

ST JOE CO
Form S-8
August 09, 2005

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As filed with the Securities and Exchange Commission on August 9, 2005.

Registration No. 333- _____

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM S-8**

**REGISTRATION STATEMENT
UNDER THE SECURITIES ACT OF 1933
THE ST. JOE COMPANY**

(Exact Name of Registrant as Specified in its Charter)

Florida

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

59-0432511

*(IRS Employer Identification
Number)*

245 RIVERSIDE AVENUE, SUITE 500
JACKSONVILLE, FLORIDA 32202

*(Address, including Zip Code,
of Registrant's Principal Executive Offices)*

The St. Joe Company 1999 Employee Stock Purchase Plan
(Full Title of the Plan)

CHRISTINE M. MARX
GENERAL COUNSEL

THE ST. JOE COMPANY

245 RIVERSIDE AVENUE, SUITE 500
JACKSONVILLE, FLORIDA 32202

(904) 301-4200

*(Name, Address, including Zip Code, and Telephone Number,
including Area Code, of Agent for Service)*

CALCULATION OF REGISTRATION FEE

Title of Securities to be Registered (1)	Amount to be Registered	Proposed Maximum Offering Price per Share(2)	Proposed Maximum Aggregate Offering Price(2)	Amount of Registration Fee
Common Stock	200,000	\$80.61	\$16,122,000	\$1,897.56

(1) Consists of shares of common stock of The St. Joe Company (the Company) to be made available pursuant to The St. Joe Company 1999 Employee Stock Purchase Plan

(the Plan). Pursuant to Rule 416(a) under the Securities Act of 1933, as amended (the Act), this Registration Statement also registers such indeterminable number of additional shares of common stock as may be required in the event of a stock dividend, stock split, recapitalization or other similar change in the shares. In addition, pursuant to Rule 416(c) under the Act, this registration statement also covers an indeterminate amount of interests to be offered or sold pursuant to the Plan.

- (2) Estimated solely for purposes of calculating the registration fee pursuant to Rule 457 under the Act, based upon the average of the high and low reported sales prices of a share of the

Company's
common stock
reported on the
New York
Stock Exchange
Composite Tape
on August 4,
2005.

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PART II
INFORMATION REQUIRED IN THE REGISTRATION STATEMENT

Item 3. Incorporation of Documents by Reference.

The Company and the Plan incorporate by reference into this Registration Statement the documents listed as follows:

1. The Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2004.
2. The Plan's Annual Report on Form 11-K for the year ended December 31, 2004 (filed with the Securities and Exchange Commission (the Commission) concurrently herewith).
3. The Company's Quarterly Reports on Form 10-Q for the quarters ended March 31 and June 30, 2005.
4. The Company's Current Reports on Form 8-K filed with the Commission on January 5, 2005, March 1, 2005 (with respect to the Current Report dated February 23, 2005), March 18, 2005 and July 28, 2005.
5. The description of the Company's common stock contained in the Company's Registration Statement on Form 8-A (File No. 1-10466), filed with the Commission on March 16, 1990, pursuant to Section 12 of the Securities Exchange Act of 1934, as amended (the Exchange Act), together with amendments thereto.

All documents filed pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act after the date of this Registration Statement and prior to the filing of a post-effective amendment which indicates that all securities offered hereby have been sold or which deregisters all securities then remaining unsold, shall be deemed to be incorporated by reference into this Registration Statement and to be a part hereof from the date of filing of such documents (but we do not incorporate by reference any documents that we furnish to, but that are not deemed filed with, the Commission).

Any statement contained herein, or in a document all or a portion of which is incorporated or deemed to be incorporated by reference herein, shall be deemed to be modified or superseded for purposes of this Registration Statement to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Registration Statement.

Item 4. Description of Securities.

Not Applicable.

Item 5. Interests of Named Experts and Counsel.

Not applicable.

Item 6. Indemnification of Directors and Officers.

The Company has the authority under Section 607.0850 of the Florida Business Corporation Act (the FBCA) to indemnify its directors and officers to the extent provided in such statute. The

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provisions of the FBCA authorize a corporation to indemnify its officers and directors in connection with any proceeding brought against them if the person acted in good faith and in a manner which the person reasonably believed to be in, or not opposed to, the best interests of the corporation and, with respect to any criminal action, had no reasonable cause to believe the person's conduct was unlawful. Unless a determination is made by a court, the determination of whether a director, officer or employee has acted in accordance with the applicable standard of conduct must be made by (1) a majority vote of a quorum consisting of directors who were not parties to the proceeding or a committee consisting solely of two or more directors who were not parties to the proceeding, (2) independent legal counsel selected by a majority vote of a quorum consisting of directors who were not parties to the proceeding or committee of directors (or selected by the full board if a quorum or committee cannot be obtained), or (3) the affirmative vote of the majority of a quorum consisting of the corporation's shareholders who were not parties to the proceeding (or by a majority vote of the corporation's shareholders who were not parties to the proceeding if a quorum cannot be obtained).

The FBCA further provides that a corporation may make any other or further indemnity by resolution, bylaw, agreement, vote of shareholder or disinterested directors or otherwise, except with respect to certain enumerated acts or omissions of such persons. Florida law prohibits indemnification or advancement of expenses if a judgment or other final adjudication establishes that the actions of a director, officer or employee constitute (1) a violation of criminal law, unless the person had reasonable cause to believe his conduct was lawful, (2) a transaction from which such person derived an improper personal benefit, (3) willful misconduct or conscious disregard for the best interests of the corporation in the case of a derivative action by a shareholder, or (4) in the case of a director, a circumstance under which a director would be liable for improper distributions under Section 607.0834 of the FBCA. The FBCA does not affect a director's responsibilities under any other law, such as federal securities laws.

Article III, Section 8 of the Company's Amended and Restated By-Laws provides as follows with respect to the indemnification of our officers and directors:

To the fullest extent permitted or required by the Florida Business Corporation Act (the "Act"), including any amendments thereto (but in the case of any such amendment, only to the extent such amendment permits or requires the Company to provide broader indemnification rights than prior to such amendment), the Company shall indemnify, and advance expenses incurred by, its Directors and officers, and any director and officer of another corporation, partnership, joint venture, trust or other enterprise serving at the request of the Company, whether or not then in office, and his or her executor, administrator and heirs, and may indemnify, and advance expenses incurred by, employees and agents of the Company, against all Liabilities (as defined in Section 607.0850 of the Act) incurred thereby in connection with any litigation, civil or administrative action, suit or proceeding, to which he or she may have been made a party or in which he or she is deposed or called to testify as a witness because he or she is or was a Director, officer, employee or agent of the Company or he or she is or was serving at the request of the Company as a director or officer of another corporation, partnership, joint venture, trust or other enterprise. No amendment or repeal of this Section 8 shall diminish the rights of indemnification provided for herein prior to such amendment or repeal.

The Company maintains directors' and officers' liability insurance covering the directors and officers of the Company against claims arising out of the performance of their duties as such.

Item 7. Exemption from Registration Claimed.

Not Applicable.

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Item 8. Exhibits.

Exhibit No.	Description
4.1	Restated and Amended Articles of Incorporation, as amended (incorporated by reference to Exhibit 3.1 of the registrant's registration statement on Form S-3 (File 333-116017)).
4.2	Amended and Restated By-laws of the registrant (incorporated by reference to Exhibit 3 to the registrant's Current Report on Form 8-K dated December 14, 2004).
4.3	Agreement to Terminate Registration Rights Agreement between the registrant and The Alfred I. duPont Testamentary Trust, dated August 5, 2005 (incorporated by reference to Exhibit 4.1 of the registrant's quarterly report on Form 10-Q for the quarter ended June 30, 2005).
23.1	Consent of KPMG LLP, independent registered public accounting firm.

Item 9. Undertakings.

(a) The undersigned registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:

(i) To include any prospectus required by Section 10(a)(3) of the Securities Act of 1933;

(ii) To reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Securities and Exchange Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than a 20 percent change in the maximum aggregate offering price set forth in the Calculation of Registration Fee table in the effective registration statement;

(iii) To include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement; provided, however, that paragraphs (i) and (ii) above do not apply if the information required to be included in a post-effective amendment by those paragraphs is contained in periodic reports filed with or furnished to the Commission by the registrant pursuant to Section 13 or Section 15(d) of the Securities Exchange Act of 1934 that are incorporated by reference in this registration statement.

(2) That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered herein, and the offering of such securities at that time shall be deemed to be the initial *bona fide* offering thereof.

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(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(b) The undersigned registrant hereby undertakes that, for purposes of determining any liability under the Securities Act of 1933, each filing of the registrant's annual report pursuant to Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934 (and, where applicable, each filing of an employee benefit plan's annual report pursuant to Section 15(d) of the Securities Exchange Act of 1934) that is incorporated by reference in the registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial *bona fide* offering thereof.

(c) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrants pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

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SIGNATURES

The Registrant. Pursuant to the requirements of the Securities Act of 1933, the registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-8 and has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Jacksonville, State of Florida, as of August 9, 2005.

THE ST. JOE COMPANY

By: /s/ Kevin M. Twomey

Kevin M. Twomey
President and Chief Operating Officer

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed by the following persons in the capacities indicated as of August 9, 2005:

Signature	Title
/s/ Peter S. Rummell	Chairman of the Board, Chief Executive Officer and Director (Principal Executive Officer)
Peter S. Rummell	
/s/ Anthony M. Corriggio	Chief Financial Officer (Principal Financial Officer)
Anthony M. Corriggio	
/s/ Michael N. Regan	Senior Vice President (Principal Accounting Officer)
Michael N. Regan	
/s/ Michael L. Ainslie	Director
Michael L. Ainslie	
/s/ Hugh M. Durden	Director
Hugh M. Durden	
	Director
Thomas A. Fanning	
/s/ Adam W. Herbert, Jr.	Director
Adam W. Herbert, Jr.	
/s/ Delores Kesler	Director
Delores Kesler	

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	Signature		Title
	/s/ John S. Lord		Director
John S. Lord			
	/s/ Walter L. Revell		Director
Walter L. Revell			
	/s/ William H. Walton, III		Director
William H. Walton, III			

The Plan. Pursuant to the requirements of the Securities Act of 1933, the Administrator of the Plan has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Jacksonville, State of Florida, as of August 9, 2005.

**The St. Joe Company 1999 Employee
Stock Purchase Plan**

By: The Compensation Committee of the Board of
Directors of The St. Joe Company

By: /s/ Michael L. Ainslie

Michael L. Ainslie
Chairman

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23.1	Consent of KPMG LLP, independent registered public accounting firm.

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CORPORATE GOVERNANCE

The Board has adopted Corporate Governance Guidelines that set forth its overall approach towards corporate governance. The Company also has a Code of Business Conduct that applies to all directors, officers and employees in carrying out their responsibilities to and on behalf of the Company. No waivers of the Code of Business Conduct were requested of, or granted by, the Board for any director or executive officer during 2014. The Company's Corporate Governance Guidelines and Code of Business Conduct are available at www.onebeacon.com and in print, free of charge, to any member who requests a copy.

As described in more detail under the heading "Voting Securities and the Principal Holders Thereof," White Mountains, through various subsidiaries, beneficially owns all of the Company's issued and outstanding Class B shares, representing 96.8% of the voting power of our voting securities and 75.3% of our outstanding common shares as of the record date. As a result, we rely upon the controlled company exemption under New York Stock Exchange Corporate Governance Standards (NYSE Standards) with respect to our Board and committee composition. Pursuant to this exemption, we are not required to comply with the rules that require that our Board be comprised of a majority of independent directors as defined by the NYSE Standards. Our Board currently consists of 10 persons, 6 of whom are independent as defined under the NYSE Standards, and 4 of whom are current or former employees or officers of White Mountains or the Company.

The Board has determined that each of Ms. Grady and Messrs. Davis, Malis, Smith, Thiele and Urness are independent in accordance with NYSE Standards. For a director to be independent, the Board must determine that the director has no relationship with the Company (other than being a director or member of the Company) or has only immaterial relationships with the Company. The Company does not apply categorical standards as a basis for determining director independence. Accordingly, the Board considers all relevant facts and circumstances, on a case-by-case basis, in making an independence determination.

The Board notes no relationships (other than being directors or members) between Ms. Grady and Messrs. Davis, Malis, Smith, Thiele and Urness and the Company or White Mountains. The Board notes relationships with the other members of the Board, including Richard Howard, who resigned as a director effective December 31, 2014, as disclosed under the heading "Transactions with Related Persons, Promoters and Certain Control Persons." In making its independence determinations, the Board considered all such relationships in light of NYSE Standards as

well as the attributes it believes should be possessed by independent-minded directors.

At least once per year, and more often if needed, the non-management directors meet in executive session without Company management present. Mr. Smith, the Chairman of the Board, presides over these meetings. The procedures for members, employees and others interested in communicating directly with any or all of the non-management directors are described under [Communication with the Board](#).

The Board and its Leadership Structure

The primary responsibility of the Board is to oversee and review management's performance in order to advance the long-term interests of the Company and its members. The day-to-day management of the Company, including preparation of financial statements and short-term and long-term strategic planning, is the responsibility of management.

In fulfilling their responsibilities, directors must exercise common sense business judgment and act in what they reasonably believe to be in the best interests of the Company. Directors are entitled to rely on the honesty and integrity of senior management and the Company's outside advisors and auditors, provided that the directors adequately monitor the delegates and satisfy themselves that the delegates have the requisite skills to discharge the functions delegated to them.

The Chairman and Deputy Chairman of the Board are selected by the Board from among its members. The Board has no established policy with respect to combining or separating the offices of Chairman and Chief Executive Officer. This decision is made based on the Company's best interests at any given point in time.

Mr. Smith serves as the independent Chairman of the Board, and Mr. Miller serves as Chief Executive Officer of the Company and Deputy Chairman of the Board. The Board believes it is appropriate to maintain this leadership structure.

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Committees of the Board

Audit Committee

The primary purposes of the Audit Committee are to: (1) assist Board oversight of the integrity of the Company's financial statements, the qualifications and independence of the independent auditors, the performance of the internal audit function and the independent auditors, and the Company's compliance with legal and regulatory requirements; (2) provide an avenue of communication among the independent auditors, management, the internal auditors and the Board; (3) approve certain related or affiliated person transactions and review disclosures thereof; and (4) prepare the Report of the Audit Committee (which appears under Report of the Audit Committee).

Even though we rely on the controlled company exemption under the NYSE Standards, we are required to have a fully independent audit committee. The Audit Committee is currently comprised of Mr. Urness (Chairman) and Messrs. Malis, Thiele and Smith. All four members of the Audit Committee qualify as audit committee financial experts, as defined in SEC rules, based upon their education, training and experience. The Board has determined that each member of the Audit Committee satisfies applicable requirements under the NYSE Standards as well as the separate audit committee independence standards set forth by the SEC.

The Audit Committee Charter, which outlines the duties and responsibilities of the Audit Committee, is available at www.onebeacon.com and in print, free of charge, to any member who requests a copy.

Compensation Committee

The primary purposes of the Compensation Committee are to: (1) review and make recommendations on director compensation; (2) discharge the Board's responsibilities relating to the compensation of executives; (3) oversee the administration of the Company's compensation plans, in particular the incentive compensation and equity-based plans; and (4) review and discuss the Compensation Discussion and Analysis with management (which appears under Executive Compensation Compensation Discussion and Analysis) and prepare the Compensation Committee Report (which appears under Executive Compensation Compensation Committee Report). The Compensation Committee approves all compensation for executive officers and certain other executives who report directly to the Chief Executive Officer except for compensation approved by the Performance Compensation Subcommittee (the Subcommittee). The Compensation Committee relies on the Chief Executive Officer and the Chief Human Resources Officer to assess, design and recommend compensation programs, plans and awards for executives and directors, subject to Committee or Subcommittee approval, and to administer approved programs for its non-executive officers and employees within the parameters of plan design and Committee direction. The Committee or the Subcommittee also approves all long-term equity and non-equity incentive compensation plan awards. The Compensation Committee Charter, which outlines the duties and responsibilities of the Compensation Committee, is available at www.onebeacon.com and in print, free of charge, to any member who requests a copy.

Since we rely on the controlled company exemption under the NYSE Standards, we are not required to have a fully independent compensation committee. The Compensation Committee is currently comprised of Mr. Smith (Chairman), Mr. Barrette, Ms. Grady and Mr. Urness. The Board has determined that Messrs. Smith and Urness and Ms. Grady satisfy independence criteria under the NYSE Standards.

Compensation Committee Interlocks and Insider Participation. No member of the Compensation Committee was an employee of the Company during 2014 or has served as an officer of the Company, and no member had any relationships required to be disclosed in the Proxy Statement.

Performance Compensation Subcommittee

The Performance Compensation Subcommittee is composed solely of independent directors (Messrs. Smith and Urness and Ms. Grady). The Compensation Committee has delegated to the Subcommittee the review and approval of: (1) awards under equity compensation plans of the Company for purposes of compliance with the short-swing exemption from Rule 16(b) under the Securities Exchange Act of 1934, as amended (the Exchange Act); and (2) performance-based compensation to ensure compliance as and when required with Section 162(m) (Section 162(m)) of the Internal Revenue Code of 1986, of the United States, as amended (the Code), when deemed desirable.

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Nominating and Governance Committee

The primary purposes of the Nominating and Governance Committee are to: (1) identify individuals qualified to become Board members and recommend such individuals for nomination and election to the Board; (2) make recommendations to the Board concerning committee appointments; (3) develop, recommend and annually review corporate governance guidelines applicable to the Company and oversee corporate governance matters; and (4) oversee the evaluation of the Board and management.

Since we rely on the controlled company exemption under the NYSE Standards, we are not required to have a fully independent nominating committee. The Nominating and Governance Committee is currently comprised of Mr. Foy (Chairman), Mr. Campbell, Mr. Davis and Ms. Grady. The Board has determined that Ms. Grady and Mr. Davis satisfy independence criteria under the NYSE Standards.

The Nominating and Governance Committee Charter, which outlines the duties and responsibilities of the Nominating and Governance Committee, is available at www.onebeacon.com and in print, free of charge, to any member who requests a copy.

General Criteria and Process for Selection of Director Candidates. The Committee considers director candidates from diverse sources and welcomes suggestions from members, management and the Board. There is no difference in the way in which the Committee evaluates potential nominees for director based upon the source of the recommendation. From time to time, the Committee may engage a third party for a fee to assist it in identifying potential director candidates. Director qualifications and board diversity are discussed under The Board of Directors Director Qualifications and Board Diversity.

Consideration of Director Candidates Recommended by Members. Members who wish to recommend candidates for consideration by the Committee may submit their nominations in writing to the Secretary at the address provided under the heading Other Matters Contact Information in this Proxy Statement. The Committee may consider such member recommendations when it evaluates and recommends candidates to the Board for submission to members at each annual general meeting. In addition, subject to the rights of White Mountains as the holder of the Class B shares, members may nominate director candidates for election without consideration by the Committee by complying with the eligibility, advance notice and other provisions of our Bye-laws as described below.

Procedures for Nominating Director Candidates. Member nominations of director candidates may be made if received timely by the Secretary as outlined below. Under Bye-law 13 of the Company's Bye-laws, nominations for the election of directors may be made by the Board or by any member entitled to vote for the election of directors (a Qualified Member). A Qualified Member may nominate persons for election as directors only if written notice of such Qualified Member's intent to make such nomination is delivered to the Secretary not later than: (1) with respect to an election to be held at an annual general meeting, between 90 days and 120 days prior to the anniversary date of the immediately preceding annual general meeting or not later than 10 days after notice or public disclosure of the date of the annual general meeting is given or made available to Qualified Members, whichever date is earlier; and (2) with respect to an election to be held at a special general meeting for the election of directors, the close of business on the tenth day following the date on which notice of such meeting is first given to Qualified Members. Each such notice shall set forth: (1) the name and address of the Qualified Member who intends to make the nomination and of the person or persons to be nominated; (2) the class and number of shares that are owned beneficially and of record by the Qualified Member; (3) a representation that the Qualified Member is a holder of record of common shares entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to nominate the person or persons specified in the notice; (4) a representation as to whether the Qualified Member intends or is part of a group that intends to deliver a proxy statement or form of proxy to holders of at least the percentage of outstanding shares required to elect the nominee or otherwise to solicit proxies from Qualified Members in support of such nomination; (5) a description of all

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arrangements or understandings between the Qualified Member and each such candidate and any other person or persons (naming such person or persons) pursuant to which the nomination or nominations are to be made by the Qualified Member; (6) such other information regarding each candidate proposed by such Qualified Member as would have been required to be included in a proxy statement filed pursuant to the proxy rules of the SEC had each such candidate been nominated, or intended to be nominated, by the Board; and (7) the consent of each such candidate to serve as a director of the Company if so elected. The Chairman of the meeting may refuse to acknowledge the nomination of any person not made in compliance with the foregoing procedure.

Executive Committee

The primary purpose of the Executive Committee is to act on behalf of the full Board during intervals between regular meetings, with the exception of matters that, by applicable law or the Company's By-laws, may not be delegated. The Executive Committee is currently comprised of Mr. Miller (Chair), Mr. Foy and Mr. Smith.

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Meetings of the Board and Board Committees; Annual General Meeting

During 2014, the full Board met 4 times, the Audit Committee met 8 times, the Compensation Committee met 6 times, the Performance Compensation Subcommittee met 3 times, the Nominating and Governance Committee met 3 times and the Executive Committee did not meet. During 2015, Ms. Grady and each of Messrs. Miller, Smith, Urness, Howard, Malis, Thiele, Barrette and Davis attended at least 75% of the meetings of the Board and the meetings held by all committees of the Board on which he or she served. During 2015, Mr. Campbell and Mr. Foy did not attend at least 75% of the meetings of the Board and the meetings held by all of the committees of the Board on which they served. Mr. Campbell and Mr. Foy each attended 3 of the 4 Board meetings held during 2014, and 2 of the 3 meetings of the Nominating and Governance Committee held in 2014. Pursuant to the Company's Corporate Governance Guidelines, directors are expected to regularly attend the annual general meetings of members. Nine of the directors in office on May 21, 2014, the date of the 2014 Annual General meeting, attended the 2014 Annual General Meeting.

Risk Oversight

The Board believes that oversight of the Company's risk management efforts is the responsibility of the entire Board and the senior leadership. The subject of risk management is a recurring discussion topic at Board meetings, for which the Board receives regular updates, and comprehensive formal reports. At least annually, the Board receives a report regarding the efforts of the Company's Enterprise Risk Management Committee including a Company-wide risks report. In addition, in order to ensure that all areas of risk are adequately covered from a Board oversight perspective, senior management presents an overview of legal and regulatory compliance responsibility to the Audit Committee at least annually, which covers all areas of the Company's compliance efforts as well as the relevant Board or committee oversight responsibility. The Board or relevant committee receives regular updates as necessary or appropriate regarding changes in the law that impact the business and operations of the Company as well as the Company's regulatory compliance structure.

Additionally, the Board's committees are assigned oversight responsibility for particular areas of risk. For example, the Audit Committee oversees management of risks related to accounting, auditing and financial reporting, including the development, implementation and maintenance of appropriate internal controls over financial reporting as well as risks related to data security and privacy, among other areas. The Nominating and Governance Committee is responsible for the oversight of risks associated with committee assignments, director independence and conflicts of interest. From time to time as necessary or appropriate, the Nominating and Governance Committee receives a corporate governance update highlighting recent changes in the rules governing corporate governance disclosures as well as the impact on the Company and its disclosures. The Compensation Committee oversees risks related to executive compensation plans and implementation. All of these risks are discussed at committee meetings to which all Board members are invited as well as in the course of the regularly scheduled Board meetings.

Compensation Risks Analysis: The Company's management and Compensation Committee assess the structure of the Company's compensation policies and practices, including the design of its performance based compensation programs annually.

In connection with the establishment and granting of awards under the 2014 Management Incentive Plan and the 2014-2016 cycle of the long-term incentive plan, management undertook an analysis of the performance metrics proposed to be established under those plans. Management analyzed each plan generally as well as each performance goal under each plan, in conjunction with the business process or processes involved in attaining the performance goal. Management considered any mitigating factors, including internal controls designed to prevent fraud or manipulation of business processes and operations, in its evaluation. For example, there is both pricing and reserving risk inherent in the property and casualty insurance business. The Company has established disciplines and controls regarding pricing, including underwriting guidelines and internal controls that seek to prevent any deviation from or circumvention of the guidelines by one or more

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underwriters. With respect to reserving risk, the Company has appointed a Chief Actuary who independently sets, and PricewaterhouseCoopers LLP, the Company's independent accountant, which audits, the Company's reserves to ensure that they are adequate to support the Company's business.

Management presented its analysis to the Compensation Committee in February 2014. Based on the analysis, the Committee concluded that the Company's performance-based compensation plan, including the 2014 Management Incentive Plan and the 2014-2016 cycle of the long-term incentive plans and the performance measures of combined ratio and growth in book value used in those plans did not create risks that would be reasonably likely to have a material adverse effect on the Company.

Communication with the Board

Members, employees and others interested in communicating directly with the Board, the Audit Committee or any non-management member of the Board may do so by following the instructions set forth on our website, onebeacon.com.

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VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF

Voting Rights of Members

As of the record date, there were 23,504,048 Class A shares outstanding and 71,754,738 Class B shares outstanding. Members of record of Class A shares shall be entitled to one vote per common share, provided that, if and so long as the votes conferred by Controlled Class A shares (as defined below) of any person, other than White Mountains, constitute more than 9.5% of the votes conferred by the outstanding common shares of the Company, the vote conferred by each Class A common share comprised in such Controlled Class A shares shall be reduced by whatever amount is necessary so that after any such reduction the votes conferred by such shares constitute 9.5% of the votes conferred by our outstanding common shares. Class B shares shall be entitled to ten votes for every Class B share.

In giving effect to the foregoing provisions, the reduction in the vote conferred by the Controlled Class A shares of any person shall be effected proportionately among all the Controlled Class A shares of such person; provided, however, that if a holder of our common shares owns, or is treated as owning by the application of Section 958 of the Code, interests in another holder of our common shares, the reduction in votes conferred by Controlled Class A shares of such holder (determined solely on the basis of Controlled Class A shares held directly by such holder and Controlled Class A shares attributed from such other holder) shall first be effected by reducing the votes conferred on the Controlled Class A shares held directly by such holder and any remaining reduction in votes shall then be conferred proportionally among the Controlled Class A shares held by the other holders (in each case, to the extent that doing so does not cause any person to be treated as owning Controlled Class A shares constituting more than 9.5% of the votes conferred by the outstanding common shares of OneBeacon). In the event that the aggregate reductions required by the foregoing provisions result in less than 100% of the voting power over the votes entitled to be cast, the excess of 100% of the voting power over the votes entitled to be cast shall be conferred on the Class A shares held by our holders proportionately, based on the number of Class A shares held by each holder; to the extent that doing so does not cause any person to be treated as owning Controlled Class A shares constituting more than 9.5% of the votes conferred by the outstanding common shares of OneBeacon.

Controlled Class A shares in reference to any person other than White Mountains means:

(1) all Class A shares directly, indirectly or constructively owned by such person within the meaning of Section 958 of the Code; and

(2) all Class A shares directly, indirectly or constructively owned by any person or group of persons within the meaning of Section 13(d)(3) of the Securities Exchange Act of 1934, as amended (the Exchange Act) and the rules and regulations promulgated thereunder, unless the Board, by an affirmative vote of at least 75%, has exempted such person or group that includes any such person from being a holder of Controlled Class A shares under Section 13(d)(3).

Several subsidiaries of White Mountains are the members of record of all of the outstanding Class B shares, and they are entitled to ten votes for every Class B share. See Voting Securities and Principal Holders Thereof Principal Holders of Common Shares.

Table of Contents**Principal Holders of Common Shares**

To the knowledge of the Company, there was no person or entity beneficially owning more than 5% of either class of the common shares outstanding as of March 26, 2015, except as shown below. Except as noted all beneficial owners have sole voting and dispositive power with respect to the shares they hold.

Name and Address of Beneficial Owner	Number of Common Shares Beneficially Owned	Percent of Class A	Percent of Class B	Percent of all Common Shares Outstanding
White Mountains Insurance Group, Ltd. (1) 80 South Main Street Hanover, NH 03755	71,754,738		100.00%	75.33%
Vanguard Fiduciary Trust Company (2) 500 Admiral Nelson Blvd. Malvern, PA 19355	2,229,843	9.49%		2.34%
Wells Fargo & Company (3) 420 Montgomery Street San Francisco, CA 94104	1,940,815	8.26%		2.04%
Wellington Management Group LLP (4) c/o Wellington Management Company LLP 280 Congress Street Boston, MA 02210	1,810,928	7.70%		1.90%
T. Rowe Price Associates, Inc. (5) 100 E. Pratt Street Baltimore, MD 21202	1,604,235	6.83%		1.68%
Blackrock, Inc. (6) 55 East 52nd Street New York, NY 10022	1,386,161	5.91%		1.46%
The Vanguard Group (7) 100 Vanguard Blvd. Malvern, PA 19355	1,314,171	5.59%		1.38%
Boston Partners (8) One Beacon Street 30th Floor Boston, MA 02108	1,220,431	5.19%		1.28%
River Road Asset Management, LLC (9) 462 S. 4th Street - Suite 1600 Louisville, KY 40207	1,176,144	5.00%		1.23%

(1) Information as of December 31, 2013 is based on Schedule 13G Amendment No. 2 filed with the SEC on February 13, 2013. White Mountains is the beneficial owner of 71,754,738 Class B shares which it holds through various subsidiaries as follows: (a) Lone Tree Holdings Ltd. is the beneficial owner of 71,754,738 Class B shares, holding 57,327,289 Class B shares directly and 14,427,449 Class B shares indirectly through its subsidiaries; (b) Sirius Bermuda Insurance Company Ltd. (formerly Sirius International Financial Services Ltd.) is the beneficial owner of 14,427,449 Class B shares, holding 7,100,000 Class B shares directly and 7,327,449 Class B shares indirectly through its subsidiaries; (c) Sirius International Insurance Corporation is the beneficial owner of 7,327,449 Class B shares held indirectly through its subsidiaries; and (d) Sirius International Holdings (NL) B.V. is the beneficial owner of 7,327,449 Class B shares, holding 6,178,271 Class B shares directly and 1,149,178 Class B shares indirectly through its subsidiary. The White Mountains subsidiaries that hold Class B shares have shared voting and dispositive power over those shares.

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(2) Information as of December 31, 2014 is based on Schedule 13G Amendment No. 5 filed with the Securities and Exchange on February 4, 2015, by Vanguard Fiduciary Trust Company (Vanguard) as trustee of OneBeacon benefit plans. Vanguard has shared voting and shared dispositive power over 2,229,843 Class A shares on behalf of the plans.

(3) Information as of December 31, 2014 is based on Schedule 13G Amendment No. 3 filed with the SEC on February 5, 2015, by Wells Fargo & Company on behalf of itself and its subsidiaries. Wells Fargo & Company is the beneficial owner of 1,940,815 Class A shares, has sole voting power over 1,051 Class A shares, sole dispositive power over 1,051 Class A shares, shared voting power over 1,669,315 Class A shares and shared dispositive power over 1,939,764 Class A shares. Wells Capital Management Incorporated is the beneficial owner of 1,349,421 Class A shares, has shared voting power over 369,621 Class A shares and shared dispositive power over 1,349,421 Class A shares.

(4) Information as of December 31, 2014 is based on Schedule 13G filed with the SEC on February 12, 2015 by Wellington Management Group LLP (Wellington). Wellington is the beneficial owner of 1,810,928 Class A shares, has shared voting power over 1,523,195 Class A shares and shared dispositive power over 1,810,928 Class A shares.

(5) Information as of December 31, 2014, is based on Schedule 13G Amendment No. 8 filed with the SEC on February 10, 2015, by T. Rowe Price Associates Inc. (T. Rowe Price). T. Rowe Price is the beneficial owner of 1,604,235 Class A shares, has sole voting power over 318,535 Class A shares and sole dispositive power of 1,604,235 Class A shares. T. Rowe Price Mid-Cap Value Fund, Inc. is the beneficial owner of 1,274,100 Class A shares, has sole voting power over 1,274,100 Class A shares and no shared voting power or dispositive power over any Class A shares. The Class A shares are owned by various individual and institutional investors which T. Rowe Price serves as an investment adviser with power to direct investment and/or sole power to vote the securities. T. Rowe Price expressly disclaims beneficial ownership of the Class A shares.

(6) Information as of December 31, 2014, is based on Schedule 13G Amendment No. 2 filed with the SEC on February 2, 2015, by BlackRock, Inc. (BlackRock). BlackRock is the beneficial owner of 1,386,161 Class A shares, has sole voting power over 1,321,999 Class A shares, sole dispositive power over 1,386,161 Class A shares and no shared voting or dispositive power over any Class A shares.

(7) Information as of December 31, 2014 is based on Schedule 13G filed with the SEC on February 11, 2015 by the Vanguard Group. The Vanguard Group is the beneficial owner of 1,314,171 Class A shares, has sole voting power over 36,739 Class A shares, no shared voting power over any Class A shares, sole dispositive power over 1,278,832 and shared dispositive power over 35,339 Class A shares.

(8) Information as of December 31, 2014 is based on Schedule 13G filed with the SEC on February 11, 2015 by Boston Partners. Boston Partners is the beneficial owners of 1,220,431 Class A shares, has sole voting power over 1,189,613 Class A shares, no shared voting power over any Class A shares, sole dispositive power over 1,220,431 Class A shares and no shared dispositive power over any Class A shares.

(9) Information as of December 31, 2013, is based on Schedule 13G filed with the SEC on September 9, 2013, by River Road Asset Management, LLC (River Road). River Road has sole voting power over 796,759 Class A shares, sole dispositive power over 1,176,144 Class A shares and no shared voting or dispositive power over Class A shares.

Table of Contents**Beneficial Share Ownership of Directors and Executive Officers**

The following table sets forth, as of March 26, 2015, the beneficial ownership of either class of common shares by each director, named executive officer, and all directors and executive officers as a group.

Name of Beneficial Owner	Number of Common Shares Owned		
	Beneficially (1)	Percent of Class Beneficially Owned	Economically (2)
Directors			
Raymond Barrette (3)	71,754,738	100%	
Reid T. Campbell			
Morgan W. Davis	41,928	*	41,928
David T. Foy			
Lois W. Grady	25,870	*	25,870
Ira H. Malis	34,055	*	34,055
Patrick A. Thiele	22,146	*	22,146
Lowndes A. Smith	44,664	*	44,664
Kent D. Urness	35,320	*	35,320
Named Executive Officers			
T. Michael Miller	423,707	1.80%	654,971
Paul H. McDonough	16,813	*	64,430
Maureen A. Phillips	9,393	*	32,655
Dennis A. Crosby	46,460	*	91,137
Paul F. Romano	59,252	*	84,942
All directors and executive officers as a group (16 persons) (4)	72,546,677	76.16%	1,200,686

*Denotes beneficial ownership of less than 1% of the issued and outstanding Class A shares.

(1) Beneficial ownership has been determined in accordance with Rule 13d-3(d)(1) of the Exchange Act. Except as indicated in footnote (3) with respect to Class B shares beneficially owned by White Mountains and footnote (4) with respect to shares held by all directors and executive officers as a group, all of the amounts shown are Class A common shares. Amounts shown include unvested restricted shares and shares held through the OneBeacon 401(k) Savings and Employee Stock Ownership Plan in which the executive officer is fully vested.

(2) Common shares shown as economically owned include: (a) common shares beneficially owned over which the holder has pecuniary interest; (b) target unearned performance share awards; (c) unvested restricted stock units and (d) unvested Class A shares in the OneBeacon 401(k) Savings and Employee Stock Ownership Plan.

(3) All of the Company's issued and outstanding Class B shares are beneficially owned by various subsidiaries of White Mountains, representing approximately 96.8% of the voting power of our voting securities and approximately 75.3% of our outstanding common shares. The White Mountains Board of Directors has delegated to Mr. Barrette the voting power over the Class B shares.

(4) Represents Class A and Class B shares owned beneficially and economically, as applicable, by directors and executive officers as a group.

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EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Compensation Philosophy and Principles

Our executive compensation program is designed to attract, retain and motivate our executives to maximize value for our owners over long periods of time. We manage all aspects of our business, including executive compensation, according to our four operating principles:

- *Underwriting comes first*
- *Maintain a disciplined balance sheet*
- *Invest for total return*
- *Think like owners*

We believe our executive compensation program supports the Company's primary objective of maximizing value over long periods of time by utilizing a pay for performance program that closely aligns the financial interests of management with those of our owners. We accomplish this by emphasizing variable long-term compensation, the value of which is tied to performance over a number of years. To that end, the Compensation Committee, referred to as the Committee in this Compensation Discussion and Analysis, (CD&A) has established base salaries and target annual bonuses that tend to be lower than those paid by comparable property and casualty insurers.

Our executive compensation programs are designed to address four key principles:

Competitiveness

In order to execute our operating principles, experience and expertise is required to manage our business with an intense and disciplined focus. Our overall executive compensation programs must be competitive to allow us to attract and retain talented and experienced executives. We assess competitiveness relative to the market in terms of total compensation rather than by individual elements of compensation.

Pay for Performance

We believe that talented executives are most attracted to an environment in which their contributions are rewarded commensurate with the value they create. And, we believe that when performance objectives are clearly articulated and incentive opportunities are aligned, talented and motivated individuals excel.

Alignment with Owner Interests

We recognize that to maximize value for our owners, we must closely align the financial interests of management with those of the Company's owners. This compensation principle reinforces our *Think Like Owners* operating principle.

Long-Term and Performance-Based

Recognizing that an owner's return is best measured over long periods of time, a significant portion of executive compensation is comprised of long-term, at-risk pay. We place more emphasis on long-term performance-based compensation and less emphasis on base salary, annual incentives, perquisites and employee benefits relative to our peers.

Elements of Compensation

OneBeacon executives are compensated through a combination of base salary, annual incentive and long-term compensation, the majority of which is performance-based. We believe that placing more emphasis on long-term performance-based compensation provides an incentive to executives to follow our core operating principles and focus on achieving our long-term goals.

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Base Salary

We pay our executive officers base salaries that we believe to be at or below market. We do not routinely adjust executive officer salaries. Depending on market considerations, executive officer salaries may be adjusted selectively by the Committee based on benchmarking or other factors the Committee may deem appropriate.

Annual Incentives (Management Incentive Plan)

We provide annual incentive opportunities through our Management Incentive Plan (MIP). Each year, the overall MIP pool is set, and MIP participants, including our Chief Executive Officer, our Chief Financial Officer and our three other named executive officers (also referred to as NEOs and defined under Summary Compensation Table below) are given individual targets expressed as a percentage of annual base salary. The Chief Executive Officer s (CEO) target is 75% while targets are 50% for the other named executive officers. The Committee exercises discretion in the final determination of the overall performance factor and the performance factors for each business and each NEO. Typically, we expect the CEO to receive an incentive performance factor, which is the percentage payout certified by the Committee, roughly in line with the overall MIP pool percentage given our belief that the results of his efforts are appropriately reflected by the results of the Company. There can be variability in the incentive performance factors of the other NEOs based on the performance of their respective businesses or functional groups as well as individual performance.

Each year, the primary goal for the MIP is a target GAAP combined ratio adjusted to include certain parent company expenses (the MIP Adjusted Combined Ratio) consistent with that year s business plan, which management and the Committee consider to be challenging but reasonably achievable. Additional goals are also set depending on the challenges or opportunities the Company is facing in any given year.

The Committee exercises discretion in evaluating the overall annual results of the Company under the MIP. The Committee believes discretion best facilitates performance-based differentiation at the business and individual level. In this way, the Committee can be sure that it can address any unforeseen opportunities and challenges through the exercise of discretion.

Long-Term Incentive Compensation

Long-term incentive awards are granted pursuant to the OneBeacon Long-Term Incentive Plan (2007), as amended and restated (the LTIP) which was approved at the Company s 2011 Annual General Meeting, under which the Committee may grant incentive or non-qualified stock options, stock appreciation rights, restricted shares, restricted stock units, performance shares and performance units. Our current practice is to award performance shares and performance units to all of our named executive officers. The Committee has also granted restricted shares in recent years.

The number of performance shares that can be earned from a grant can vary between 0 200% of the target number of shares granted and is tied to achievement of a targeted average annual growth in book value per share (GBVPS) over the performance cycle. The number of performance units that can be earned from a grant have historically varied between 0 200% of the target number granted and is tied to achievement of a target

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average Adjusted Economic Combined Ratio (referred to as "AECR" and defined below under "2015 Compensation Actions - Performance Units - 2015-2017 Cycle") over the performance cycle. Performance shares and performance units are typically granted annually with performance tied to a three-year period. Performance shares and performance units may settle in cash, shares or a combination of cash and shares, as determined by the Committee. Historically, all shares and units have been settled in cash. At the time that each performance share or performance unit is granted, the Committee establishes performance objectives to be attained over the award period. The Committee selects performance objectives based on the criteria set out in the LTIP.

Restricted shares may not be transferred by the recipient and are subject to repurchase by the Company under certain circumstances until vesting. The vesting terms of restricted share awards are determined by the Committee. In 2011, the Committee granted restricted shares to Mr. Miller and in 2012, the Committee granted restricted shares to Messrs. Romano and Crosby. See "2011 and 2012 Restricted Stock Awards - Restricted Stock Award for Mr. Miller" and "Restricted Stock Awards for Messrs. Crosby and Romano." In 2015, the Committee granted restricted shares to all of its named executive officers, other than Mr. Miller. See "2015 Compensation Actions - Restricted Shares - 2015-2017 Cycle."

Mr. Miller and Mr. McDonough's long-term target awards were historically evenly split between performance shares and performance units, without regard to the deduction of 35,000 performance shares for Mr. Miller in connection with his one-time restricted stock award. See "2011 and 2012 Restricted Stock Awards - Restricted Stock Award for Mr. Miller." In recent years, long-term target awards for the rest of the named executive officers were generally split 70%/30% between performance units and

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shares, respectively. The Committee has historically targeted these approximate splits in the belief that the mix provides appropriate incentives that track both operational and capital management results to more closely align the executive team's interests with owners' long-term interests. In 2015, the Committee adjusted the mix of awards and included restricted shares in the long-term compensation awards to named executive officers other than Mr. Miller. As a result, the target value of long-term awards to named executive officers (other than Mr. Miller) for the 2015-2017 performance period are split 50%/25%/25% among performance units, performance shares and restricted shares respectively. See 2015 Compensation Actions.

The OneBeacon Compensation Committee

The Committee is comprised of Lowndes A. Smith, Chair, Raymond Barrette, Lois W. Grady and Kent D. Urness. The Board has determined that each of these directors except for Mr. Barrette is independent in accordance with the New York Stock Exchange Listing Standards and also qualifies as a non-employee director, as that term is defined in Rule 16b-3 under the Exchange Act, and as an outside director, as that term is defined in Section 162(m).

Because Mr. Barrette does not satisfy Rule 16b-3 or Section 162(m) independence standards, the Compensation Committee formed the Performance Compensation Subcommittee (the Subcommittee) in May 2008. The Subcommittee is comprised solely of the independent directors listed above to administer and approve all performance-based compensation and equity compensation awards in order to maintain favorable tax and legal treatment of such awards.

Throughout this CD&A, references to the Committee include actions taken by the Subcommittee as appropriate.

Our Compensation Process

The Committee, consistent with its Charter, reviews and approves the corporate goals and objectives relevant to the CEO, evaluates the CEO's performance in light of these goals and objectives, certifies the performance metrics of our short-term and long-term incentive plans and determines and approves the CEO's compensation based on this evaluation. Additionally, the Committee looks to the CEO to evaluate and discuss the executive team's performance with the Committee at least annually, and to make recommendations to the Committee as to their salary, annual incentive targets, annual incentive payments and long-term incentive grants. The Committee is responsible for approving all compensation for the executive team and for Mr. Miller.

The Committee relies on T. Michael Miller, CEO, and Thomas N. Schmitt, Chief Human Resources Officer, to assess, design and recommend compensation programs, plans, and awards for executives and directors subject to Committee review and approval and to administer approved programs for its non-executive officers and employees within the parameters of plan design and Committee direction. Messrs. Miller and Schmitt attend Committee meetings and, at the Committee's request, present management's analysis and recommendations regarding various compensation programs, actions and awards. The Committee, from time to time, meets in executive session without management.

At each Committee meeting, the Committee looks to Messrs. Miller and Schmitt to report performance to date under the Company's annual and long-term incentive plans. At least once each year, the Committee will look to Messrs. Miller and Schmitt to present their recommendations for the next cycle's incentive compensation performance objectives, pool size and executive participants, taking into consideration external market data and anticipated economic value creation over each three-year performance cycle under the LTIP.

2014 Compensation Actions

Payments under the 2014 Management Incentive Plan

The Committee approved management's recommendation of a 50% performance factor under the 2014 MIP. The primary performance objective under the 2014 MIP was a 93.4% MIP Adjusted Combined Ratio. The Company achieved a 101.8% MIP Adjusted Combined Ratio for 2014, primarily due to a significant increase in the loss and loss adjustment expense reserve recorded during the fourth quarter. In determining the Company's 2014 MIP score, the Committee also considered that a number of our business units had excellent results in 2014, despite disappointing overall results, and that the Company concluded the sale of the legacy runoff business late in the year. In totality, the Committee concluded that the Company's quantitative and qualitative achievements in 2014 warranted setting the 2014 MIP performance factor at 50% of target, which included a pool of money for targeted awards for a number of people who were instrumental in driving the closing of the runoff sale transaction.

Mr. Miller made a recommendation to the Committee with respect to the performance factor for each business unit or function as well as the individual MIP award for each NEO. Mr. Miller based his recommendations primarily on overall Company and business unit performance against the Company MIP goals. In making his recommendations, Mr. Miller also considered the

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achievement of the business or functional objectives for each NEO established at the beginning of the year, and considered the accomplishments of the NEOs and their respective departments or functions during the year. Mr. Miller also provided the Committee with a summary of his assessment of the individual performance of each NEO. In determining the MIP performance factor for each business and function as well as each individual NEO, the Committee focused on the factors presented by Mr. Miller in his recommendation.

The Committee awarded Mr. Miller a MIP payment of \$100,000 well below the company score given the MIP Adjusted Combined Ratio for 2014 to recognize his overall leadership of the Company through the final stages of the transformation of OneBeacon to a specialty company. The Committee awarded Mr. McDonough a MIP payout that corresponded to a performance factor of 250% of his 2014 MIP target. The Committee noted his leadership of the Finance function and his leadership in overseeing the closing of the runoff sale transaction. The Committee awarded a MIP payout to Ms. Phillips at 133% of her 2014 MIP target, in recognition of her contribution in closing the runoff sale transaction. Mr. Crosby was awarded a MIP payout of 45% of his 2014 MIP target, which reflected the MIP Adjusted Combined Ratio in 2014 but also recognized his leadership overseeing a number of our operating segments which produced positive results in 2014. The Committee awarded Mr. Romano a MIP payout of 0%, as the overall 2014 MIP Adjusted Combined Ratio was impacted by the professional insurance operating segment overseen by Mr. Romano. The 2014 MIP payouts were \$500,000 to Mr. McDonough, \$250,000 to Ms. Phillips, and \$90,000 to Mr. Crosby. See Summary Compensation Table. In February 2015, the Company restructured its business so that the accident and professional insurance operating segments began reporting to Dennis A. Crosby, Executive Vice President. Paul F. Romano, who formerly oversaw the professional lines and accident operating segments, is currently on a paid leave of absence and is leaving the company effective July 3, 2015.

Payments under the 2012-2014 Long-Term Incentive Cycle

The performance goal for the performance shares granted for the 2012-2014 performance cycle was 10.0% annual GBVPS with a minimum threshold performance of 3.0%. The Committee certified a GBVPS of 6.2% for the 2012-2014 performance cycle, resulting in a performance factor of 45.7% of target shares, and payouts of \$731,527, \$169,957, \$74,783, \$101,976, and \$101,976 to Messrs. Miller and McDonough, Ms. Phillips, and Messrs. Crosby and Romano respectively.

In 2014, the Committee canceled 2012-2014 performance units issued to executive officers and issued replacement 2014 performance units based on specialty-only results. The Committee took this action to focus the executives on the Company's ongoing specialty business and to align executive compensation with compensation of non-executives, who were awarded specialty-only units in 2013. The performance goal for performance units granted for the 2014 performance unit cycle was a 92.5% specialty-only adjusted economic combined ratio (SOAECR) with a minimum threshold performance of 99.5%. The Committee certified a SOAECR of 97.3% for the 2014 performance unit cycle, which excluded the impact of strengthening the reserves supporting the Company's runoff business by \$71.5 million pre-tax at year end 2013 and a \$36 million pre-tax valuation allowance on the runoff surplus notes. This 2013 reserve strengthening and the surplus notes valuation were excluded from the calculation because the runoff sale transaction and its subsequent adjustments have been determined to be a capital activity for the purpose of calculating SOAECR. The performance factor for the 2014 performance unit cycle was 31.4%, yielding payouts of \$706,500, \$117,750, \$120,890, \$164,850, and \$164,850, to Messrs. Miller and McDonough, Ms. Phillips, and Messrs. Crosby and Romano respectively.

2011 and 2012 Restricted Stock Awards

Restricted Stock Award for Mr. Miller

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In May 2011, Mr. Miller received a one-time grant of 630,000 shares of restricted stock to secure his continued services for an extended period of time as well as further align his interests with the interests of owners over the long-term. In exchange for the award, he agreed to forego 35,000 performance shares per year for each of the next 6 years to the extent that such shares would be granted by the Committee (i.e., 210,000 performance shares in total) retroactive to February 2011. The grant was approved at the Annual General Meeting in May 2011. 157,500 of Mr. Miller's restricted shares vested on each of February 22, 2014, and February 22, 2015, and the remaining 315,000 shares will vest in equal installments each February 22 in 2016 and 2017.

Restricted Stock Awards for Messrs. Crosby and Romano

On February 21, 2012, the Committee awarded 50,000 shares of restricted stock to each of Messrs. Crosby and Romano, with a grant date of March 1, 2012, 50% of which vested on February 28, 2014, and 50% of which vested on February 28, 2015. These awards were part of a grant to certain key employees who were part of or closely supported our specialty businesses. The Committee made these awards with the intention of providing incentive for continued superior performance within the specialty businesses and in recognition that the 2009-2011 LTIP awards did not pay out commensurate with the superior specialty results over the 2009-2011 performance period.

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2015 Compensation Actions

2015 Base Salaries

The Committee confirmed base salaries of Messrs. Miller and McDonough and Ms. Phillips at the same level as 2014. Mr. Crosby's salary was increased to \$500,000 in light of his increased responsibilities following the reorganization of the Company's internal reporting structure in February, 2015.

2015 Annual Bonus Targets

The Committee also approved the annual bonus targets under the 2015 MIP for the NEOs at the same target percentages as 2014.

2015 Management Incentive Plan Performance Goals

The Committee set the 2015 MIP primary performance objective at a MIP Adjusted Combined Ratio of 95.2%, including parent company expenses. Additionally the Committee established other important, strategic objectives with respect to expense management and capital management. The Committee believes that the 95.2% MIP Adjusted Combined Ratio and the other MIP performance goals represent appropriately challenging but achievable performance goals for the 2015 MIP as we focus on profitably growing our specialty organization.

2015-2017 Long-Term Incentive Awards

The Committee granted 2015-2017 long-term incentive awards for Mr. Miller consistent with prior year grants, with a mix of performance shares and performance units designed to align compensation with both financial and operating results. For the remaining members of the executive team, in order to better align with long-term shareholder interests and reduce volatility related to extreme events, the Committee introduced restricted shares which vest after three years as a component of long term compensation, representing 25% of the total target long-term incentive award. In addition to the restricted shares, 50% of the value of total long-term award was granted in performance units and 25% in performance shares.

Performance Shares - 2015-2017 Performance Cycle

The Committee established target performance for the 2015-2017 award cycle of 12.5% average annual GBVPS calculated on an internal rate of return basis and including the impact of dividends paid. Given the current interest rate environment, this represents a challenging but achievable

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goal. Annual GBVPS of 5.5% or less would result in a payout of 0% and annual GBVPS of 19.5% or more would result in a payout of 200%. The value per performance share at vesting will be computed based on the average closing price on the 5 trading days preceding the date that the Committee certifies performance under the plan, plus the value of paid dividends over the three-year cycle. Mr. Miller received a grant of 78,924 performance shares. Mr. Miller's grant reflects a reduction of 35,000 shares as a result of the restricted stock award he received in May 2011. See 2011 and 2012 Restricted Stock Awards Restricted Stock Award for Mr. Miller. Each of Mr. McDonough, Ms. Phillips, Messrs. Crosby, and Romano received a grant of 10,127, 6,962, 18,987, and 0 performance shares, respectively.

Performance Units - 2015-2017 Performance Cycle

The Committee established target performance for the 2015-2017 award cycle at 95.2% AECR calculated based on the average of each of the three annual performance periods, which is a challenging goal but reflects the Company's expectations relative to its specialty focus. An AECR of 100.2% or higher would result in a payout of 0% and an AECR of 90.2% or lower would result in a payout of 200%. Meeting or exceeding this target requires improved financial performance over the three-year cycle. Each performance unit has a value of \$100. AECR is the reported GAAP Combined Ratio for the underwriting reportable segments (currently defined as the summation of the Specialty Industries and Specialty Products reportable segments, to be adjusted to include any additional underwriting reportable segments in the future) adjusted to include all other non-underwriting income and expense items, except items explicitly related to capital and investment activities (including tax items related to capital and investment activities). The adjustment to GAAP Combined Ratio shall be calculated as the pre-tax impact of items above divided by GAAP earned premium for the underwriting reportable segments.

Mr. Miller received a grant of 22,500 performance units. Each of Mr. McDonough, Ms. Phillips, Messrs. Crosby, and Romano received grants of 4,000, 2,750, 7,500, and 0 performance units, respectively.

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Restricted Shares - 2015-2017 Cycle

Each of Mr. McDonough, Ms. Phillips, Messrs. Crosby, and Romano received a grant of 10,127, 6,962, 18,987, and 0 restricted shares, respectively. The restricted shares will vest on January 1, 2018, subject to continued employment. The Committee decided to award restricted shares to the named executive officers (other than Mr. Miller) beginning with the 2015-2017 award cycle to reduce volatility related to extreme events and promote alignment with long-term shareholder interests.

Performance Units - 2015-2016 Cycle

The Committee also canceled outstanding 2014-2016 performance units and issued performance units for a 2015-2016 performance cycle (the 2015-2016 Units). The target performance goal for the 2015-2016 Units is set at a 95% AECR. Performance at target will result in 67% of the number granted being earned. An average AECR of 100% or higher would result in a payout of 0% and an average AECR of 90.0% or less would result in a payout of 133% the maximum achievable payout under this award cycle. Each unit has a value of \$100. Mr. Miller received a grant of 22,500 2015-2016 Units. Each of Mr. McDonough, Ms. Phillips, Messrs. Crosby, and Romano received grants of 3,750, 3,850, 7,000, and 0 2015-2016 Units respectively. With the exception of Mr. Romano, named executive officers received a number of 2015-2016 Units equal to the number of performance units granted for the original 2014-2016 performance unit cycle. Mr. Romano did not receive a replacement award as he will be leaving the Company.

The number of units likely to be earned under the 2014-2016 performance cycle was projected to be 0% due to the poor performance in 2014, which performance also negatively impacts the value of the just completed 2012-2014 cycle and the still running 2013-2015 cycle. As a result, in order to provide a meaningful retention benefit and properly incentivize management over the next two years while retaining a substantial impact from the Company s 2014 performance, the Committee canceled the 2014-2016 performance unit awards and granted the 2015-2016 Units.

Other 2015 Compensation Matters

On February 20, 2015, a subsidiary of the Company entered into a separation agreement with Mr. Romano (the Separation Agreement) pursuant to which he will remain employed by the Company on a paid leave of absence, or garden leave, from February 14, 2015 until July 3, 2015 (the Termination Date), subject to certain conditions. The Separation Agreement provides that Mr. Romano will continue to receive his base salary and benefits through the Termination Date and will forego the separation payment provided in his 2008 offer letter in favor of the garden leave and a lump sum separation payment of \$1.2 million. See Summary Compensation Table Employment Offer Letters Offer Letter for Mr. Romano. In exchange for the enhanced severance package, Mr. Romano will execute an agreed-upon form of release of claims which prohibits him from competing with the Company or hiring OneBeacon employees for twelve months after the Termination Date. The release further provides that Mr. Romano will pay the Company \$1.0 million if, during the twelve months following the Termination Date, any entity to which he provides services hires certain OneBeacon employees who worked in the Professional Insurance business units which he oversaw prior to his departure from OneBeacon.

Other Elements of Compensation

Retirement and Other Benefits

We have no active pension plans. Benefit accruals under our qualified pension plan and our non-qualified supplemental pension plan were frozen for all employees in 2002. None of our executive officers is eligible to participate in or receive payments under any of our frozen pension plans.

Executive officers and other key employees may participate in our non-qualified deferred compensation plan. Under the plan, participants may defer all or a portion of their annual MIP award and long-term incentive awards, which may be invested in various investment options including the OneBeacon Stock Fund, which tracks the value of our common shares, and, as long as we remain part of the White Mountains group, the White Mountains Stock Fund, which tracks the value of White Mountains shares. None of the investment options offered under these plans provides above-market rates of interest.

All of our employees may participate in our qualified OneBeacon 401(k) Savings and Employee Stock Ownership Plan. We do not provide supplemental retirement benefits to any employees in connection with these plans. Our executive officers also participate in other employee benefit plans on the same terms as our other employees. These plans generally include health insurance, life insurance and charitable gift matching.

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Perquisites

Because of our belief in emphasizing performance-based compensation, we generally do not offer perquisites to our executive officers other than as described below and in the Summary Compensation Table. The perquisites that we offer our executives primarily consist of a housing/relocation allowance and related tax reimbursements.

We allow Mr. Miller to use corporate aircraft for personal reasons. The Committee established an annual cap on Mr. Miller's personal use of the corporate aircraft of \$125,000. Other trips are reimbursed by Mr. Miller at their full cost to the Company and are not considered a perquisite. The amount of the actual out-of-pocket costs to the Company of the personal flights in 2014, which is \$125,000, is included in Mr. Miller's total compensation in the Summary Compensation Table. From time to time, an executive officer may take his spouse or other family members with him on a business trip. In this instance, we do not include any amounts for the flight in the executive's total compensation in the Summary Compensation Table because the additional passenger(s) do not increase the aggregate incremental cost of the flight. No NEO, other than Mr. Miller, used corporate aircraft for personal reasons in 2014.

Board Fees

Our executive officers, and White Mountains executive officers, do not receive director fees for serving on the Company's or subsidiaries' boards of directors.

Employment Agreements

We have no long-term employment agreements with our executive officers. Certain NEOs have severance arrangements within their employment offer letters. The details of these arrangements are disclosed under Summary Compensation Table Employment Offer Letters.

Severance Arrangements

We do not have a formal severance policy; any recommended severance payment to an executive officer other than that set forth in an employment offer letter would be at the sole discretion of the Committee. The details of the severance arrangements with the NEOs are disclosed under Summary Compensation Table Employment Offer Letters.

Change in Control

We have no change in control agreements with our executive officers or key employees other than that found in our long-term incentive plans which govern our long-term incentive awards and the employment offer letters described above. The change in control provisions of our long-term incentive plans are described in more detail under the heading -Potential Payments Upon Termination or Change in Control Long-Term Incentive Plans.

Share Ownership Guidelines

We do not currently have share ownership guidelines. The Committee recognizes that a significant portion of executive compensation is in performance shares and thus tied to the Company's share performance over the long-term. The Committee may review whether share ownership guidelines are appropriate at some future date.

Clawback Policy

The Committee adopted a Clawback Policy in June 2010 which provides that the Board may require any person who received a bonus or other long-term incentive compensation award to repay the Company part or all of such award if a restatement of the Company's financial statements is required by the SEC for failure to materially comply with any federal securities law that governs financial reporting as a result of such person's misconduct. Where the misconduct is fraudulent, the person must reimburse the Company for all such bonuses or long-term incentive compensation. The Committee is aware that the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank) requires all public companies to implement and disclose clawback policies for incentive-based executive compensation (including stock options). Dodd-Frank directs the SEC and the stock exchanges to adopt rules implementing this aspect of the bill, and once the rules are finalized and published, we will review the rules and our policy to ensure it is compliant.

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Executive Hedging

The Company's Insider Trading Policy prohibits our directors, officers and employees from selling short Company securities and from buying or selling puts, calls or derivatives relating to Company securities.

Frequency of Say on Pay Member Vote

At the 2011 Annual General Meeting, a proposal was approved to hold an advisory vote on say-on-pay once every three years. In light of the voting results with respect to the frequency of member votes on executive compensation, the Company has decided that it will conduct an advisory vote on the compensation of NEOs once every three years. Our members voted to approve the Company's executive compensation at our 2014 Annual General Meeting of Members. The next say-on-pay vote will be held at our 2017 Annual General Meeting of Members.

Compensation Benchmarking

Management periodically engages in its own benchmarking exercise using a peer group of specialty insurers and other companies, including Argo Group International Holdings, W.R. Berkeley Corporation, HCC Insurance Holdings, Markel Corporation, Navigators Group, Inc., and RLI Corporation. Management reviews proxy statements for these comparable companies, considers the compensation practices of White Mountains, and incorporates market feedback from its recent experience in recruiting and hiring executives. From time to time, management or the Committee may engage a compensation consultant to assist with benchmarking.

The Committee may work with its own compensation consultant as it deems necessary, but generally believes that it is preferable to coordinate with management in working with a consultant to ensure seamless administration and clear communication among all parties. To the extent that the Committee retains a consultant directly, the Committee would engage the consultant and similarly would have the ability to terminate the consultant. The Committee may, from time to time, commission work independent of management's knowledge or involvement, such as specific benchmarking with respect to the CEO's compensation, and may request that a consultant meet with the Committee, sometimes in executive session, from time to time as necessary or appropriate. In accordance with its Charter, in connection with hiring any consultants, the Committee will consider all factors relevant to the Consultant's independence, including the factors specified by applicable NYSE Standards.

Tax Considerations

As a Bermuda-domiciled company, we do not receive a tax deduction for a certain portion of compensation paid to our NEOs. Each of our NEOs provides services to, and is compensated by, the parent company in Bermuda and subsidiaries in the United States. We do not receive a tax deduction for the compensation paid by the parent company in Bermuda as Bermuda does not impose a corporate income tax. With respect to compensation paid to our NEOs in the United States, Section 162(m) would limit the deductibility of their compensation to \$1,000,000 per individual to the extent the compensation is not performance-based as defined in Section 162(m). The Company is cognizant of Section 162(m) and generally seeks to structure its long-term incentive programs to permit the deductibility of a significant portion of such compensation paid to our NEOs. However, from time to time the Committee may approve compensation that will not meet the

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Section 162(m) requirements if, in the Committee's judgment, structuring compensation in such a manner better promotes the Company's interests. For example, the restricted stock awards made to Messrs. Miller, Crosby and Romano do not qualify for a deduction under Section 162(m). See Compensation Discussion and Analysis 2011 and 2012 Restricted Stock Awards.

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Compensation Committee Report

The Compensation Committee of the Board has submitted the following report for inclusion in this Proxy Statement:

Our Committee has reviewed and discussed the Compensation Discussion and Analysis contained in this Proxy Statement with management. Based on our Committee's review of and the discussions with management with respect to the Compensation Discussion and Analysis, our Committee recommended to the Board that the Compensation Discussion and Analysis be included in this Proxy Statement and incorporated by reference in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2014 for filing with the SEC.

The foregoing report is provided by the following directors, who constitute the Committee:

Lowndes A. Smith, Chairman

Raymond Barrette

Lois W. Grady

Kent D. Urness

Table of Contents**Summary Compensation Table**

The following table sets forth the cash and certain other compensation paid by us and our subsidiaries for the fiscal year ended December 31, 2014, to our NEOs the Chief Executive Officer, the Chief Financial Officer and other three other most highly compensated executive officers. None of our NEOs is eligible to participate in our pension plans. The Company does not pay above-market earnings in its non-qualified deferred compensation plans.

Name and Principal Position	Year	Salary (\$)	Bonus (\$)(1)	Stock Awards (\$)(2)	Non-Equity Incentive Plan Compensation (\$)(3)	All Other Compensation (\$)(4)	Total(\$)
T. Michael Miller, President and Chief Executive Officer	2014	500,000	100,000	1,107,850	706,500	533,210	2,947,560
	2013	500,000	777,050	1,088,504	1,395,000	650,420	4,410,974
	2012	500,000	3,225,000	1,341,333	612,500	644,409	6,323,242
Paul H. McDonough, Senior Vice President and Chief Financial Officer	2014	400,000	500,000	277,042	117,750	11,029	1,305,821
	2013	394,231	458,225	264,200	263,500	10,959	1,391,115
	2012	375,000	800,000	311,634	110,250	10,649	1,607,533
Maureen A. Phillips, Senior Vice President and General Counsel	2014	375,000	650,000	121,968	120,890	11,174	1,279,032
	2013	375,000	625,000	113,606		7,388	1,120,994
	2012	324,500	668,100	137,123		8,495	1,138,218
Dennis A. Crosby, Executive Vice President	2014	400,000	90,000	221,602	164,850	32,029	908,481
	2013	400,000	327,925	154,557	325,500	52,930	1,260,912
	2012	400,000	1,012,000	951,983	128,625	52,649	2,545,258
Paul F. Romano, Executive Vice President	2014	400,000		221,602	164,850	32,310	818,762
	2013	400,000	327,925	154,557	325,500	53,061	1,261,043
	2012	388,500	650,000	951,983	128,625	52,803	2,171,911

(1) All amounts shown represent annual bonus payments under the MIP unless otherwise stated. Ms. Phillips' 2014 amount consists of a \$250,000 annual bonus, and a sign-on bonus of \$400,000. Mr. Miller's 2013 amount consists of a \$468,800 annual bonus and a \$308,250 additional payment. Mr. McDonough's 2013 amount consists of a \$400,000 annual bonus and a \$58,225 additional payment. Ms. Phillips' 2013 amount consists of a \$225,000 annual bonus, and a sign-on bonus of \$400,000. For each of Mr. Romano and Mr. Crosby, 2013 amounts consist of a \$256,000 annual bonus and a \$71,925 additional payment. Mr. Miller's 2012 amount consists of a \$225,000 annual bonus and a \$3,000,000 supplemental incentive payment. Mr. McDonough's 2012 amount consists of a \$200,000 annual bonus and a \$600,000 supplemental incentive payment. Ms. Phillips' 2012 amount consists of an \$118,100 annual bonus, a \$50,000 supplemental incentive payment, and a sign-on bonus of \$500,000. Mr. Crosby's 2012 amount consists of an \$112,000 annual bonus, a \$500,000 supplemental incentive payment, and a \$400,000 sign-on bonus. Mr. Romano's 2012 amount consists of a \$150,000 annual bonus and a \$500,000 supplemental incentive payment.

(2) Represents the aggregate grant date fair value of performance shares granted in 2014, 2013 and 2012, and for each of Messrs. Romano and Crosby, also includes the grant date fair value of restricted shares granted in 2012. The amounts in this column are computed in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 718. The assumptions used to calculate fair value are discussed in Note 9 to our consolidated financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2014. Assuming achievement of a maximum performance factor of 200%, the grant date fair value of the 2014-2016 performance share awards is as follows: Mr. Miller-\$2,215,699; Mr. McDonough-\$554,083; Ms. Phillips-\$243,936; Mr. Crosby-\$443,203; and Mr. Romano-\$443,203.

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(3) For each of 2014, 2013 and 2012, amounts represent payments made with respect to performance units granted for performance cycles ending in such year.

(4) Represents Company contributions to the OneBeacon 401(k) Savings and Employee Stock Ownership Plan unless otherwise stated. Mr. Miller's other compensation includes \$125,000 in 2014, \$110,159 in 2013, and \$104,406 in 2012 for personal use of Company-provided aircraft; and dividends earned on restricted stock of \$396,900 in 2014, and \$529,200 in each of 2013 and 2012. Mr. Romano's and Mr. Crosby's other compensation includes \$21,000 each in dividends earned on restricted stock in 2014, and \$42,000 each in dividends earned on restricted stock in each of 2013 and 2012. All perquisites, including personal use of Company-provided aircraft, were valued based upon the aggregate incremental cost to the Company, which was the actual out-of-pocket cost to the Company to provide the benefit.

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Employment Offer Letters

Offer Letter for Mr. McDonough

Mr. McDonough's offer letter provides that if his employment is terminated involuntarily for reasons other than cause, or if he is no longer the Chief Financial Officer as a result of involuntary circumstances, including as a result of a change in control, he is eligible for a separation payment equal to two years of salary and target bonus.

Offer Letter for Ms. Phillips

Ms. Phillips' offer letter provides for a sign-on bonus of \$1,300,000, \$500,000 of which was paid within 30 days of employment and \$400,000 of which was paid in each of March 2013 and March 2014. Ms. Phillips' offer letter also provides that if her employment is terminated for reasons other than cause including termination due to any prospective change in control, she is eligible for a separation payment equal to two years of salary and target bonus.

Offer Letter for Mr. Crosby

Mr. Crosby's offer letter provides for a sign-on bonus of \$1,800,000, \$1,000,000 of which was paid within 30 days of employment and \$400,000 of which was paid in each of March 2011 and March 2012. Mr. Crosby's offer letter also provides that if his employment is terminated for reasons other than cause, including termination due to any prospective change in control, he is eligible for a separation payment equal to two years of salary and target bonus.

Offer Letter for Mr. Romano

Mr. Romano joined the Company in 2008 pursuant to an offer letter which provided that if his employment were terminated for reasons other than cause, including termination due to any prospective change in control, he would be eligible for a separation payment equal to twelve months of salary. On February 20, 2015, a subsidiary of the Company entered into a separation agreement with Mr. Romano pursuant to which he will receive a lump sum separation payment of \$1.2 million in lieu of the payment provided for in his offer letter. See Executive Compensation Compensation Discussion and Analysis 2015 Compensation Actions Other 2015 Compensation Matters.

Management Incentive Plan

We provide annual cash incentive opportunities to our executive officers through our annual MIP. The aggregate target MIP bonus pool is set annually, and the actual size of the pool paid out depends upon Company performance in a number of categories established early in each performance year, typically including some or all of our long-term financial goals and other specific operational goals as determined by the Compensation Committee. The Compensation Committee may exercise discretion in the final determination of the overall performance factor and the performance factors for each business and/or executive and may also recognize non-financial measures when making its overall assessment of Company performance. Other goals may include achieving net written premium growth, effective capitalization, completing transactions that create long-term economic value, and managing aggregate catastrophic exposure. Individual incentive payments can vary widely around the pool average. There is no cap (other than the size of the pool) on any individual award. However, each participant is given a target expressed as a percentage of base salary. With limited exceptions, participants must be employed through the payment date in order to receive a payment under the MIP.

Long-Term Cash Awards

Certain selected non-NEOs in the Company's insurance businesses participate in the Long-Term Cash Plan (LTC Plan), under which annual awards are granted. Individuals participating in the LTC Plan receive 25% of their long-term target awards in performance units and 25% in restricted stock units under the LTIP, and 50% in LTC Plan awards. Payments under the LTC Plan awards vary by individual business unit. Having awards under both plans rewards participants for overall company results but also provides an incentive for driving individual business unit results which they have the best opportunity to directly influence. The LTC Plan is generally funded in aggregate based upon performance against various business unit objectives and goals at the discretion of the Committee.

Table of Contents**Grants of Plan-Based Awards**

The following table sets forth the plan-based awards granted to the named executive officers under the LTIP during 2014. The Company did not grant any restricted stock, stock options or restricted stock units during 2014.

Name	Grant Date	Non-Equity Incentive Plan Awards (1) (#)	Estimated Future Payouts Under Non-Equity Incentive Plan Awards (1)			Estimated Future Payouts Under Equity Incentive Plan Awards (2)			Grant Date Fair Value of Stock Awards (\$)
			Threshold (\$)	Target (\$)	Maximum (\$)	Threshold (#)	Target (#)	Maximum (#)	
T. Michael Miller (Shares)	2/25/2014					0	69,940	139,880	1,107,850
T. Michael Miller (Units)	2/25/2014	45,000	0	4,500,000	9,000,000				
Paul H. McDonough (Shares)	2/25/2014					0	17,490	34,980	277,042
Paul H. McDonough (Units)	2/25/2014	7,500	0	750,000	1,500,000				
Maureen A. Phillips (Shares)	2/25/2014					0	7,700	15,400	121,968
Maureen A. Phillips (Units)	2/25/2014	7,700	0	770,000	1,540,000				
Dennis A. Crosby (Shares)	2/25/2014					0	13,990	27,980	221,602
Dennis A. Crosby (Units)	2/25/2014	12,250	0	1,225,000	2,450,000				
Paul F. Romano (Shares)	2/25/2014					0	13,990	27,980	221,602
Paul F. Romano (Units)	2/25/2014	12,250	0	1,225,000	2,450,000				

(1) Consists of 2014-2016 performance units and 2014 replacement performance units granted under the LTIP. The Committee canceled the 2014-2016 performance unit awards in February 2015 and replaced them with 2015-2016 performance unit awards. See Compensation Discussion and Analysis 2015 Compensation Actions Performance Units 2015-2016 Cycle.

(2) Consists of 2014-2016 performance shares granted under the LTIP.

Long-Term Incentive Plan and Awards

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All outstanding long-term incentive awards granted to the named executive officers have been granted under the LTIP. The LTIP allows for the award of incentive or non-qualified stock options, stock appreciation rights, restricted stock, restricted stock units, performance shares and performance units. All awards granted will vest if (1) there is a change in control of OneBeacon (as defined in the LTIP) and (2) within 24 months of the change in control, the recipient is terminated, other than for cause, or there is an adverse change in the plan. See Potential Payments Upon Termination or Change in Control Long-Term Incentive Plans. Awards are generally forfeited if the holder terminates employment prior to the end of the award period. Prorated awards may be paid in the event of a termination of employment due to death, disability or retirement. In order to be eligible to receive an award under the LTIP, all executive officers and key employees must enter into a Confidentiality and Non-Solicitation Agreement which prohibits employees from soliciting customers and certain potential customers of the Company and soliciting or hiring employees for a period of 12 months following termination of employment.

Performance Shares

Performance shares are awards of phantom shares which are earned if performance goals established by the Compensation Committee are satisfied over a specified award period. The value earned by an employee pursuant to an award of performance shares

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is generally equal to the number of shares earned (which is 0-200% of the target number of shares granted) multiplied by the average closing price of a common share for the 5 trading days preceding the date that the Compensation Committee certifies performance plus any dividends paid prior to the day the Committee meets to certify the performance results and approve payment of the award. Set forth below is a summary of our award cycles outstanding as of December 31, 2014, including the cycle that vested as of December 31, 2014 and was paid out in March 2015.

LTIP Performance Cycle	Minimum (0%) Performance Goal	Target (100%) Performance Goal	Maximum (200%) Performance Goal
2012-2014	3% average annual GBVPS	10% average annual GBVPS	17% average annual GBVPS
2013-2015	6% average annual GBVPS	13% average annual GBVPS	20% average annual GBVPS
2014-2016	7% average annual GBVPS	14% average annual GBVPS	21% average annual GBVPS

Performance Units

Performance units are awards which grant recipients the right to receive, without payment to the Company, an earned value. Performance units are earned to the extent performance goals established by the Compensation Committee are satisfied over a specified award period. The value earned for an award is generally equal to the target number of performance units multiplied by the value of the performance unit as established by the Committee, multiplied by the performance percentage (which may not be more than 200% for all awards outstanding as of December 31, 2014) as determined by the Committee based on achievement of performance goals. Set forth below is a summary of our award cycles outstanding as of December 31, 2014, including the cycle that vested as of December 31, 2014 and was paid out in March 2015. The value of all outstanding performance units is \$100 per unit.

LTIP Cycle	Minimum (0%) Performance Goal	Target (100%) Performance Goal	Maximum (200%) Performance Goal
2014 (1)	SOAECR of 99.5%	SOAECR of 92.5%	SOAECR of 87.5%
2013-2015	SOAECR of 99.5%	SOAECR of 92.5%	SOAECR of 87.5%
2014-2016 (2)	SOAECR of 97.5%	SOAECR of 92.5%	SOAECR of 87.5%

(1) In February 2014, the Committee approved the replacement of the named executive officers then-outstanding 2012-2014 performance unit awards with an equivalent number of replacement performance units with performance targets based on specialty only results. See Compensation Discussion and Analysis 2014 Compensation Actions Payments under the 2012-2014 Long-Term Incentive Cycle.

(2) In February 2015, the Committee canceled the named executive officers then-outstanding 2014-2016 performance unit awards and issued 2015-2016 performance unit awards. See Compensation Discussion and Analysis 2015 Compensation Actions Performance Units - 2015-2016 Cycle.

Stock Options and Restricted Stock Units

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In the past, we have granted stock options and restricted stock units to named executive officers. In 2015, we granted restricted stock units to certain key employees, but not to any of the named executive officers.

Restricted Stock Award for Mr. Miller

In May 2011, Mr. Miller was granted 630,000 shares of restricted stock to secure his continued services for an extended period of time. In connection with the grant, Mr. Miller agreed to forego a portion of his expected performance share allocations for six years. This one-time grant of restricted stock to Mr. Miller equaled three times the foregone performance shares. Mr. Miller forfeited 35,000 shares of his 2011 performance share award, his performance share awards for 2012 through 2015 were each reduced by 35,000 shares, and his 2016 performance share award will be similarly reduced, for an aggregate of 210,000 foregone performance shares. 25% of the shares of restricted stock vested on each of February 22, 2014 and 2015, and an additional 25% of the initial grant amount will vest on each of February 22, 2016 and 2017. In the event of a change in control, the restricted stock would vest if Mr. Miller is terminated other than for cause, is demoted or suffers a material reduction in his compensation opportunity within 24 months of the change in control. In addition, the shares would vest following a change in control if Mr. Miller were required to commute to another office for more than 18 months or were required to relocate his principal residence. Other than following a change in control, in the event of voluntary termination or termination for cause, Mr. Miller would forfeit all unvested shares. If Mr. Miller is

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terminated without cause, the restricted stock would vest pro-rata based on the period of time from the grant date through Mr. Miller's termination date with a minimum vesting of 50%, taking into account already vested shares, in lieu of any severance payments.

Restricted Stock Awards for Named Executive Officers other than Mr. Miller

In February 2012, the Committee approved restricted stock awards to certain key employees, including each of Messrs. Romano and Crosby, with a grant date of March 1, 2012. 50% of the restricted stock granted vested on February 28, 2014, and the remaining 50% vested on February 28, 2015. These awards were made primarily to key employees who were part of our specialty businesses and/or who closely supported those businesses. In February 2015, the Committee approved restricted stock awards to the named executive officers (other than Mr. Miller). These awards vest on January 1, 2018.

Outstanding Equity Awards at Fiscal Year End

As of December 31, 2014, there were no outstanding stock option awards. The following table summarizes the restricted stock and performance share awards to our named executive officers that were outstanding as of December 31, 2014:

Name	Number of Shares or Units of Stock That Have Not Vested (#)(1)	Market Value of Shares or Units of Stock That Have Not Vested (\$)(1)	Stock Awards Equity Incentive Plan Awards:	
			Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)(2)	Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$)(2)
T. Michael Miller	472,500	7,654,500	152,340	2,665,090
Paul H. McDonough			37,490	655,630
Maureen A. Phillips			16,300	284,976
Dennis A. Crosby	25,000	405,000	25,690	447,586
Paul F. Romano	25,000	405,000	25,690	447,586

(1) Consists of restricted stock awards. 157,500 shares of Mr. Miller's restricted stock vested on February 22, 2015 and 25,000 shares of restricted stock vested for each of Messrs. Romano and Crosby on February 28, 2015. See Compensation Discussion and Analysis 2011 and 2012 Restricted Stock Awards. Restricted stock value is based upon the closing price of the Class A shares on December 31, 2014.

(2) Equity incentive plan awards not yet vested as of December 31, 2014 include:

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Name	2013-2015 Performance	2014-2016 Performance
	Shares (at target)	Shares (at target)
T. Michael Miller	82,400	69,940
Paul H. McDonough	20,000	17,490
Maureen A. Phillips	8,600	7,700
Dennis A. Crosby	11,700	13,990
Paul F. Romano	11,700	13,990

Payout value for performance shares is based on the December 31, 2014 closing market price of \$16.20, at an estimated payout of 100% of target for the 2014-2016 performance cycle and 100% of target for the 2013-2015 performance cycle and includes dividends accrued since the grant date.

Table of Contents**Option Exercises and Stock Vested**

The following table summarizes the stock awards that vested in 2014 for each of the named executive officers.

Name	Type of Award		Number of Shares Acquired on Vesting (#)	Value Realized on Vesting (\$)
T. Michael Miller	Restricted Shares	(1)	157,500	2,464,875
	Performance Shares	(2)	40,595	731,527
Paul H. McDonough	Performance Shares	(2)	9,432	169,957
Maureen A. Phillips	Performance Shares	(2)	4,150	74,783
Paul F. Romano	Restricted Shares	(1)	25,000	410,000
	Performance Shares	(2)	5,659	101,976

(1) Represents, for Mr. Miller, 157,500 restricted shares that vested on February 22, 2014, and, for each of Messrs. Crosby and Romano, 25,000 restricted shares that vested on February 28, 2014.

(2) Represents 2012-2014 performance shares which vested on December 31, 2014 and paid out in cash. Target performance shares were awarded for the 2012-2014 performance cycle under the LTIP for each named executive officer as follows: Mr. Miller 88,830 performance shares; Mr. McDonough 20,638 performance shares; Ms. Phillips 9,081 performance shares; and Messrs. Crosby and Romano 12,383 performance shares each. The 2012-2014 performance shares became fully vested on December 31, 2014 at 45.7% of target. Value realized on vesting is based on the average closing share price on the 5 trading days prior to the February 24, 2015 Compensation Committee meeting, where performance and payment were certified, plus accumulated dividends through such date. See Grants of Plan-Based Awards Long-Term Incentive Plan and Awards Performance Shares.

Deferred Compensation Plan

The named executive officers are eligible to participate in our unfunded, non-qualified plan for the purpose of deferring current compensation (the Deferred Compensation Plan). Participants can choose to defer all or a portion of qualifying remuneration payable (consisting of up to 100% of annual bonus and/or long-term incentive compensation), which can be invested in various investment options including the OneBeacon Stock Fund and the White Mountains Stock Fund. None of the investment options offered under the Deferred Compensation Plan provides an above-market rate of interest. As of December 31, 2014, Ms. Phillips had voluntarily deferred compensation into the Deferred Compensation Plan.

Non-Qualified Deferred Compensation for 2014

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Name	Executive	Registrant	Aggregate	Aggregate	Aggregate
	Contributions in	Contributions in	Earnings in	Withdrawals/	Balance at
	Last FY(\$)	Last FY(\$)	Last FY\$(1)	Distributions	Last FYE(\$)
				(\$)	
Maureen A. Phillips			11,403		146,091

(1) Represents net appreciation in the participant's account in the Deferred Compensation Plan resulting from performance of the investment funds into which the deferral was invested at the participant's election.

Table of Contents**Potential Payments Upon Termination or Change in Control**

The table below summarizes the amounts that would be payable to our NEOs under our LTIP in the event of involuntary termination, death or disability, or a termination following a change in control as well as severance that would be payable under our offer letters with certain of our NEOs. The calculations were based on the assumption the terminations occurred on December 31, 2014. All payouts made pursuant to the LTIP or to the offer letters would be made in lump sums following the applicable termination date.

Required Maximum Payouts

Name		Involuntary Termination/ Separation(\$)(2)	Voluntary Termination/ Retirement(\$)	Death or Disability(\$)(3)(5)	Change in Control with Termination(\$)(4)(5)
T. Michael Miller	LTIP (1)	4,110,750		7,740,217	11,410,672
	Severance (6)				
Paul H. McDonough	LTIP (1)			707,410	738,163
	Severance (6)	1,200,000			1,200,000
Maureen A. Phillips	LTIP (1)			531,581	544,805
	Severance (6)	1,125,000			1,125,000
Dennis A. Crosby	LTIP (1)	405,000		1,162,927	1,225,918
	Severance (6)	1,200,000			1,200,000
Paul F. Romano	LTIP(1)	405,000		1,162,927	1,225,918
	Severance (6)	400,000			400,000

(1) Based upon \$16.20, the closing price of the Class A shares on December 31, 2014, \$1.68 per share representing accumulated dividends for 2013-2015 performance shares and \$0.84 per share representing accumulated dividends for 2014-2016 performance shares.

(2) The amount shown for Mr. Miller includes his restricted stock which would vest pro-rated for time (but at not less than 50%) less any shares previously vested. The amount shown for Mr. Romano and Mr. Crosby includes restricted stock which would vest in full (less any shares previously vested).

(3) Amounts shown are based on a payout at a 100% performance factor for the 2013-2015 and 2014-2016 performance shares and performance units. All amounts shown are pro-rated through December 31, 2014. Amounts exclude performance shares and performance units that vested on December 31, 2014. See Compensation Discussion and Analysis 2015 Compensation Actions.

(4) All amounts shown for performance shares are valued at 112.9% of target for the 2013-2015 and 100% of target for the 2014-2016 performance cycles respectively. All amounts shown for performance units are valued at 100% of target for the 2013-2015 and 2014-2016 performance cycles. In the event of termination following a change in control, 100% of Mr. Miller's restricted stock and Mr. Romano and Mr. Crosby's restricted stock would vest as of the termination date. Amounts exclude 2012-2014 performance shares and performance units that vested on December 31, 2014. See Summary Compensation Table.

(5) The Committee canceled the 2014-2016 performance unit awards in February 2015 and replaced them with 2015-2016 performance unit awards. See Compensation Discussion and Analysis 2015 Compensation Actions Performance Units 2015-2016 Cycle.

(6) See Summary Compensation Table Employment Offer Letters for information regarding severance benefits for the named executive officers, including the changes to Mr. Romano's severance benefits implemented in February 2015.

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Long-Term Incentive Plans

Under our long-term incentive plans, certain events such as retirement, death or disability or a change in control of the Company coupled with involuntary or constructive employment termination or amendment to such plans materially adverse to its participants, may cause stock options to become partially exercisable and performance shares, performance units and restricted stock units to become payable in full or in part as outlined below.

None of our NEOs would have been entitled to receive any compensation with respect to outstanding award grants under our long-term incentive plans in the event of voluntary termination of employment or retirement on December 31, 2014.

In the event of death or disability, the NEOs or their beneficiaries would receive a pro-rated payment based on the number of full or partial months of service during the award period. For performance shares and performance units, payment is based on an assumed performance factor of 100% regardless of actual performance. For outstanding shares of restricted stock, payment is based on a pro-rated number of shares through the date of death or disability.

In the event of a change in control, followed by involuntary termination, constructive termination, or materially adverse amendment to our long-term incentive plans within 24 months of the change in control (qualifying events), for outstanding performance shares and performance units, the named executive officers would receive a pro-rated payment based on the full or partial months that have elapsed during the award period, the greater of the actual performance factor through the end of the quarter prior to the quarter in which the qualifying event occurs and an assumed performance factor of 100%, and, for performance shares, the greater of share price immediately prior to or on the date of the qualifying event. In the event of termination following a change in control, 100% of the unvested shares of restricted stock would vest as of the termination date.

A change in control is defined as (1) a third party acquiring more than 35% of OneBeacon's common shares and more of OneBeacon's common shares than White Mountains owns, (2) the continuing directors ceasing to constitute a majority of the OneBeacon board, or (3) OneBeacon disposing of substantially all of its assets to a third party.

In the event of involuntary termination other than for cause for the restricted shares granted to Mr. Miller, payment is based on a pro-rated number of shares through the date of termination (but at not less than 50%), less any shares previously vested. Unvested restricted shares held by Messrs. Romano and Crosby would vest 100% in the event of involuntary termination other than for cause. In the event of termination for cause, all outstanding long-term incentive awards would be forfeited.

Our long-term incentive plans do not provide for tax reimbursements for excess parachute payments that may result from a change in control.

Severance Agreements

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We have no formal severance arrangements with our named executive officers, other than those contained in employment offer letters or pursuant to our long-term incentive plans. Severance benefits for our named executive officers, if any, are as disclosed in Employment Offer Letters or as determined by the Compensation Committee from time to time in its sole discretion. Pursuant to their respective Employment Offer Letters, Ms. Phillips, Mr. Romano and Mr. Crosby would be required to execute a release in favor of the Company as a condition of receiving severance payments provided for therein.

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COMPENSATION OF DIRECTORS

Our directors who are not employed by us or White Mountains are entitled to the following compensation for service on the Board and Board committees:

- Annual compensation of \$75,000 for each member of the Board;

- Additional amounts of \$150,000 annually for the Chairman of the Board, \$50,000 annually for the Chairman of the Audit Committee, \$10,000 annually for each member of the Audit Committee and \$7,500 annually for each committee chairperson, other than the Audit Committee Chairman;

- Each director receives \$2,000 for attending a meeting of the Board; and

- \$2,000 for attending a meeting of any committee on which he or she serves.

In lieu of cash, directors may elect to receive up to 100% of their annual retainer (up to \$75,000) in Class A shares. The number of shares issued to directors who elect to receive them in lieu of cash is determined based upon the closing price of the Class A shares on the date on which they are issued. We reimburse our directors for reasonable costs and expenses incurred in connection with attendance at Board and Board committee meetings.

The following table summarizes the compensation earned by our directors who served on the Board during 2014.

Name	Fees Earned or Paid in Cash \$(1)(2)	All Other Compensation \$(3)	Total (\$)
Morgan W. Davis	89,000		89,000
Lois W. Grady	101,000		101,000
Richard P. Howard	83,000	10,000	93,000
Ira H. Malis	109,000		109,000
Lowndes A. Smith	278,500		278,500
Patrick A. Thiele	123,027	5,000	128,027
Kent D. Urness	161,000		161,000

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(1) For all directors, includes annual Board retainer and meeting fees. Includes Chairman of the Board retainer, Chairman of Compensation Committee retainer and Audit Committee retainer for Mr. Smith. Includes Chairman of Audit Committee retainer for Mr. Urness. Includes Audit Committee retainer for Mr. Malis and Mr. Thiele.

(2) Mr. Thiele elected to receive Class A shares with a value of \$17,662 in lieu of cash. The number of shares in lieu of cash was determined based on the closing price of the fair market value of the Class A shares on February 25, 2014.

(3) For Mr. Howard, the amount shown represents a donation made by the Company and White Mountains to Quinnipiac University in his name as an expression of appreciation by the Company upon his retirement from the Board. For Mr. Thiele, the amount shown represents an observer fee paid to Mr. Thiele for attendance at Board committee meetings held in February 2014 prior to his election to the Board on February 25, 2014.

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TRANSACTIONS WITH RELATED PERSONS, PROMOTERS AND CERTAIN CONTROL PERSONS

Approval of Related Person Transactions

The Audit Committee, pursuant to its Charter, reviews and approves all related party transactions. For purposes of the Audit Committee's oversight responsibility, a related party transaction is defined as any transaction that is required to be disclosed in the Company's proxy statement a transaction of more than \$120,000 in which the Company and a director, executive officer or holder of 5% or more of the Company's shares (or their immediate family members) are participants and have a direct or indirect material interest. In addition, pursuant to a provision in the Company's By-laws, any transaction between the Company and White Mountains or any officer, director or employee of White Mountains or any of their affiliates will not be deemed a breach of White Mountains' fiduciary duty if it is approved either by (1) a majority of the disinterested directors, or (2) holders of a majority of common shares, excluding common shares held by White Mountains. In the course of its review and approval of a disclosable related party transaction, the Audit Committee or the disinterested directors, as the case may be, considers:

- the nature of the related person's interest in the transaction; and
- the material terms of the transaction, including, without limitation, the amount and type of transaction.

Any member of the Audit Committee who is a related person with respect to a transaction under review, or any director or officer of White Mountains who is also a director of the Company, may not participate in the deliberations or vote respecting approval of the transaction, but may be counted in determining the presence of a quorum at a meeting of the Audit Committee or the full Board, as the case may be.

The Audit Committee approved all transactions with related persons occurring during 2014.

Transactions with Related Persons

White Mountains

Separation Agreement

In connection with the initial public offering of the Company's common shares and a related internal reorganization (IPO), the Company entered into a Separation Agreement dated November 14, 2006 with White Mountains (Separation Agreement) to address a number of operational, administrative and financial matters relating to the fact that OneBeacon would no longer be a wholly-owned subsidiary of White Mountains.

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These matters included, among others, the administration of payroll, employee benefits programs, deferred compensation and 401(k) plans, OneBeacon's travel and logistics office, certain information technology assets and functions and certain agreements with respect to finance and tax arrangements. For the year ended December 31, 2014, OneBeacon recorded expenses of approximately \$0.3 million and revenues of approximately \$2.0 million for services under the Separation Agreement that OneBeacon received from or provided to White Mountains and its subsidiaries, respectively.

Registration Rights Agreement

In connection with the IPO, the Company entered into a registration rights agreement dated November 14, 2006 with White Mountains that provides that White Mountains can demand that the Company register the distribution of its common shares owned by White Mountains (demand registration rights). In addition, White Mountains has piggyback registration rights, which means that White Mountains may include its shares in any future registrations of the Company's common equity securities, whether or not that registration relates to a primary offering by the Company or a secondary offering by or on behalf of any of the Company's shareholders. These registration rights are transferable by White Mountains. The Company will pay all costs and expenses in connection with each such registration, except underwriting discounts and commissions applicable to the common shares sold by White Mountains. The registration rights agreement contains customary terms and provisions with respect to, among other things, registration procedures and rights to indemnification in connection with the registration of the common shares on behalf of White Mountains. The Company will register sales of its common shares owned by employees and directors of White Mountains pursuant to employee share or option plans, but only to the extent such registration is required for the shares to be freely tradable.

Investment Management Agreement with White Mountains Advisors LLC

Pursuant to an Amended and Restated Investment Management Agreement dated as of December 23, 2014, as amended (the WMA Agreement) by and between OneBeacon and White Mountains Advisors LLC (WM Advisors), WM Advisors supervises and directs the fixed income and other investment portions of the Company's and its subsidiaries' investment portfolio. The Company and its subsidiaries have agreed to pay annual investment management fees generally based on the quarter-end market values held under custody as set forth in the table below:

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Assets Under Management	Annual Fee
Investment Grade Fixed Income:	
Up to \$1 billion	10.0 basis points
Next \$1 billion	8.5 basis points
Next \$3 billion	7.5 basis points
Greater than \$5 billion	2.5 basis points
High Yield Fixed Income	25.0 basis points
Equities	100.0 basis points
Hedge Funds	100.0 basis points
Private Equity Funds & Other Deferred Fundings	
First 2 years of fund's life (committed)	100.0 basis points
Thereafter (fair value)	100.0 basis points
Affordable housing credit funds	
First year of fund's life (committed)	100.0 basis points
Thereafter (fair value)	10.0 basis points

WM Advisors is also paid a quarterly fee for treasury management services computed at the annual rate of 1.75 basis points (0.0175%) of the aggregate value of net assets on an annual basis. The Company and its subsidiaries incurred approximately \$3.4 million in fees for investment management services provided by WM Advisors under the WMA Agreement and approximately \$0.4 million in treasury management fees during 2014. The WMA Agreement may be terminated by either party upon 60-days prior written notice.

Prospector Partners, LLC*Investment Management Agreement*

Prospector Partners LLC (Prospector) supervises and directs the majority of the publicly-traded common equity and convertible securities portion of OneBeacon's investment portfolio pursuant to an investment management agreement dated February 25, 2015. Prospector also manages assets for each of OneBeacon's qualified and non-qualified pension plans, and two proprietary funds under the Company's 401(k) Savings and Employee Stock Ownership Plan pursuant to separate investment management agreements with each of the plans. Prospector manages OneBeacon's assets and plan assets in accordance with the investment objectives, policies and restrictions described in OneBeacon's investment guidelines, which are attached to each of the Prospector investment management agreements.

Under the agreements, Prospector has discretion and authority with respect to the portfolios it manages for OneBeacon and the plans that are substantially similar to WM Advisors' discretion and authority under its agreements. The assets of OneBeacon's portfolios are held in one or more separately identifiable accounts in the custody of a bank or similar entity designated by OneBeacon and acceptable to Prospector. OneBeacon is responsible for custodial arrangements and the payment of all custodial charges and fees.

Under the agreements, OneBeacon pays annual management fees to Prospector based on aggregate net assets under management according to the following schedule: 1.00% on the first \$200 million; 0.50% on the next \$200 million; and 0.25% on amounts over \$400 million. The agreements are terminable by either party at any time, with or without cause, on thirty days prior written notice. OneBeacon reviews periodically the performance of and the fees paid to Prospector under the agreements.

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The Company incurred approximately \$2.0 million, and the Company's benefit plans incurred approximately \$1.3 million, respectively, in fees for investment management services provided by Prospector during 2014.

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Pursuant to a revenue sharing agreement, Prospector has agreed to pay White Mountains 6% of the revenues in excess of \$500,000 of certain of Prospector's funds in return for White Mountains having made a founding investment in 1997. During 2014, White Mountains earned \$0.4 million under this arrangement. As of December 31, 2014 White Mountains had \$82.4 million invested in such Prospector funds. This total included \$15.8 million of the Company's assets.

Richard P. Howard was a portfolio manager of Prospector and a director of the Company until his retirement from Prospector and his resignation from the Company's Board of Directors effective December 31, 2014. John D. Gillespie is a director of White Mountains and is the founder and managing member of Prospector. In conjunction with Mr. Gillespie's retirement from the White Mountains Board of Directors, the investment management agreements between OneBeacon and Prospector and the OneBeacon benefit plans and Prospector will terminate in 2015.

Prospector-Managed Limited Partnership

At December 31, 2014, the Company and its subsidiaries had \$15.8 million invested in limited partnerships managed by Prospector. Under the limited partnership agreements, Prospector serves as general partner and general manager of the funds and is paid a management fee by the Company. In addition, the Company allocates a portion of its earnings on the Company's limited partnership interests to Prospector as an incentive fee. The Company incurred approximately \$0.2 million in management fees and \$0.2 million in incentive fees during 2014.

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REPORT OF THE AUDIT COMMITTEE

In connection with the audit of the Company's financial statements for the year ended December 31, 2014, the Audit Committee has: (1) reviewed and discussed with management and PricewaterhouseCoopers LLP (PwC) the Company's audited financial statements for the year ended December 31, 2014, management's assessment of the effectiveness of the Company's internal control over financial reporting and PwC's audit of the Company's internal control over financial reporting; (2) reviewed and discussed with PwC the matters required by Auditing Standard No. 16, Communications with Audit Committees, as adopted by the Public Company Accounting Oversight Board; as amended; and (3) received the written disclosures and the letter from PwC required by the applicable Public Company Accounting Oversight Board rules and discussed with PwC their independence.

Based on these reviews and discussions, the Audit Committee determined that the non-audit fees billed by PwC for services performed in 2014 and 2013 (as presented herein) are compatible with maintaining their independence. Further, the Audit Committee recommended to the Board that the audited financial statements be included in the Annual Report on Form 10-K for filing with the SEC and for presentation to members at the 2015 Annual Meeting.

Management is responsible for the preparation, presentation and integrity of the Company's consolidated financial statements as well as for establishing and maintaining adequate internal control over financial reporting. The Company's independent registered public accounting firm, PwC, is responsible for expressing its opinion on the conformity of the Company's audited financial statements with Generally Accepted Accounting Principles (GAAP). It is not the duty of the Audit Committee to plan or conduct audits or to determine that the Company's financial statements are complete and accurate and in accordance with GAAP; that, as described above, is the responsibility of management and PwC. In giving its recommendation to the Board, the Audit Committee has relied on (1) management's representation that such financial statements have been prepared with integrity and objectivity and in conformity with GAAP; and (2) the reports of PwC with respect to such financial statements.

The Audit Committee has established a charter which outlines its primary duties and responsibilities. The Audit Committee Charter, which has been approved by the Board, is reviewed at least annually, is updated as necessary and is available for viewing at www.onebeacon.com.

Submitted by the Audit Committee

Kent D. Urness, Chairman

Ira H. Malis

Lowndes A. Smith

Patrick A. Thiele

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The Audit Committee pursuant to its policy pre-approves the scope and fees for all services performed by PwC. Annually, the OneBeacon Audit Committee receives and pre-approves a written report from PwC describing the elements expected to be performed in the course of its audit of OneBeacon's financials. All other audit, audit-related and non audit-related services rendered by PwC also require pre-approval, which may be granted in accordance with the provisions of the policy either (1) at a meeting of the full Audit Committee, (2) on an interim basis by the Chairman of the Audit Committee, provided that the requested services are not expressly prohibited and are ratified by the full Audit Committee at its next regularly scheduled meeting, or (3) on a per-project basis by the Director of Internal Audit or his/her designee through specific compliance with pre-approved definitions of services that do not exceed per-project limits established by the Committee, provided that the Director of Internal Audit makes a full report of all services pre-approved pursuant to the policy at the next regularly scheduled meeting of the Committee.

It is the intent of the policy to assure that PwC's performance of audit, audit-related and non audit-related services, such as tax services, are consistent with all applicable rules on auditor independence. As such, services expressly prohibited by the Audit Committee under its policy include bookkeeping or other services related to the accounting records or financial statements of the Company or its subsidiaries; financial information systems design and implementation; appraisal and valuation services; fairness opinions; contribution-in-kind reports; certain actuarial services; internal audit outsourcing services; management functions; human resources; broker-dealer, investment advisor or investment banking services; legal services; and expert services unrelated to the audit. All services performed by PwC during 2014 and 2013 were pre-approved in accordance with the policy described above.

The services performed by PwC in 2014 and 2013 are described below. PwC does not provide any services to the Company prohibited under applicable laws and regulations, such as financial information systems design and implementation. From time to time, PwC may perform permissible consulting services for the Company, provided they have been pre-approved in accordance with the policy described above. To the extent consulting services are provided by PwC, they are closely monitored and controlled by both management and the Audit Committee to ensure that their nature and extent do not interfere with the independence of PwC. The independence of PwC is also considered annually by the Audit Committee.

The following table sets forth the approximate aggregate fees billed by PwC for professional services provided in 2014 and 2013:

PwC Fees	2014(5)	2013(5)
Audit Fees(1)	\$ 1,190,920	\$ 1,184,044
Audit-Related Fees(2)	\$ 40,000	\$ 47,200
Tax Fees(3)	\$ 125,509	\$ 78,627
All Other Fees (4)	\$ 5,913	
Total	\$ 1,362,342	\$ 1,309,871

(1) The fees in this category were for professional services rendered in connection with (a) the audits of the Company's annual financial statements, including the Company's internal control over financial reporting, included in the Company's Annual Report on Form 10-K, (b) the review of the Company's quarterly financial statements included in its Quarterly Reports on Form 10-Q, (c) audits of the Company's subsidiaries that are required by statute or regulation, and (d) services that generally only the Company's independent registered public accounting firm reasonably can provide, such as comfort letters and consents.

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- (2) The fees in this category were for professional services rendered in connection with employee benefit plan audits and preparation of Form 5500 s and other regulatory requirements.
- (3) The fees in this category were for professional services rendered in connection with tax strategy assistance and tax compliance services.
- (4) The fees in this category were for advisory services in connection with international regulatory requirements.
- (5) The fees reported include expense reimbursements of \$146,096 and \$119,423 in 2014 and 2013, respectively. All fees shown are included in aggregate fees billed to White Mountains for services rendered by PwC during 2014 and 2013 as disclosed in White Mountains 2015 and 2014 proxy statements.

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The following table provides information about our equity compensation plans that authorize the issuance of the Company's common shares. This information is provided as of December 31, 2014

Plan Category	(A)	(B)	(C)
	Number of securities to be Issued upon exercise of Outstanding options, Warrants and rights(2)	Weighted average exercise Price of outstanding options, warrants and rights (\$)	Number of securities Remaining available for Future issuance under Equity compensation plans (excluding securities reflected in column A)
Equity compensation plans approved by stockholders (1)	3,059,331		10,882,382

(1) Represents shares authorized under the OneBeacon Long-Term Incentive Plan (2007) (LTIP).

(2) Represents (a) 526,090 performance shares, the target number of performance shares outstanding under the LTIP as of December 31, 2014 and (b) 2,533,241 Class A common shares that would be required to settle performance units outstanding as of December 31, 2014 at target. The 2,533,241 Class A common shares represents 410,385 outstanding performance units as of December 31, 2014, multiplied by \$100, the value of each performance unit at target, divided by \$16.20, the closing price of the Company's Class A common shares on December 31, 2014. The number of performance shares earned could be 0-200% of the target number granted and the value of performance units earned could be 0-200% of the target value granted. The performance shares and performance units are typically settled in cash, although they may also be settled in Class A shares, or partly in cash and partly in Class A shares, at the discretion of the Compensation Committee.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Pursuant to SEC rules relating to the reporting of changes in beneficial ownership of common shares, the executive officers, directors and greater than 10% holders are believed to have filed all reports required under Section 16(a) of the Exchange Act on a timely basis during 2014.

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PROPOSAL 2

ELECTION OF DIRECTORS OF SPLIT ROCK INSURANCE, LTD.

Bye-law 77 of the Company provides that the members of the Company shall authorize the election of the Board of Directors of any designated subsidiary of the Company, such as Split Rock Insurance, Ltd.

Proposal 2 calls for the authorization of the election of Mr. Christopher G. Garrod (age 43, Director of Conyers Dill & Pearman Limited), and Ms. Sarah A. Kolar (age 39, Secretary and Associate General Counsel of the Company), and Ms. Sheila E. Nicoll (age 59, Senior Vice President of Sirius International Insurance Corporation), and Mr. John C. Treacy (age 51, Chief Accounting Officer and Treasurer of the Company) to the Board of Directors of Split Rock Insurance, Ltd..

None of the director nominees will receive any compensation for their services as a director of Split Rock Insurance, Ltd.

The Board recommends a vote FOR Proposal 2, which calls for the authorization of the election of the director nominees of Split Rock Insurance, Ltd.

PROPOSAL 3

APPROVAL OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Subject to member approval, the Audit Committee of the Board has appointed PwC as the Company's independent registered public accounting firm for 2015. Further, members are being asked to authorize the Board, acting by the Audit Committee, to negotiate and fix the remuneration to be paid to PwC in connection with the services to be provided to the Company for 2015. Representatives from PwC will attend the 2015 Annual Meeting, will be provided with the opportunity to make a statement and will be available to answer appropriate questions.

PwC has served as the Company's independent registered public accounting firm for the past 9 years and as White Mountains' registered public accounting firm for the past 15 years.

The Board recommends a vote FOR Proposal 3, approving the appointment of PwC as the Company's Independent Registered Public Accounting Firm for 2014.

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OTHER MATTERS

Inspector of Election

Broadridge Investor Communication Solutions, Inc. (Broadridge) has been appointed as Inspector of Election for the 2015 Annual Meeting. Representatives of Broadridge will attend the 2015 Annual Meeting to receive votes and ballots, supervise the counting and tabulating of all votes and ballots and determine the results of the vote.

Costs of Solicitation

The solicitation of proxies will be made primarily by mail, however, directors, officers, employees and agents of the Company may also solicit proxies by telephone, internet or personal interview. Solicitation costs will be paid by the Company. Upon request, the Company will reimburse banks, brokerage houses and other custodians, nominees and fiduciaries for their reasonable expenses incurred in forwarding proxy materials to their principals.

Delivery of Documents to Members Sharing an Address

We have adopted a procedure approved by the SEC called householding. Under this procedure, we are permitted to deliver a single copy of our proxy materials to members sharing the same address. Householding allows us to reduce our printing and postage costs and reduces the volume of duplicative information received at your household.

In the future, we will send only one Notice Regarding the Availability of Proxy Materials to members sharing the same address unless we receive instructions to the contrary from any member at that address. Those members who desire additional copies of this document or would like to receive separate copies of this document in the future may contact Broadridge Financial Solutions at (800) 542-1061 or in writing at Broadridge, Household Department, 51 Mercedes Way, Edgewood, New York 11717. If you are currently receiving separate copies and wish to receive only one copy of future Proxy Statements, Annual Reports or individual Notices, in one envelope, for your household, please contact Broadridge at the above phone number or address.

Proposals by Members for the 2016 Annual General Meeting

If you wish to submit a proposal to be considered for inclusion in the Company's proxy statement relating to the annual general meeting to be held in 2016, your proposal must be received by the Secretary in writing on or before December 9, 2015 and must comply with the requirements of Rule 14a-8 of the Exchange Act. Under the Company's Bye-laws, if you wish to nominate a director or bring other business before the members at our 2016 annual general meeting without including your proposal in our proxy statement, you must notify the Secretary in writing

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between January 21, 2016 and February 20, 2016. Your notice must contain the specific information required by our Bye-laws, a copy of which is available free of charge to any member who requests a copy. All written notices should be sent to the Secretary at the address provided under the heading "Other Matters - Contact Information" in this Proxy Statement.

Contact Information

The Company's corporate secretary may be contacted in writing at: Secretary, OneBeacon Insurance Group, Ltd., 14 Wesley Street, 5th floor, Hamilton HM 11, Bermuda.

By Order of the Board of Directors,

Sarah A. Kolar, Secretary

