

UNITED STATES OF AMERICA
before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES ACT OF 1933
Release No. 9967 / October 27, 2015

SECURITIES EXCHANGE ACT OF 1934
Release No. 76275 / October 27, 2015

ACCOUNTING AND AUDITING ENFORCEMENT
Release No. 3716 / October 27, 2015

ADMINISTRATIVE PROCEEDING
File No. 3-16927

In the Matter of

**THE ST. JOE COMPANY,
Wm. BRITTON GREENE,
WILLIAM S. McCALMONT,
JANNA L. CONNOLLY, CPA,
J. BRIAN SALTER, CPA, and
PHILLIP B. JONES, CPA,**

Respondents.

**ORDER INSTITUTING PUBLIC
ADMINISTRATIVE AND
CEASE-AND-DESIST
PROCEEDINGS PURSUANT TO
SECTION 8A OF THE SECURITIES
ACT OF 1933, SECTIONS 4C AND 21C
OF THE SECURITIES EXCHANGE
ACT OF 1934, AND RULE 102(e) OF
THE COMMISSION'S RULES OF
PRACTICE, MAKING FINDINGS,
AND IMPOSING REMEDIAL
SANCTIONS, CEASE-AND-DESIST
ORDERS AND PENALTIES**

I.

The Securities and Exchange Commission ("Commission") deems it appropriate that public administrative and cease-and-desist proceedings be, and hereby are, instituted pursuant to Section 8A of the Securities Act of 1933 ("Securities Act") and Section 21C of the Securities Exchange Act of 1934 ("Exchange Act") against The St. Joe Company, Wm. Britton Greene, William S. McCalmont, Janna L. Connolly, CPA, J. Brian Salter, CPA, and Phillip B. Jones, CPA (collectively,

“Respondents”), and additionally as to McCalmont, Connolly, Salter and Jones, pursuant to Exchange Act Section 4C¹ and Rule 102(e)(1)(iii) of the Commission’s Rules of Practice.²

In anticipation of the institution of these proceedings, Respondents have submitted Offers of Settlement (“Offers”), which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission’s jurisdiction over them and the subject matter of these proceedings, which are admitted, and except as provided in Section V. herein, Respondents consent to the entry of this Order Instituting Public Administrative and Cease-and-Desist Proceedings Pursuant to Section 8A of the Securities Act of 1933, Sections 4C and 21C of the Securities Exchange Act of 1934, and Rule 102(e) of the Commission’s Rules of Practice, Making Findings, and Imposing Remedial Sanctions, Cease-and-Desist Orders and Penalties (“Order”), as set forth below.

II.

On the basis of this Order and Respondents’ Offers, the Commission finds³ that:

A. Overview

The St. Joe Company, an NYSE-listed real estate developer, timberland owner, and resort operator, its former senior management, and others, committed or caused violations of the federal securities laws, resulting in materially overstated earnings and assets during 2009 and 2010.⁴ The underlying improper conduct comprised, *first*, failing in two respects to comply with Generally Accepted Accounting Principles (“GAAP”) in the impairment testing of the Company’s real estate development assets; *second*, after discovering the broader of the aforementioned GAAP lapses in October 2010, (i) failing to identify or correct any resulting errors in prior-period financial statements and (ii) improperly using assumptions based on conditions not existing as of the quarter ended

¹ Section 4C provides, in relevant part, that:

The Commission may ... deny, temporarily or permanently, to any person the privilege of appearing or practicing before the Commission in any way, if that person is found . . . (3) to have willfully violated, or willfully aided and abetted the violation of, any provision of the securities laws or the rules and regulations thereunder.

² Rule 102(e)(1)(iii) provides, in pertinent part, that:

The Commission may ... deny, temporarily or permanently, the privilege of appearing or practicing before it . . . to any person who is found . . . to have willfully violated, or willfully aided and abetted the violation of any provision of the Federal securities laws or the rules and regulations thereunder.

³ The findings herein are made pursuant to Respondents’ Offers of Settlement and are not binding on any other person or entity in this or any other proceeding.

⁴ These violations stemmed from the Company’s historical accounting and disclosure practices relating to its valuation and impairment of real estate development assets which occurred prior to the 2011 replacement of the Company’s Board of Directors and resignation of the Chief Executive Officer, Chief Financial Officer, and Chief Accounting Officer.

September 30, 2010 in conducting that quarter's impairment testing for certain real estate developments; *third*, applying an unreasonable sales price assumption to undeveloped beachfront land in one of the Company's largest real estate developments in the fourth quarter of 2010; and *fourth*, failing to specifically disclose, in its 2010 Form 10-K, that the Company had decided not to proceed with the material development and planning of two of its largest real estate developments, and had instead determined to bulk-sell the related undeveloped land in the future. In the course of the foregoing, and by their respective acts and omissions detailed below, the Respondents committed or caused various respective violations of the antifraud, internal controls, books-and-records, periodic reporting and other provisions of the federal securities laws.

B. Respondents

The St. Joe Company ("St. Joe" or "the Company") is a Florida corporation headquartered in WaterSound, Florida. The Company is a residential and commercial real estate developer, rural and timberland owner, and resort operator. St. Joe's common stock is registered with the Commission pursuant to Section 12(b) of the Exchange act and listed on the New York Stock Exchange ("NYSE") under the ticker symbol "JOE." At all relevant times, St. Joe's fiscal year coincided with the calendar year.

Wm. Britton Greene ("Greene"), age 61, resides in Winter Park, Florida. He served as St. Joe's Chief Operating Officer ("COO") from August 2006, and its Chief Executive Officer ("CEO") from May 2008, until his resignation on February 25, 2011.

William S. McCalmont ("McCalmont"), age 59, resides in Santa Rosa Beach, Florida. He served as St. Joe's Chief Financial Officer ("CFO") from May 2007 until his resignation on April 11, 2011. McCalmont has never been a Certified Public Accountant ("CPA"), but obtained a Chartered Financial Analyst designation ("CFA") in 1986, which is now inactive. From 2000 until October 19, 2015, McCalmont served on the Audit Committee of another public company.

Janna L. Connolly ("Connolly"), age 59, resides in Destin, Florida. She served as St. Joe's Chief Accounting Officer ("CAO") from 1996 until April 11, 2011, when she succeeded McCalmont as the Company's CFO, and continued in that position until her resignation on May 7, 2012. Connolly has been licensed as a CPA by the State of Florida since 1980.

J. Brian Salter ("Salter"), age 45, resides in WaterSound, Florida. He was St. Joe's Manager of Finance from 2005 until July 2, 2010, when he was promoted to Director of Accounting and Finance. Salter continued in that position until May 17, 2011, when he was promoted to Vice President of Finance and Accounting. Salter is currently the Company's Senior Vice President of Finance and Investments. Salter has been licensed as a CPA by the State of Florida since 1996.

Phillip B. Jones ("Jones"), age 46, resides in Jacksonville, Florida. He was St. Joe's Director of Accounting from 2006 until leaving the Company on June 30, 2010. Jones has been licensed as a CPA by the State of Florida since 2002. He is currently employed as Vice President of Revenue for a private company.

C. FACTS

1. Applicable GAAP and Controls Environment

Throughout the period relevant to this Order, i.e. January 1, 2009 through March 3, 2011 (the “Relevant Period”), St. Joe was one of the largest real estate development companies in Florida. With virtually all of its assets, income and revenue tied to real estate, it was, during the Relevant Period, of central importance that those responsible for St. Joe’s financial reporting and internal accounting controls have a command of, and properly apply, the GAAP applicable to its real estate assets (in addition, of course, to all other relevant GAAP). *Accounting Standards Codification 360-10* (formerly FAS 144) (“ASC 360”) provides that long-lived assets to be held and used, including assets under development, be tested for impairment whenever events or changes in circumstances indicate that such an asset’s carrying amount may not be recoverable (“Triggering Events”);⁵ ASC-360 also specifies both how to carry out, and how to apply the results of, such testing.

During the Relevant Period and pursuant to St. Joe’s internal accounting controls and policies and procedures, responsibility for impairment testing was shared among Respondents Greene, McCalmont, Connolly, Salter and/or Jones. For their part, during the Relevant Period and pursuant to the Company’s policies, former CEO Greene, former CFO McCalmont, and former CAO Connolly were each required to review and approve the impairment testing that was used for financial reporting purposes. As Directors of Accounting and pursuant to the Company’s controls, Jones (for all of 2009 as well as the first six months of 2010) and Salter (from July 2, 2010 through the balance of the Relevant Period) were responsible for testing St. Joe’s long-lived real estate developments for impairment on a quarterly basis.⁶

In addition, Greene, McCalmont and Connolly,⁷ as members of St. Joe’s Investment Committee, were responsible for approving all business assumptions and forecasted undiscounted cash flows that were, among other things, used in the Company’s impairment testing. Throughout the Relevant Period, St. Joe’s business plans and forecasted undiscounted cash flows for specific residential real estate developments were captured in comprehensive “economic models” which reflected assumptions concerning the future plans for each development, including annualized pricing, appreciation rates, specific costs, and detailed expected sales time frames for specific types of home sites. Pursuant to the Company’s internal policy, these economic models were updated at least annually by the Company’s finance department and real estate development project managers.

⁵ Such events or changes in circumstances include, among other things, a significant adverse change in business climate impacting the relevant assets. *See* ASC 360-10-35-2. These events were present across all of St. Joe’s developments during the Relevant Period, due to, among other things, economic recession, a significant downturn in the Florida real estate market, and a major oil spill in the Gulf of Mexico.

⁶ During the Relevant Period, St. Joe conducted quarterly impairment testing because it considered the financial crisis and the 2010 Gulf oil spill to be ongoing Triggering Events.

⁷ Connolly became a member of the Investment Committee in Q1 2010.

2. St. Joe Deviated From GAAP

During 2009 and 2010, the Company failed in two respects to conform with GAAP—with one lapse impacting multiple periods and the other a single project and period—and each resulting in an overstatement of the Company’s earnings and assets at the time.

a. Failure to Include all Necessary Costs in Impairment Testing

During all of 2009 and continuing through its second quarter of 2010, the Company’s impairment testing failed to include all cash outflows necessary to develop, and that were expected to arise as a direct result of the use and disposition of, St. Joe’s real estate developments.⁸ In particular, the Company based its impairment testing on what it termed “Relative Sales Value” worksheets, or “RSVs,” which were a *partial summary* of the cash flows found in the Company’s more comprehensive approved economic models. Thus, using the RSVs as the basis for the Company’s impairment testing resulted in the exclusion of certain necessary non-capitalized cash outflows associated with its real estate developments. Had these additional required cash outflows been included in the Company’s impairment testing, the Company would have been required to take impairment charges on three of its largest real estate developments during the Relevant Period, namely, the projects called Victoria Park, Southwood, and WaterColor. Combined, the impairments not taken on these projects amounted to at least \$55 million in Q1 2009 and \$19 million in Q4 2009, and resulted in materially misstated financial statements during those same periods, which continued through the remainder of the Relevant Period.⁹

As Directors of Accounting, Jones (during all of 2009 as well as the first six months of 2010), and Salter (from July 2, 2010 through the balance of the Relevant Period) were responsible for preparing the Company’s quarterly impairment testing in connection with the Company’s preparation of annual and quarterly financial statements. Each should have known that the Company’s quarterly impairment testing failed to comply with GAAP because the RSVs did not include all cash outflows necessary to develop each project.

For their part, Greene, McCalmont and Connolly were responsible for reviewing and approving the Company’s quarterly impairment testing. Additionally, as members of the Investment Committee, Greene, McCalmont and Connolly were also responsible for reviewing and approving all updates to the detailed business assumptions and cash flows in each of St. Joe’s real estate development projects’ economic models. Greene, McCalmont and Connolly each failed to prevent or detect the inconsistencies between the cash flows used in the RSVs for impairment testing and the corresponding complete cash flows in the economic models. Each also failed to ensure that all necessary costs be considered in the impairment testing which each reviewed and approved. As a result, each failed to prevent the overstatements in earnings and assets that resulted from the Company’s use of incomplete cash outflows in its impairment testing.

⁸ ASC 360-10-35-29; ASC 360-10-35-34.

⁹ The Company reported a \$67.8 million impairment in connection with the sale of its Victoria Park real estate asset in Q4 2009. Accordingly, had the Company properly taken a \$55 million impairment on the Victoria Park asset in Q1 2009, its reported Q4 2009 impairment of Victoria Park would have been reduced.

b. Failure to Consider Alternative Courses of Action

The Company failed to apply the pertinent GAAP in another respect in the Fall of 2009, with this lapse materially impacting a single project and reporting period. In particular, in performing and approving the Company's quarterly impairment testing of its Victoria Park project as a long-lived asset to be held and used in connection with preparing the Company's Q3 2009 financial statements, Greene, McCalmont, and Connolly gave no consideration to the likelihood of selling that project in bulk by December 31, 2009.¹⁰ They each omitted any such consideration despite St. Joe having made substantial efforts to pursue and achieve a sale. Instead, the Q3 2009 impairment test of Victoria Park was improperly performed using only the estimated cash flows expected from the long-term development of the project.

In the Spring of 2009, the Company's Investment Committee (which then included Greene and McCalmont) approved the sale of Victoria Park in bulk at a substantial loss if such a transaction could be closed by December 31, 2009.¹¹ Immediately thereafter, the Company began pursuing the sale of Victoria Park and, during its third quarter (which encompassed June through September), received numerous letters of intent from buyers offering to purchase the property for prices ranging from \$9 million to \$15 million. Before the end of the quarter, St. Joe decided to pursue a sale to Company A, while maintaining contact with another interested party (hereinafter "Company B") as a potential back-up buyer. On October 1, 2009, during St. Joe's quarter-end close process for Q3 2009, Company A signed a contract to purchase Victoria Park for \$15 million. On October 30, 2009, however, Company A withdrew from the transaction, at which time McCalmont informed St. Joe's independent auditor and Audit Committee of Company A's withdrawal. As a result of Company A's disengagement, St. Joe immediately pursued its contingency plan with the back-up buyer, Company B. Only one day after Company A's withdrawal, St. Joe scheduled a meeting with Company B to negotiate the sale of the development, and only four days after Company A's withdrawal, St. Joe sent Company B a draft purchase agreement. Further, in anticipation of a sale and in order to accelerate the timing of a sale, St. Joe had, by October 2009, prepared documentation that it felt would likely be requested by a buyer. As a result of St. Joe's maintaining Company B as a potential contingency purchaser, early preparation of documentation, and immediate follow-up with Company B, Company B entered into a purchase and sale agreement, subject to diligence, to purchase Victoria Park for \$11 million on November 12, 2009, two weeks after Company A withdrew. The transaction closed on December 15, 2009, and on that day the Company filed a Form 8-K announcing the sale of Victoria Park.

During the four days between Company A's withdrawal from the transaction on October 30th and St. Joe's November 3, 2009 filing of its Q3 2009 Form 10-Q, St. Joe performed impairment testing on Victoria Park as an asset to be held and used (under development) without considering the

¹⁰ In performing an impairment test, estimated undiscounted cash flows should consider the likelihood of all possible outcomes associated with any alternative courses of action under consideration for asset. ASC 360-10-35-30.

¹¹ St. Joe was pursuing this sale in order to take advantage of a tax-loss carryback benefit then available to the Company for losses occurring before the end of 2009. This tax-loss carryback benefit could have been obtained only if the sale of Victoria Park were completed before the end of the 2009 calendar year.

likelihood of a potential sale of the project by the end of 2009.¹² Instead, St. Joe considered only the single course of action of St. Joe’s fully developing the property through 2026. Had St. Joe considered the undiscounted cash flows associated with even a small likelihood of selling Victoria Park by year end 2009, and had it—pursuant to ASC 360—incorporated such likelihood into its impairment testing, it would have been required to impair Victoria Park by at least \$55 million in its Q3 2009 filing, a material amount.¹³

In performing procedures related to the Company’s Q3 2009 impairment testing for Victoria Park, the Company’s independent auditors relied on representations made by Greene, McCalmont, and Connolly in a management representation letter associated with their Q3 2009 review that the probability of selling Victoria Park by year end 2009 was “highly improbable, such that it [was] essentially nil.” While McCalmont informed the independent auditors of the existence of Company B as a potential back-up buyer, neither he, nor any of the other executives, informed the auditors of the extensive steps St. Joe had taken towards consummating a sale with Company B, including the fact that a draft purchase agreement was sent to Company B on the same day that Greene, McCalmont, Connolly signed the management representation letter. Accordingly, St. Joe’s failure to perform the Q3 2009 impairment testing of Victoria Park in accordance with GAAP went undetected by the Company’s independent auditors.

3. Failures in the Wake of Discovering the Incorrect Accounting

On October 13, 2010, a short-seller gave a public presentation alleging that St. Joe was overvaluing its real estate development assets and failing to take material impairment charges. Following the presentation, there was increased focus within the Company on its impairment testing. Although the Company’s impairment testing, as prepared by Salter and reviewed and approved by Greene, McCalmont and Connolly, had continued—up to and including the day of the short-seller presentation—to improperly utilize RSVs, Salter at some point came to realize that this RSV-based method of impairment testing had been improper because it failed to include all necessary cash outflows. Salter subsequently caused the Company to change its impairment testing methodology going forward to one properly based on cash flows in the Company’s comprehensive economic models, which included additional necessary cash outflows. Greene, McCalmont, Connolly and Salter nonetheless did not identify or correct any errors in St. Joe’s prior-period financials that resulted from the faulty methodology. Salter also improperly used assumptions generated after the quarter ended September 30, 2010 in connection with at least one real estate development in conducting that particular quarter’s impairment testing.

a. Failure to Review Prior Periods

Greene, McCalmont, Connolly and Salter failed to review or effectively cause a review of St. Joe’s accounting for prior periods, and also failed to identify, correct or cause to be corrected the

¹² The updated Victoria Park model was not subjected to the Company’s established Investment Committee or impairment testing processes, as Greene, McCalmont, and Connolly knew.

¹³ The \$67.8 million Victoria Park impairment charge (referenced in note 9, *supra*), was taken by St. Joe in Q4 2009 to reflect the finalized sale of Victoria Park to Company B at a significant loss.

resulting errors in previously issued financial statements.¹⁴ While Salter recognized past flaws in St. Joe's impairment testing process and changed the Company's impairment testing methodology to one properly including additional necessary cash outflows, he failed to review the impairment accounting for prior periods. For his part, Greene also had concerns over prior period impairment testing independent of Salter's discovery of the improper accounting. Greene expressed these concerns to McCalmont and Connolly within a few days following the short-seller presentation, and asked McCalmont to confirm that St. Joe's impairment procedures were compliant in prior periods before St. Joe filed its Q3 2010 financials. McCalmont nevertheless did not review prior periods, and Greene failed to follow up with McCalmont on the issue. For her part, Connolly also failed to conduct any review of prior period accounting.

Had Salter, McCalmont or Connolly reviewed the impairment testing for prior periods, or had Greene caused such a review to take place, they would have discovered that St. Joe had improperly failed to record at least \$74 million in impairments, as described above, associated with three of its real estate developments from approximately Q1 2009 through at least Q2 2010. As a result, the aforementioned errors were not corrected in the Company's relevant previously issued financial statements.

b. Failure to Use Existing Approved Assumptions For Q3 2010 Impairment Testing

As noted above, the Company's faulty RSV-based impairment testing had persisted until the very day of the short-seller presentation. In particular, on October 13, 2010, Greene, McCalmont and Connolly had performed the final management review of St. Joe's Q3 2010 impairment testing, which Salter had prepared using the improper RSV methodology. Had this impairment testing been performed properly during the October 13, 2010 review, however, by including all necessary future cash outflows, a material impairment would have been required for at least one of the Company's real estate developments.

Following the short-seller presentation, the Company's auditors asked for all of St. Joe's economic models for its real estate developments in connection with the auditors' review of, among other things, St. Joe's impairment testing for the quarter ended September 30, 2010. In response, Salter sent at least one economic model reflecting materially updated assumptions adopted subsequent to the Company's internal October 13, 2010 impairment review.¹⁵ These updated assumptions should not have been used in conducting the impairment testing associated with preparing the third quarter financial statements because the assumptions were based on conditions not existing as of September 30, 2010.¹⁶ Had St. Joe tested the economic models with assumptions

¹⁴ See ASC 250-10-45-23.

¹⁵ The updated economic model was not subjected to the Company's established Investment Committee process, as Salter knew.

¹⁶ Evidence about conditions that did not exist at the balance sheet date should not be recognized in the financial statements issued as of the balance sheet date. Instead, the entity should consider whether the nature of the new evidence should be disclosed to keep the financial statements from being misleading. See ASC 855-10-25-3 and ASC 855-10-50-2.

adopted as of September 30, 2010, it would have been required to account for approximately \$15 million in impairments in its Q3 2010 Form 10-Q.¹⁷

4. Applying Unreasonably High Beachfront Pricing for Impairment Purposes

Windmark Beach II (“Windmark II”), located in Port St. Joe, Florida, was St. Joe’s largest real estate development in terms of capital expenditures during 2009 and 2010, with a book value in St. Joe’s public filings of over \$165 million, including commercial and resort operations. Windmark II was also a primary target of the October 13, 2010 short-seller presentation, which heavily criticized the project’s lack of development and stated that Windmark II was overvalued.

In Q4 2010, St. Joe adopted a new business plan for the Windmark II development, referred to as a “bulk sale” strategy, whereby St. Joe would cease all material development of the project, retain all undeveloped land until 2020, and sell it in bulk at that time. The new bulk-sale economic model, however, also assigned an unreasonably high valuation to certain undeveloped beachfront land in Windmark II. Specifically, the new valuation of the undeveloped beachfront land was based on a price of \$6,000 per-linear foot as of 2010. The valuation’s future bulk-sale price, in the year 2020, was over \$7,600 per-linear foot, or \$1.4 million per acre, based on an assumed annual appreciation of 3%. Greene approved these prices despite evidence then existing and known to him indicating a substantially lower value.¹⁸ The Company’s Vice President of Development refused to sign the portion of the Windmark II model with an undeveloped beachfront price above \$3,500 per linear foot. As a result, Greene signed off on the Windmark II bulk undeveloped beachfront portion of the updated Windmark II economic model. For their part, although McCalmont and Connolly were both members of the Investment Committee approving economic models at the time and had responsibility for approving quarterly impairment testing, neither raised any concerns or otherwise took any steps to test the reasonableness of this pricing assumption.

The unreasonable \$6,000 per-linear foot undeveloped beachfront pricing in the revised Windmark II economic model had the effect of generating sufficient notional cash flows to render the project recoverable and thus not require any impairment charge in Q4 2010. Had St. Joe performed an impairment test using, instead, a reasonable valuation based on comparable sales and other available evidence, the Windmark II real estate development would not have been recoverable, and the Company would have been required to take an impairment charge of at least \$80 million in Q4 2010.

¹⁷ Moreover, St. Joe’s independent auditors were not made aware of the fact that the updated economic model employed assumptions not based on conditions existing as of the end of the third quarter 2010.

¹⁸ During 2010, there were only two beachfront home site sales in Windmark II. Both sales had a price-per-linear-foot of less than \$2,000. Furthermore, St. Joe personnel assembled comparable property sales from other non-St. Joe projects, and, out of the 21 sales in question, only one was priced at or above \$6,000 per linear foot, and only one was priced greater than \$1 million per acre. It does not appear that any of this evidence—all available at the time—was considered in estimating cash flows for the impairment test for Windmark II.

5. Failing to Disclose Significant Change in Business Strategy

St. Joe's 2010 Form 10-K contained material misstatements and omissions concerning its development plans for two of its largest real estate projects, Windmark II and Southwood. In Q4 2010, St. Joe's Investment Committee (then consisting of Greene, McCalmont and Connolly) adopted new "bulk sale" strategies and economic models for both these developments. These new strategies constituted a significant shift for the Company that halted all material future development at both sites and instead consisted of long term retention of the undeveloped land and selling it, undeveloped, in the future.

St. Joe's disclosures concerning the Windmark II and Southwood developments in relevant sections of its 2010 10-K, however, failed to mention this significant change in strategy. Instead, as to Windmark II, St. Joe represented (Item 1, *Business* of the Company), that "[p]lans for [Windmark II] include approximately 1,516 residential units and 76,000 square feet of commercial space," and that the community would include "approximately 14 miles of walkways and boardwalks, including a 3.5 mile boardwalk." By contrast, the Company's approved economic model for Windmark II, as of December 31, 2010, provided for total residential development of 191 home sites – comprising just 13% of the development promised in the 10-K.

As to Southwood, St. Joe's 2010 10-K represented (in Item 1, *Business* of the Company) that Southwood remained "[p]lanned to include approximately 4,770 residential units." By contrast, the Company's approved economic model for Southwood, as of December 31, 2010, called for ceasing all future material parcel development and selling the undeveloped land through 2020.¹⁹

Greene and McCalmont, in certifying the Company's 2010 Form 10-K in their capacities as CEO and CFO, respectively, and during a time of heightened public scrutiny over St. Joe's real estate development assets, should have known that the Company's disclosures concerning continued development plans at Windmark II and Southwood were misleading because they failed to disclose the Company's Investment Committee-approved plans to cease material residential development and sell undeveloped land in bulk. Further, in their Sarbanes-Oxley 302 certifications, Greene and McCalmont both represented that they reviewed the Form 10-K and that, based on their knowledge, the report did not contain any material misstatements and omissions.

6. Inadequate Books and Records

During the Relevant Period, St. Joe failed to maintain adequate books-and-records concerning its impairment testing of real estate developments. Specifically, during the Relevant Period, St. Joe failed to sufficiently perform the following: maintain adequate records of quarterly impairment testing reviewed as part of its quarterly and annual accounting close process; document support for assumptions used in undiscounted cash flows used in impairment testing; document its processes and procedures concerning impairment testing; maintain the integrity of the economic models and RSVs used in connection with past impairment testing; and document identified errors in past impairment testing. Importantly, St. Joe's books-and-records failures during the Relevant Period adversely

¹⁹ The remaining development planned for Southwood was the building of "backbone" roads and connections to general utility services—development that was required as a condition of the Community Development District loans that St. Joe had received for the project.

impacted the SEC investigation leading to this Order, including causing unreasonably prolonged uncertainty concerning the Company's historic impairment testing procedures and causing substantial delays to, and otherwise unnecessary steps in, that investigation.²⁰

7. Later Developments

Following the Relevant Period, St. Joe made significant changes in personnel at both the management and Board of Directors level, referenced in note 4 above. In addition, in the fourth quarter of 2011, with Salter's assistance, St. Joe's new Board and management (which included Connolly as CFO at the time), citing the adoption of a new business strategy, recognized aggregate impairment losses of over \$374 million associated with its investments in real estate. These impairments included more than \$126 million to Windmark II and more than \$17 million to Southwood. Collectively, the impairments taken by the Company in Q4 2011 resulted in reductions to St. Joe's investment in real estate, and to its total asset value, of more than 50% and more than 35%, respectively.

Findings

Based on the foregoing, the Commission finds that Respondent The St. Joe Company violated Securities Act Sections 17(a)(2) and (3) and Exchange Act Sections 13(a), 13(b)(2)(A) and (B), and Exchange Act Rules 12b-20, 13a-1, 13a-11 and 13a-13.

Based on the foregoing, the Commission further finds: (1) that Respondent Greene violated and Respondents McCalmont, Connolly and Salter willfully²¹ violated Securities Act Sections 17(a)(2) and (3), Exchange Act Section 13(b)(5), and Exchange Act Rules 13b2-1 and 13b2-2; (2) that Respondents Greene, McCalmont, Connolly, Salter and Jones caused St. Joe's violations of Exchange Act Sections 13(a), 13(b)(2)(A) and (B), and Exchange Act Rules 12b-20, 13a-1, 13a-11 and 13a-13; (3) that Respondent Greene violated and Respondent McCalmont willfully violated Exchange Act Rule 13a-14; (4) that Respondents McCalmont, Connolly, Salter and Jones also willfully violated the federal securities laws or rules and regulations thereunder pursuant to Section 4C of the Exchange Act and Rule 102(e)(1)(iii) of the Commission's Rules of Practice; and (5) that Respondent Jones willfully violated Exchange Act Rule 13b2-1 and caused St. Joe's violation of Securities Act Section 17(a)(2).

III.

In determining to accept Respondent St. Joe's Offer, the Commission considered remedial steps taken by the Company since the conduct detailed herein, including enhancements to its

²⁰ Since the Relevant Period, the Company, under the direction of its newly constituted Board and senior management, has undertaken significant measures to strengthen its policies and procedures for maintaining books and records.

²¹ The use of the word "willful" (both here and throughout the Findings section of this Order) does not reflect a finding that the Respondents acted with the intention to violate the law or knowledge that they were doing so. As used in the governing provisions of law, "willfully" means only that the actor "intentionally committed the act which constitutes the violation." *Tager v. SEC*, 344 F.2d 5, 8 (2d Cir. 1965); *see also Wonsover v. SEC*, 205 F.3d 408, 414 (D.C. Cir. 2000). "There is no requirement that the actor also be aware that he is violating one of the Rules or Acts . . ." *Tager*, 344 F.2d at 8.

impairment testing, accounting, internal controls, and books-and-records policies and procedures, together with its replacement of its executive officers and Board.

IV.

In view of the foregoing, the Commission deems it appropriate to impose the sanctions agreed to in Respondents' Offers.

Accordingly, it is hereby ORDERED, effective immediately, that:

A. Pursuant to Securities Act Section 8A, Respondents St. Joe, Greene, McCalmont, Connolly, and Salter shall cease and desist from committing or causing any violations and any future violations of Securities Act Sections 17(a)(2) and (3), and Respondent Jones shall cease and desist from committing or causing any violations and any future violations of Securities Act Section 17(a)(2).

B. Pursuant to Exchange Act Section 21C, Respondents St. Joe, Greene, McCalmont, Connolly, Salter and Jones shall cease and desist from committing or causing any violations and any future violations of Exchange Act Sections 13(a), 13(b)(2)(A) and (B), and Exchange Act Rules 12b-20, 13a-1, 13a-11 and 13a-13; Respondents Greene, McCalmont, Connolly and Salter shall further cease and desist from committing or causing any violations and any future violations of Exchange Act Section 13(b)(5) and Exchange Act Rules 13b2-1 and 13b2-2; Respondents Greene and McCalmont shall further cease and desist from committing or causing any violations and any future violations of Exchange Act Rule 13a-14; and, finally, Respondent Jones shall further cease and desist from committing or causing any violations and any future violations of Exchange Act Rule 13b2-1.

C. Respondent St. Joe shall, within ten (10) days of the entry of this Order, pay a civil money penalty in the amount of \$2,750,000, to the Securities and Exchange Commission for transfer to the general fund of the United States Treasury, subject to Exchange Act Section 21F(g)(3). If payment of this civil penalty is not timely made, additional interest shall accrue pursuant to 31 U.S.C. § 3717.

D. Respondent Greene shall, within ten (10) days of the entry of this Order, pay (i) disgorgement of \$400,000 plus prejudgment interest of \$52,300, for a total of \$452,300, and (ii) a civil money penalty in the amount of \$120,000, to the Securities and Exchange Commission for transfer to the general fund of the United States Treasury, subject to Exchange Act Section 21F(g)(3). If payment of disgorgement is not timely made, additional interest shall accrue pursuant to SEC Rule of Practice 600. If payment of the civil penalty is not timely made, additional interest shall accrue pursuant to 31 U.S.C. § 3717.

E. Respondent McCalmont shall, within ten (10) days of the entry of this Order, pay (i) disgorgement of \$180,000 plus prejudgment interest of \$22,868, for a total of \$202,868, and (ii) a civil money penalty in the amount of \$120,000, to the Securities and Exchange Commission for transfer to the general fund of the United States Treasury, subject to Exchange Act Section 21F(g)(3). If payment of disgorgement is not timely made, additional interest shall accrue pursuant to SEC Rule of Practice 600. If payment of the civil penalty is not timely made, additional interest shall accrue pursuant to 31 U.S.C. § 3717.

F. Respondent Connolly shall, within ten (10) days of the entry of this Order, pay (i) disgorgement of \$60,000 plus prejudgment interest of \$10,896, for a total of \$70,896, and (ii) a civil money penalty in the amount of \$70,000, to the Securities and Exchange Commission for transfer to the general fund of the United States Treasury, subject to Exchange Act Section 21F(g)(3). If payment of disgorgement is not timely made, additional interest shall accrue pursuant to SEC Rule of Practice 600. If payment of the civil penalty is not timely made, additional interest shall accrue pursuant to 31 U.S.C. § 3717.

G. Respondent Salter shall, within ten (10) days of the entry of this Order, pay a civil money penalty in the amount of \$25,000, to the Securities and Exchange Commission for transfer to the general fund of the United States Treasury, subject to Exchange Act Section 21F(g)(3). If payment of this civil penalty is not timely made, additional interest shall accrue pursuant to 31 U.S.C. § 3717.

H. All payments required by this Order must be made in one of the following ways:

- (1) Respondent may transmit payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request;
- (2) Respondent may make direct payment from a bank account via Pay.gov through the SEC website at <http://www.sec.gov/about/offices/ofm.htm>; or
- (3) Respondent may pay by certified check, bank cashier's check, or United States postal money order, made payable to the Securities and Exchange Commission and hand-delivered or mailed to:

Enterprise Services Center
Accounts Receivable Branch
HQ Bldg., Room 181, AMZ-341
6500 South MacArthur Boulevard
Oklahoma City, OK 73169

Payments by check or money order must be accompanied by a cover letter identifying Respondent as a Respondent in these proceedings, and the file number of these proceedings. A copy of the cover letter and check or money order, or documentation of whatever other form of payment is used, must be simultaneously sent to Stephen L. Cohen, Associate Director, Division of Enforcement, Securities and Exchange Commission, 100 F St., N.E., Washington, DC 20549.

I. Respondents McCalmont, Connolly, Salter and Jones are each denied the privilege of appearing and practicing before the Commission as an accountant.

J. After three (3) years from the date of this Order, Respondents Connolly and Salter may, and after two (2) years from the date of this Order, Respondent Jones may request that the Commission consider his or her reinstatement by submitting an application (Attention: Office of the Chief Accountant) to resume appearing or practicing before the Commission as:

- (1) A preparer or reviewer, or a person responsible for the preparation or review, of any public company's financial statements that are filed with the Commission.

Such an application must satisfy the Commission that Respondent's work in his/her practice before the Commission will be reviewed either by the independent audit committee of the public company for which he/she works or in some other acceptable manner, as long as he/she practices before the Commission in this capacity; and/or

- (2) An independent accountant. Such an application must satisfy the Commission that:
- (a) Respondent, or the public accounting firm with which he/she is associated, is registered with the Public Company Accounting Oversight Board ("Board") in accordance with the Sarbanes-Oxley Act of 2002, and such registration continues to be effective;
 - (b) Respondent, or the registered public accounting firm with which he/she is associated, has been inspected by the Board and that inspection did not identify any criticisms of or potential defects in the respondent's or the firm's quality control system that would indicate that the respondent will not receive appropriate supervision;
 - (c) Respondent has resolved all disciplinary issues with the Board, and has complied with all terms and conditions of any sanctions imposed by the Board (other than reinstatement by the Commission); and
 - (d) Respondent acknowledges his/her responsibility, as long as Respondent appears or practices before the Commission as an independent accountant, to comply with all requirements of the Commission and the Board, including, but not limited to, all requirements relating to registration, inspections, concurring partner reviews and quality control standards.

K. The Commission will consider an application by Respondents Connolly, Salter, and Jones to resume appearing or practicing before the Commission provided that his/her state CPA license is current and he/she has resolved all other disciplinary issues with the applicable state boards of accountancy. However, if state licensure is dependent on reinstatement by the Commission, the Commission will consider an application on its other merits. The Commission's review may include consideration of, in addition to the matters referenced above, any other matters relating to the applying Respondent's character, integrity, professional conduct, or qualifications to appear or practice before the Commission.

L. After two (2) years from the date of this order, Respondent McCalmont may request that the Commission consider his reinstatement by submitting an application (attention: Office of the Chief Accountant) to resume appearing or practicing before the Commission as an accountant.

V.

It is further Ordered that, solely for purposes of exceptions to discharge set forth in Section 523 of the Bankruptcy Code [11 U.S.C. § 523], the findings in this Order are true and admitted by Respondents Greene, McCalmont, Connolly and Salter, and further, any debt for disgorgement, prejudgment interest, civil penalty or other amounts due by each of the aforementioned Respondents

under this Order or any other judgment, order, consent order, decree or settlement agreement entered in connection with this proceeding, is a debt for the violation by said Respondent of the federal securities laws or any regulation or order issued under such laws, as set forth in Section 523(a)(19) of the Bankruptcy Code [11 U.S.C. §523(a)(19)].

By the Commission.

Brent J. Fields
Secretary