a continuing involvement as lessee.

Investment income increased to $5.1 million in 2006 from $3.5 million in 2005 due primarily to higher invested cash balances. Interest expense increased to $13.9 million in 2006 from $10.5 million in 2005 primarily due to an increase in the average amount of debt outstanding in 2006. Other, net decreased in 2006 primarily due to a litigation provision of $4.9 million relating to a 1996 sales commission dispute.

Equity in (Loss) Income of Unconsolidated Affiliates. We have investments in affiliates that are accounted for by the equity method of accounting. Equity in (loss) income of unconsolidated affiliates totaled

$(5.3) million in 2007, $8.9 million in 2006 and $12.5 million in 2005. During 2007, we recorded a $4.3 million equity in loss of unconsolidated affiliates related to our investment in ALP Liquidating Trust (f/k/a Arvida/JMB Partners, L.P.). This adjustment was recorded as a result of the trust reserving $25.3 million of its remaining net assets to satisfy all potential claims and obligations. Equity in (loss) income of unconsolidated affiliates also decreased in 2007 compared to 2006 and 2006 compared to 2005 primarily due to lower earnings in our investments in residential joint ventures, Rivercrest and Paseos, which are now sold out.

Income Tax Expense. Income tax expense, including income tax on discontinued operations, totaled $18.8 million, $31.7 million and $71.9 million for the years ended December 31, 2007, 2006 and 2005, respectively. Our effective tax rate was 32%, 38% and 36% for the years ended December 31, 2007, 2006 and 2005, respectively. Our effective tax rate was higher in 2006 primarily as a result of recognizing interest expense on uncertain tax positions as a tax expense. Recently, the Internal Revenue Service (IRS) examined our federal income tax returns for the years 2000 through 2004. We settled with the IRS in March 2007 with regards to our contested tax positions. This settlement resulted in an income tax benefit during the quarter ended March 31, 2007, of approximately $3.1 million for amounts previously reserved, which lowered our 2007 effective tax rate.

Discontinued Operations. Discontinued operations include the operations and subsequent sales of our office building portfolio and Saussy Burbank which were sold in 2007, Sunshine State Cypress, Inc. held for sale as of December 31, 2007, four commercial buildings sold in 2006 and the sale of Advantis and four commercial office buildings in 2005. These entities results are not included in income from continuing operations. See the Residential Real Estate and Commercial Real Estate sections below for further discussion regarding our discontinued operations.

Segment Results

Residential Real Estate

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

Residential sales slowed significantly beginning in mid-2005 and market conditions continued to deteriorate during 2007. As a result of the slowdown, inventories of resale homes and home-sites have risen dramatically in our markets. Through 2007 high resale inventory levels continued to negatively impact sales of our products in our markets. Further, the recent highly publicized problems in the mortgage lending industry have led to more restrictive lending standards, which have created additional negative pressure on demand and consumer confidence in housing. A possible recession in the national economy is also contributing to the continued severe downturn in the residential real estate markets. At this time, there is much uncertainty as to when the market for residential real estate will improve.

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

In the past, we devoted significant resources to the conceptual design, planning, permitting and construction process for each of our new communities. We are continuing this process for certain key projects currently under development, and we will maintain this process for certain select communities going forward. In the future, however, we will primarily seek to either partner with third parties for the development of new communities or sell entitled land to third-party developers or investors. We hope to achieve significant savings in costs and capital expenditures through this approach to development going forward.

Currently, customers for our developed home-sites include both individual purchasers and national, regional and local homebuilders. Many of these homebuilders are also experiencing financial difficulties during this current weak real estate market. As a result, some of these homebuilders are choosing to delay or forego

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purchasing additional home-sites, and some have cancelled existing purchase commitments with us, or have sought to renegotiate such commitments on more favorable terms.

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

The table below sets forth the results of operations of our residential real estate segment for the three years ended December 31, 2007.

	Years Ended December 31,		
	2007	2006	2005
	(In millions)		
Revenues:			
Real estate sales	$ 119.0	$ 317.6	$ 515.1
Rental revenues	2.9	1.7	1.6
Other revenues	38.4	38.0	43.4
Total revenues	160.3	357.3	560.1
Expenses:			
Cost of real estate sales	77.2	221.5	323.4
Cost of rental revenues	3.1	1.8	1.6
Cost of other revenues	39.8	41.1	39.3
Other operating expenses	55.6	46.8	38.5
Depreciation and amortization	11.5	11.3	10.0
Impairment loss	13.6		
Restructuring charge	4.1	12.3	
Total expenses	204.9	334.8	412.8
Other income	0.8	1.6	0.1
Pre-tax (loss) income from continuing operations	$ (43.8)	$ 24.1	$ 147.4

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

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

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

Year Ended December 31, 2007	Year Ended December 31, 2006

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

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The overall decreases in real estate sales and gross profit were due primarily to adverse market conditions and our exit from homebuilding. The increase in total gross profit margin was due to the mix of sales, as higher margin home-site sales were a larger percentage of overall sales.

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

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

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

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

$2.0 million and a profit margin of 75%, and the recognition of $7.0 million of deferred revenue on our SummerCamp Beach community as the required infrastructure was completed.

In our Northwest Florida primary communities, home closings, revenues and gross profit decreased for the full year 2007 as compared to 2006 due primarily to the limited availability of product and our exit from the Florida homebuilding market. Gross profit and gross margin decreased from 2006 as the average sales price in our Palmetto Trace community, which accounted for 50% of our 2007 Northwest Florida primary home closings, decreased to $275,000 in 2007 from $320,000 in 2006. Home-site closings, revenues and gross profit decreased in 2007 as compared to 2006. Closings decreased by 53 units but revenue only decreased $.4 million as compared to 2006 due to a different mix of product type sold in our SouthWood community, where the average sales price of a home-site closed increased to $90,000 as compared to $58,000 in 2006. Increased costs and the closing of lower margin builder lots reduced the gross profit and gross margin in 2007 as compared to 2006.

In our Northeast Florida communities, home closings, revenues and gross profit decreased in 2007 due to limited availability of product. St. Johns Golf and Country Club, which is nearing completion, had a 9% decrease in the average sales price to $475,000 in 2007 as compared to $520,000 in 2006. Home-site closings, revenues and gross profit increased in 2007 as sales commenced in the fourth quarter of 2007 at our RiverTown community. Gross margin decreased due to the sale of lower margin builder lots.

In our Central Florida communities, the gross profit on total home sales decreased in 2007 compared to 2006 due to a decline in unit closings resulting primarily from our exit from Florida homebuilding and adverse market conditions. The average sales price of multi-family homes decreased to $145,000 in 2007 from $202,000 in 2006. Home-site closings and revenue decreased in 2007 as compared to 2006 as a result of limited availability of product and adverse market conditions. Home-sites had a negative gross profit of ($1.3) million in 2007 due to bulk sales to a national homebuilder. These sales have potential profit participation expected to be recognized in future periods.

Other revenues included revenues from the WaterColor Inn and WaterColor vacation rental program, other resort and club operations, management fees and brokerage activities. Other revenues were $38.4 million in 2007 with $39.8 million in related costs, compared to revenues totaling $38.0 million in 2006 with $41.1 million in related costs.

Other operating expenses included salaries and benefits, marketing, project administration, support personnel and other administrative expenses. Other operating expenses were $55.6 million in 2007 as compared to $46.8 million in 2006. The increase was primarily due to the recording of a $5.0 million termination fee paid to a third-party management company during the third quarter of 2007 and less capitalized costs due to our exit from homebuilding.

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

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

Discontinued Operations

On May 3, 2007, we sold our mid-Atlantic homebuilding operations, known as Saussy Burbank, to an investor group based in Charlotte, North Carolina. The sales price was $76.3 million, consisting of $36.0 million in cash and approximately $40.3 million in seller financing, the majority of which is secured by home inventory and is payable over eighteen months. The results of Saussy Burbank have been reported as discontinued operations in the years ended December 31, 2007, 2006 and 2005. Included in 2007 pre-tax income is a $2.2 million impairment charge to approximate fair value, less costs to sell, of the sale of Saussy Burbank.

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The table below sets forth the operating results of our discontinued operations of Saussy Burbank for the years ended December 31 (in millions).

	2007	2006	2005
Saussy Burbank Residential Segment			
Aggregate revenues	$ 132,992	$ 182,298	$ 178,251
Pre-tax income	1,550	12,905	8,437
Income taxes	605	4,904	3,164
Income from discontinued operations	$ 945	$ 8,001	$ 5,273

Year Ended December 31, 2006 Compared to Year Ended December 31, 2005

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

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

	Year Ended December 31, 2006			Year Ended December 31, 2005		
	Homes	Home-Sites	Total	Homes	Home-Sites	Total
	(Dollars in millions)					
Sales	$ 247.3	$ 69.3	$ 316.6	$ 359.5	$ 155.3	$ 514.8
Cost of sales:						
Direct costs	153.9	31.4	185.3	238.1	33.3	271.4
Selling costs	11.8	1.7	13.5	17.3	5.4	22.7
Other indirect costs	18.9	3.0	21.9	25.5	3.7	29.2
Total cost of sales	184.6	36.1	220.7	280.9	42.4	323.3
Gross profit	$ 62.7	$ 33.2	$ 95.9	$ 78.6	$ 112.9	$ 191.5
Gross profit margin	25%	48%	30%	22%	73%	37%

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The changes in the components of our real estate sales and cost of real estate sales from the year ended December 31, 2006, to the year ended December 31, 2005, are set forth below by geographic region and product type. A more detailed explanation of the changes follows the table.

	Year Ended December 31, 2006				Year Ended December 31, 2005			
	Closed Units	Revenues	Cost of Sales	Gross Profit	Closed Units	Revenues	Cost of Sales	Gross Profit
	(Dollars in millions)							
Northwest Florida:								
Resort								
Single-family homes	20	$ 21.8	$ 16.8	$ 5.0	8	$ 7.1	$ 5.1	$ 2.0
Multi-family homes					48	21.2	13.2	8.0
Private Residence Club					1	0.3	0.1	0.2
Home-sites	67	32.5	12.0	20.5	281	126.6	29.6	97.0
Primary								
Single-family homes	201	62.8	49.9	12.9	301	77.7	64.3	13.4
Townhomes	43	6.7	5.4	1.3	135	20.5	17.4	3.1
Home-sites	231	14.6	8.4	6.2	109	10.1	5.7	4.4
Northeast Florida:								
Primary								
Single-family homes	54	28.1	21.8	6.3	124	51.2	39.5	11.7
Home-sites	7	1.1	0.5	0.6	43	3.4	0.9	2.5
Central Florida:								
Primary								
Single-family homes	183	81.5	56.7	24.8	353	118.8	92.6	26.2
Multi-family homes	136	27.6	17.9	9.7	86	51.3	38.6	12.7
Townhomes	60	18.8	16.1	2.7	41	11.4	10.1	1.3
Home-sites	258	21.1	15.2	5.9	80	15.2	6.2	9.0
Total	1,260	$ 316.6	$ 220.7	$ 95.9	1,610	$ 514.8	$ 323.3	$ 191.5

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

In our Northwest Florida resort communities, closed units, revenues and gross profit decreased significantly in 2006 compared to 2005 due to decreased demand for resort residential product. The gross profit from home-site sales decreased to $20.5 million in 2006 from $97.0 million in 2005 due primarily to decreases in the number of home-sites closed in SummerCamp Beach, RiverCamps on Crooked Creek, WaterColor and WaterSound Beach. The decreases resulting from these reduced closings were partially offset by closings in WaterSound and WindMark Beach as sales for home-site in these communities commenced in the second and third quarters of 2006, respectively. No gross profit was recognized from multi-family residences in 2006, compared to $8.0 million in 2005 for the multi-family residences at WaterSound Beach, which were completed in 2005.

In our Northwest Florida primary communities, closed units, revenues and gross profit decreased in 2006 as compared to 2005 due to market conditions. The gross profit from single-family home sales decreased $0.5 million in 2006 from 2005 since 95 fewer units closed. Due primarily to an increase in the average sales price of homes closed in Palmetto Trace and SouthWood (the average price of single-family residences closed in these communities in 2006 was $305,000 compared to $258,000 in 2005), the decrease in gross profit was not as significant as the decrease in unit closings. Townhome revenues and the number of townhomes closed decreased in 2006 as compared to 2005 since we closed most of the townhomes previously offered for sale in these communities. Home-site closings and gross profit increased in 2006 compared with 2005 due primarily to increased closings in Palmetto Trace and Hawks Landing resulting from our expanding relationships with national and regional homebuilders, although the average price decreased, reflecting a change in the type of product sold. The average price of a home-site sold in 2006 was $63,000 compared to $93,000 in 2005.

In our Northeast Florida communities, closed units, revenues and gross profit decreased in 2006 as compared to 2005 as a result of lack of product availability. The decreases were partially offset by an increase in the average price of a single-family residence to $520,000 in 2006 compared to $413,000 in 2005. James Island and Hampton Park were completed during 2005.

In our Central Florida communities, the gross profit on single-family home sales decreased to $24.8 million in 2007 from $26.2 million in 2005 as a result of unit closings decreasing to 183 from 353. Due to our ability to achieve stronger pricing on contracts in these communities in 2006 (the average price of single-family residences closed in these communities in 2006 was $445,000 compared to $337,000 in 2005), the decrease in gross profit was not as significant as the decrease in unit closings. Gross profit percentages recognized using percentage-of-completion accounting on multi-family residences increased to 35% in 2006 from 25% in 2005 due primarily to our ability to raise prices to more than offset increased construction costs. Home site closings and revenue increased in 2006 compared with 2005 due primarily to third quarter sales to David Weekley Homes and fourth quarter sales to Beazer Homes. The average price of a home-site in 2006 was $82,000 compared to $190,000 in 2005 due to a change in the type of product sold to these homebuilders. Increased sales of townhomes during 2006 resulted in increased revenues and gross profit of $18.8 million and $2.7 million, respectively, as compared to 2005.

Other revenues included revenues from the WaterColor Inn and WaterColor vacation rental program, other resort and club operations, management fees and brokerage activities. Other revenues were $38.0 million in 2006 with $41.1 million in related costs, compared to revenues totaling $43.4 million in 2005 with $39.3 million in related costs. The decrease in other revenues and related deficit was primarily due to the decrease in resale brokerage activity and increased resort costs. The decrease in resale brokerage activity coincided with the slowdown in residential sales. The increase in resort costs included salaries and salary related costs in our Northwest Florida resort operations, which was due primarily to costs associated with new resort operations in WaterSound Beach during 2006.

Other operating expenses included salaries and benefits, marketing, project administration, support personnel and other administrative expenses. Other operating expenses increased to $46.8 million in 2006 from $38.5 million in 2005 due to increased marketing costs associated with a regional brand campaign, increased project administration expenses resulting from new projects at Seven Shores, RiverTown and the second phase of WindMark Beach, and increased insurance costs.

We recorded a restructuring charge in our residential real estate segment of $12.3 million in 2006 in connection with our exit from the Florida homebuilding business and corporate reorganization. The charge included $9.3 million related to the write-off of previously capitalized homebuilding costs and $3.0 million related to one-time termination benefits for affected employees.

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

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The table below sets forth the results of our continuing operations of our commercial real estate segment for the three years ended December 31, 2007.

	Years Ended December 31, 2007	2006	2005
	(In millions)		
Revenues:			
Real estate sales	$ 27.6	$ 48.5	$ 62.7
Rental revenues	2.1	3.3	2.8
Other revenues	0.1	0.9	1.2
Total revenues	29.8	52.7	66.7
Expenses:			
Cost of real estate sales	13.8	18.6	33.8
Cost of rental revenues	1.4	2.1	1.1
Other operating expenses	5.9	7.0	8.2
Depreciation and amortization	1.2	2.6	2.2
Restructuring charge	0.4	0.1	
Total expenses	22.7	30.4	45.3
Other income (expense)	8.3	1.7	0.8
Pre-tax income from continuing operations	$ 15.4	$ 24.0	$ 22.2

Although somewhat stronger than the markets for residential real estate, the markets for commercial real estate have also experienced a downturn in volume since 2005, although prices per acre have generally increased. As a result, our revenues in the commercial real estate segment have steadily declined since 2005. In addition to the negative effects of the prolonged downturn in demand for residential real estate, commercial real estate markets are also being negatively affected by the current decline in the national economy. Despite these adverse market conditions, we expect significant interest to develop in the near future for our commercial and industrial properties that surround the site of the proposed Panama City Bay County International Airport. The new airport is currently under construction and could open for business as early as 2010, subject to the successful resolution of any legal challenges and other construction delays.

We continue to focus our efforts on attracting national and regional retail users and other commercial developers to our properties in Northwest Florida. Going forward, we will seek to partner with third parties for the development of new commercial projects, as well as sell entitled land to developers and investors.

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Real Estate Sales. Land sales for the three years ended December 31, 2007 included the following:

Land	Number of Sales	Acres Sold		Average Price Per Acre(1)		Gross Proceeds		Revenue		Gross Profit on Sales
								(In millions)		
Year Ended December 31, 2007:										
Northwest Florida	29	88	$	264.5	$	23.2	$	23.2(2)	$	12.8(2)
Other	4	22		194.1		4.4		4.4		1.0
Total/Average	33	110	$	250.1	$	27.6	$	27.6(2)	$	13.8(2)
Year Ended December 31, 2006:										
Northwest Florida	28	244	$	200.4	$	48.9	$	48.5(3)	$	29.9(3)
Other										
Total/Average	28	244	$	200.4	$	48.9	$	48.5(3)	$	29.9(3)
Year Ended December 31, 2005:										
Northwest Florida	36	220	$	140.5	$	30.9	$	29.9(4)	$	21.9(4)
Other	8	276		118.8		32.8		32.8		6.7
Total/Average	44	496	$	128.4	$	63.7	$	62.7(4)	$	28.6(4)

(1) Average price per acre in thousands.

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

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

(4) Net of deferred revenue and gain on sales, based on percentage-of-completion accounting, of $1.0 million and $0.7 million, respectively.

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

In 2007, the commercial segment had a $382,000 per acre average sales price on the retail land portfolio as compared to $248,000 in 2006 and $311,000 in 2005. In the commerce / industrial park portfolio the average sales price per acre in 2007 was $210,000 as compared to $215,000 in 2006 and $126,000 in 2005.

In 2006, compared to 2005, the commercial segment shifted its multifamily focus from smaller local builders to regional and national companies. This shift resulted in fewer multifamily sales but increased pricing to $232,000 per acre for the year 2006, compared with average pricing of $105,000 per acre in 2005.

In 2005, the commercial segment had larger numbers of sales due to the sale of non-strategic holdings.

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

Dispositions of Assets

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

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The results of the three buildings reported in continuing operations for the year ended December 31 are shown in the following table (in millions):

	2007	2006	2005
Commercial Buildings:			
Aggregate revenues	$ 1.5	$ 2.9	$ 2.6
Pre-tax income (loss)		(1.2)	(1.2)
Pre-tax gain on sale	8.0		
Income tax expense (benefit)	0.6	(0.5)	(0.4)
Income (loss) from continuing operations, net of tax	$ 7.4	$ (0.7)	$ (0.8)

On September 7, 2005, we sold Advantis, our former commercial real estate services unit, for $11.4 million (including $7.5 million in notes receivable from the purchaser) at a pre-tax loss of $9.5 million. Under the terms of the sale, we continue to use Advantis to manage certain commercial properties and also involve Advantis in certain sales of our land.

Discontinued operations for the years ended December 31 include the sale and results of operations of our 14 buildings sold in 2007, four buildings sold in 2006, Advantis sold in 2005 and four commercial buildings sold in 2005 as shown in the following table. The operations of these buildings and Advantis are included in discontinued operations through the dates that they were sold (in millions):

	2007	2006	2005
Commercial Buildings Commercial Segment:			
Aggregate revenues	$ 18.1	$ 40.1	$ 43.8
Pre-tax income (loss)	2.5	(1.7)	1.2
Pre-tax gain on sale	47.8	16.7	30.8
Income taxes	19.6	5.7	12.0
Income from discontinued operations	$ 30.7	$ 9.3	$ 20.0
Advantis Commercial Segment:			
Aggregate revenues	$	$	$ 70.0
Pre-tax income (loss)			(1.6)
Pre-tax gain (loss) on sale			(9.5)
Income taxes (benefit)			(4.1)
Income (loss) from discontinued operations	$	$	$ (7.0)
Total income from discontinued operations	$ 30.7	$ 9.3	$ 13.0

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

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The table below sets forth the results of operations of our rural land sales segment for the three years ended December 31, 2007.

	Years Ended December 31,		
	2007	2006	2005
	(In millions)		
Revenues:			
Real estate sales	$ 161.1	$ 89.9	$ 68.9
Expenses:			
Cost of real estate sales	54.7	7.4	9.4
Cost of other revenues			0.2
Other operating expenses	5.3	10.6	8.8
Depreciation and amortization	0.2	0.3	0.2
Restructuring charge	1.4	0.2	
Total expenses	61.6	18.5	18.6