

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549  
FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE  
SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 1998

Commission file number 1-10466

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

Florida 59-0432511  
(State or other jurisdiction of (I.R.S. Employer  
incorporation or organization) Identification No.)

Suite 400, 1650 Prudential Drive, Jacksonville, Florida 32207  
(Address of principal executive offices) (Zip Code)

(904) 396-6600  
(Registrant's telephone number, including area code)

St Joe Corporation  
(Former name, former address and former fiscal year, if changed since last  
report)

Indicate by check mark whether the registrant (1) has filed all reports  
required to be filed by Section 13 or 15(D) of the Securities Exchange Act of  
1934 during the preceding 12 months (or for such shorter period that the  
registrant was required to file such reports), and (2) has been subject to such  
filing requirements for the past 90 days.

YES X NO

APPLICABLE ONLY TO CORPORATE ISSUERS:

As of June 30, 1998 there were 91,697,811 shares of common stock, no par value,  
outstanding.

THE ST. JOE COMPANY  
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THE ST. JOE COMPANY  
CONSOLIDATED BALANCE SHEETS  
(Dollars in thousands)

	June 30, 1998 (Unaudited)	December 31, 1997
<b>ASSETS</b>		
Current assets:		
Cash & cash equivalents	\$ 69,570	\$ 158,568
Short-term investments	121,522	51,034
Accounts receivable	56,346	58,623
Inventory	12,854	15,605
Other assets	27,876	18,562
	-----	-----
Total current assets	288,168	302,392
Investments & Other Assets:		
Marketable securities	333,209	306,910
Prepaid pension asset	45,539	40,861
Other assets	47,339	37,341
	-----	-----
Total investment and other assets	426,087	385,112
Property, plant & equipment, net	894,956	859,137
	-----	-----
Total assets	\$ 1,609,211	\$ 1,546,641
	=====	=====
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current Liabilities:		
Accounts payable	\$ 29,512	\$ 29,735
Accrued liabilities	27,865	18,777
Income tax payable	6,271	2,150
	-----	-----
Total current liabilities	63,648	50,662
Accrued casualty reserves and other liabilities	13,995	15,014
Deferred income taxes	290,947	275,695
Minority interest in consolidated subsidiaries	306,451	298,466
Stockholders' Equity:		
Common stock, no par value; 180,000,000 shares authorized; 91,697,811 issued and outstanding	13,054	13,054
Retained earnings	829,525	817,663
Accumulated comprehensive income	94,629	79,559
Restricted stock deferred compensation	(3,038)	(3,472)
	-----	-----
Total stockholders' equity	934,170	906,804
	-----	-----
Total liabilities and stockholders' equity	\$ 1,609,211	\$ 1,546,641
	=====	=====

THE ST. JOE COMPANY  
CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS  
(UNAUDITED)  
(DOLLARS IN THOUSANDS)

	Three months ended June 30,		Six months ended June 30,	
	1998	1997	1998	1997
Net sales	\$ 11,231	\$ 36,853	\$ 47,553	\$ 68,519
Operating revenues	65,376	57,248	124,571	113,961
Total revenues	76,607	94,101	172,124	182,480
Cost of sales	7,020	28,905	33,756	57,968
Operating expenses	42,815	39,304	85,563	78,844
Selling, general and administrative expenses	12,373	10,019	25,917	19,540
Operating profit	14,399	15,873	26,888	26,128
Other income (expense):				
Dividends	1,243	858	2,132	1,656
Interest income	4,896	5,636	9,911	15,237
Interest expense	(57)	(150)	(143)	(241)
Gain on sales and other dispositions of property	217	3,024	532	3,098
Other, net	2,129	1,308	3,858	2,792
Total other income (expense)	8,428	10,676	16,290	22,542
Income before income taxes and minority interest	22,827	26,549	43,178	48,670
Income tax expense				
Current	6,883	6,664	13,165	14,454
Deferred	2,895	4,611	5,717	7,095
Total income tax expense	9,778	11,275	18,882	21,549
Income before minority interest	13,049	15,274	24,296	27,121
Minority interest	5,001	4,060	8,766	7,897
Net income	\$ 8,048	\$ 11,214	\$ 15,530	\$ 19,224
Retained earnings at beginning of period	\$ 823,310	\$ 825,983	\$ 817,663	\$ 1,125,161
Dividends	(1,833)	(1,528)	(3,668)	(308,716)
Retained earnings at end of period	\$ 829,525	\$ 835,669	\$ 829,525	\$ 835,669
PER SHARE DATA:				
Basic	\$ 0.09	\$ 0.12	\$ 0.17	\$ 0.21
Diluted	\$ 0.09	\$ 0.12	\$ 0.17	\$ 0.20
SHARES OUTSTANDING:				
Basic	91,697,811	91,697,811	91,697,811	91,692,204
Diluted	93,404,656	92,816,804	93,575,633	92,709,591

THE ST. JOE COMPANY  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(DOLLARS IN THOUSANDS)

	Six months ended June 30,	
	1998	1997
Cash flows from operating activities:		
Net income	\$ 15,530	\$ 19,224
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, depletion and amortization	17,476	15,271
Minority interest in income	8,766	7,897
Equity in earnings of joint ventures	65	--
Gain on sale of property	(532)	(3,098)
Gain on nonmonetary transaction	(3,017)	--
Deferred income tax expense	5,717	6,009
Changes in operating assets and liabilities:		
Accounts receivable	2,277	12,969
Inventory	2,751	5,576
Other assets	(6,120)	(11,523)
Accounts payable, accrued liabilities and casualty reserves	7,846	(2,153)
Income taxes payable	4,121	(5,489)
	54,880	44,683
Cash flows from investing activities:		
Purchases of property, plant and equipment	(50,110)	(32,836)
Purchases of investments:		
Available for sale	(382,366)	(12,877)
Held to maturity	--	(98,337)
Investment in joint ventures	(18,377)	--
Proceeds from disposition of assets	1,240	9,217
Maturities and redemptions of investments:		
Available for sale	310,238	10,958
Held to maturity	--	111,836
	(139,375)	(12,039)
Net cash used in investing activities		
Cash flows from financing activities:		
Dividends and special distributions paid to stockholders	(3,668)	(308,716)
Dividends paid to minority interest	(835)	(830)
	(4,503)	(309,546)
Net cash used in financing activities		
Net decrease in cash and cash equivalents	(88,998)	(276,902)
Cash and cash equivalents at beginning of period	158,568	449,013
	\$ 69,570	\$ 172,111
	\$ 69,570	\$ 172,111
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Interest	\$ 143	\$ 241
Income taxes	\$ 8,447	\$ 10,028

THE ST. JOE COMPANY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED)  
(DOLLARS IN THOUSANDS)

1. The accompanying unaudited interim financial statements have been prepared pursuant to the rules and regulations for reporting on Form 10-Q. Accordingly, certain information and footnotes required by generally accepted accounting principles for complete financial statements are not included herein. The interim statements should be read in conjunction with the financial statements and notes thereto included in the Company's latest Annual Report on Form 10-K. In the opinion of the Company, the accompanying unaudited consolidated financial statements contain all adjustments (consisting of only normal recurring accruals) necessary to present fairly the financial position as of June 30, 1998 and December 31, 1997 and the results of operations and cash flows for the six month periods ended June 30, 1998 and 1997. The results of operations for the three-month and six-month periods ended June 30, 1998 and 1997 are not necessarily indicative of the results that may be expected for the full year. Certain reclassifications of 1997 amounts between net sales and operating revenues and cost of sales and operating expenses have been made to be consistent with current year reporting.
2. On January 22, 1998, the Company entered into a memorandum of understanding ("the Memorandum") with the National Football League ("NFL") to build and operate NFL entertainment centers in locations nationwide. The venture, in which the Company will own a 40% interest plans to operate facilities that provide interactive NFL football entertainment experiences in club settings complemented by food service, bar and retail sales. Under the Memorandum, the Company has agreed to initially contribute up to \$25 million to the venture, which will seek to develop at least seven projects in various U.S. cities. The proposed transaction is subject to the execution of a definitive agreement and appropriate corporate approvals.
3. On February 24, 1998, the Company completed a transaction with the Codina Group, Inc. ("Codina") and Weeks Corporation by which the Company and Weeks, among other things, each purchased a one-third interest in Codina, a commercial/industrial developer, active principally in southern Florida. The Company intends to develop commercial, industrial and office property, as well as manage Gran Central's existing properties in southern Florida, through its interest in Codina.
4. On February 24, 1998, the Company acquired a 33% interest in ENTROS, a location-based entertainment company headquartered in Seattle, Washington that creates and produces interactive games in club settings and produces game-based programming for corporate events.
5. On July 31, 1998, the Company completed the acquisition of 100% of the assets of Prudential Florida Realty (PFR) from CMT Holdings, Ltd. PFR is the largest real estate brokerage, sales and services company in Florida and the sixth largest in the United States. Under the terms of the acquisition, the Company bought certain business assets of CMT Holdings, Ltd., for a total purchase price of approximately \$95 million, of which \$80 million was paid at closing and \$10 million will be deferred over a two year period. Upon completion of an audit of a closing balance sheet of the net assets purchased, the remaining approximate \$5 million will be paid within 130 days of closing. There is also the potential for an additional \$10 million in purchase price to be paid over three to five years if certain performance targets are met. The acquisition will be accounted for under the purchase method of accounting.
6. On July 6, 1998, the Company, the U.S. Department of the Interior, and The Nature Conservancy jointly announced the completion of a final agreement under which the Company will sell approximately 50,000 acres of sugarcane lands to The Nature Conservancy, and ultimately to the governmental partners involved in Everglades restoration. This sale represents substantially all of the Company's land used for sugar operations. The sales price for the land is approximately \$133.5 million in cash. Under the agreement, the Company retains the right to farm the land through March 31, 2003.

The transaction is subject to the approval of The Nature Conservancy Board of Governors and certain due diligence by the purchasers.

7. The Company adopted the provisions of statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income", effective January 1, 1998. This Statement establishes standards for reporting and display of comprehensive income and its components. Comprehensive income for the six months ended June 30, 1998 and 1997 was \$30.6 million and \$35.3 million, respectively. This amount differs from net income due to changes in the net unrealized gains on marketable securities available for sale.
8. The Company and its subsidiaries are involved in litigation on a number of matters and are subject to certain claims which arise in the normal course of business, none of which, in the opinion of management, is expected to have a material adverse effect on the Company's consolidated financial position or results of operations.
9. The Company has retained certain self-insurance risks with respect to losses for third party liability, property damage and group health insurance provided to employees.
10. The Company is subject to costs arising out of environmental laws and regulations, which include obligations to remove or limit the effects on the environment of the disposal or release of certain wastes or substances at various sites, including sites which have previously been sold. It is the Company's policy to accrue and charge against earnings environmental cleanup costs when it is probable that a liability has been incurred and an amount is reasonably estimable. As assessments and cleanups proceed, these accruals are reviewed and adjusted, if necessary, as additional information becomes available.

The Company is currently a party to, or involved in, legal proceedings directed at the cleanup of Superfund sites which relate to FEC and to businesses sold in 1996. The Company has accrued an allocated share of the total estimated cleanup costs for these sites. Based upon management's evaluation of other potentially responsible parties, the Company does not expect to incur additional amounts even though the Company has joint and several liability. Other proceedings involving environmental matters such as alleged discharge of oil or waste material into water or soil are pending against the Company.

It is not possible to quantify future environmental costs because many issues relate to actions by third parties or changes in environmental regulation. However, based on information presently available, management believes that the ultimate disposition of currently known matters will not have a material effect on the financial position, liquidity, or results of operations of the Company. As of June 30, 1998 and December 31, 1997, the aggregate environmental related accruals were \$7.3 million, respectively. Environmental liabilities are paid over an extended period and the timing of such payments cannot be predicted with any confidence.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE CONSOLIDATED  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

The St Joe Company is a diversified company engaged in the real estate, forestry, resort development, transportation and sugar industries. During the first quarter of 1998, the Company also entered into the location-based entertainment business.

This Form 10-Q, including "Management's Discussion and Analysis of Financial Condition and Results of Operations" contains certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, that are not historical facts. Such forward-looking information may include, without limitation, statements that the Company does not expect that lawsuits, environmental costs, commitments, contingent liabilities, labor negotiations or other matters will have a material adverse effect on its consolidated financial condition, results of operations or liquidity and other similar expressions concerning matters that are not historical facts, and projections as to the Company's financial results. Such statements are subject to certain risks and uncertainties which could cause actual results to differ materially from those anticipated in the forward-looking statements. Important factors that could cause such differences include but are not limited to contractual relationships, industry competition, regulatory developments, natural events such as weather conditions, floods and earthquakes, forest fires, the effects of adverse general economic conditions, changes in the real estate markets and interest rates, fuel prices and the ultimate outcome of environmental investigations or proceedings and other types of claims and litigation.

As a result of these and other factors, the Company may experience material fluctuations in future operating results on a quarterly or annual basis, which could materially and adversely affect its business, financial condition, operating results, and stock price. An investment in the Company involves various risks, including those mentioned above and elsewhere in this report and those which are detailed from time-to-time in the Company's other filings with the Securities and Exchange Commission.

Readers should not place undue reliance on forward-looking statements, which reflect management's view only as of the date hereof. The Company undertakes no obligation to publicly release revisions to these forward-looking statements that reflect events or circumstances after the date hereof or reflect the occurrence of unanticipated events.

RECENT EVENTS

On July 6, 1998, the Company, the U.S. Department of the Interior, and The Nature Conservancy jointly announced the completion of a final agreement under which the Company will sell approximately 50,000 acres of sugarcane lands to The Nature Conservancy, and ultimately to the governmental partners involved in Everglades restoration. This sale represents substantially all of the Company's land used for sugar operations. The sales price for the land is approximately \$133.5 million in cash. Under the agreement, the Company retains the right to farm the land through March 31, 2003. The transaction is subject to the approval of The Nature Conservancy Board of Governors and certain due diligence by the purchasers.

On July 31, 1998, the Company completed the acquisition of 100% of the assets of Prudential Florida Realty (PFR) from CMT Holdings, Ltd. PFR is the largest real estate brokerage, sales and services company in Florida and the sixth largest in the United States. Under the terms of the acquisition, the Company bought certain business assets of CMT Holdings, Ltd., for a total purchase price of approximately \$95 million in cash, of which \$80 million was paid at closing, and \$10 million will be deferred over a two year period. Upon completion of an audit of a closing balance sheet of the net assets purchased, the remaining approximate \$5 million will be paid within 130 days of closing. There is also the potential for an additional \$10 million in purchase price to be paid over three to five years if certain performance targets are met. The acquisition will be accounted for under the purchase method of accounting.

On August 12, 1998, the Company announced that its board of directors has authorized \$150 million for the purchase of the Company's outstanding common stock.



## RESULTS OF OPERATIONS

## THREE MONTHS ENDED JUNE 30

Net sales include real estate property sales, timber sales and sugar sales. Net sales were \$11.2 million for the three months ended June 30, 1998 a decrease of \$25.7 million, or 69.6% , from \$36.9 million in 1997. Sales of real estate totaled \$7 million in 1998 as compared to \$19.2 million in 1997 due primarily to several sales of buildings and property in 1997. Forestry sales were \$9.1 million as compared to \$4.0 million in 1997 due to the Florida Coast Paper Company ("FCP") mill shutdown from April, 1997 until September, 1997. Sugar sales were \$1.4 million as compared to \$13.7 million in 1997 as the Company consummated substantially all of its sugar sales for the 1997-1998 harvest season in the first quarter of this year. Operating revenues totaling \$65.4 million in the three months of 1998 included realty rental and management revenue, resort revenue, and transportation revenue. Operating revenues in 1997 totaled \$57.2 million. Operating revenues increased \$6.6 million, or 12.9% in 1998 from \$47.8 million in the transportation segment over 1997 due primarily to a \$3.4 million increase in fiber optic revenue earned from the use of FEC's right-of-ways. Increased shipments of freight contributed to the remainder of the transportation segment increase. Real estate operating revenues increased \$1.5 million, or 16.0% in 1998 from \$9.4 million in 1997 resulting primarily from increased rental rates and new buildings placed in service this year. Resort revenue was \$.1 million in the second quarter of 1998 as compared to zero in 1997.

Cost of sales was \$7.0 million for the three months ended June 30, 1998, a decrease of \$21.9 million, or 75.8% in 1998 from \$28.9 million in 1997. This decrease was due to a decrease in real estate cost of land sales of \$15.3 million, and a decrease in sugar cost of sales of \$9.4 million, partially offset by an increase in forestry cost of sales of \$2.8 million. Operating expenses increased \$3.5 million, or 8.9% as a result of an increase in transportation operating expenses of \$2.2 million and an increase in realty operating expenses of \$1.1 million and resort operating costs of \$.2 million.

Selling, general and administrative expenses were \$12.4 million in the three months ended June 30, 1998, an increase of \$2.4 million, or 24% over 1997, attributable to a \$3.0 million increase in corporate overhead, a \$1.0 million increase in real estate overhead, a \$.3 million increase in forestry overhead, offset by a \$1.9 million decrease in transportation administrative costs.

Other income (expense) decreased \$2.3 million, or 21.5% in 1998 compared to 1997 substantially due to lower interest income. As a result of the two special distributions of net sales proceeds of \$336.9 million in 1997, and uses of cash for other investment purposes, average balances of invested cash were substantially lower this year.

Income tax expense for the second quarter of 1998 totaled \$9.8 million, representing an effective rate of 43.0%, which is higher than the statutory rate because of the 50% excise tax recorded on prepaid pension cost totaling \$1.2 million. Income tax expense in 1997 was \$11.2 million, for an effective rate of 42.3%.

Net income for the second quarter of 1998 was \$8.0 million, or \$0.09 basic and diluted earnings per share, compared to \$11.2 million, or \$0.12 basic and diluted per share in 1997.

## SIX MONTHS ENDED JUNE 30

Net sales were \$47.6 million for the six months ended June 30, 1998 a decrease of \$20.9 million, or 30.5% , from \$68.5 million in 1997. Sales of real estate totaled \$1.2 million in 1998 as compared to \$25.3 million in 1997 due primarily to several property sales by Gran Central Corporation ("GCC") in 1997. Forestry sales were \$19.7 million as compared to \$17.8 million in 1997 due to the FCP mill shutdown from April, 1997 until September, 1997. Sugar sales were \$26.7 million as compared to \$25.4 million in 1997. Operating revenues totaling \$124.6 million in 1998 included realty rental and management revenue, resort revenue, and transportation revenue. Operating revenues in 1997 totaled \$114.0 million. Transportation operating revenues increased \$8.3 million, or 8.7% in 1998 from \$95.4 million in 1997 due to a \$4.6 million increase in shipments of freight and a \$3.7 million increase in fiber optic revenue. Real estate operating revenues increased \$2.1 million, or 11.3 % in 1998 from \$18.6 million in 1997

resulting primarily from increased rental rates and new buildings placed in service this year. Resort revenue was \$.1 million in 1998 as compared to zero in 1997.

Cost of sales was \$33.8 million for the six months ended June 30, 1998, a decrease of \$24.2 million, or 41.7% in 1998 from \$58.0 million in 1997. This decrease was due to a decrease in real estate cost of land sales of \$21.9 million, a decrease in forestry cost of sales of \$4.8 million offset partially by an increase in sugar cost of sales of \$2.5 million. Operating expenses in 1998 were \$85.6 million, an increase of \$6.8 million, or 8.6% as a result of an increase in transportation operating expenses of \$3.8 million and an increase in realty operating expenses of \$2.5 million and resort operating costs of \$.5 million.

Selling, general and administrative expenses were \$25.9 million in the six months ended June 30, 1998, an increase of \$6.4 million, or 32.8% over 1997, attributable to a \$4.8 million increase in corporate overhead, a \$1.7 million increase in real estate overhead, a \$.1 million increase in sugar, offset slightly by a decrease of \$.2 million in transportation administrative costs.

Other income (expense) decreased \$6.2 million, or 27.6% in 1998 compared to 1997 substantially due to lower interest income. As a result of the two special distributions of net sales proceeds of \$336.9 million in 1997, and uses of cash for other investment purposes, average balances of invested cash were substantially lower this year.

Income tax expense for 1998 totaled \$18.9 million, representing an effective rate of 43.8%, which is higher than the statutory rate because of the 50% excise tax recorded on prepaid pension cost totaling \$2.5 million. Income tax expense in 1997 was \$21.5 million, for an effective rate of 44.1%.

Net income for the six months of 1998 was \$15.5 million, or \$.17 basic and diluted earnings per share, compared to \$19.2 million, or \$0.21 basic and diluted per share in 1997.

## REAL ESTATE

	Three months ended June 30, (\$ in millions)			Six months ended June 30, (\$ in millions)		
	1998	1997	% Change	1998	1997	% Change
Net sales and operating revenues	\$11.6	\$28.6	(59.4)	\$21.9	44.0	(50.2)
Cost of sales and operating expense	7.6	21.9	(65.3)	14.7	34.0	(56.8)
Selling, general and administrative expenses	2.1	1.1	81.8	4.2	2.5	68.01
Operating profit	1.9	5.6	(66.1)	3.0	7.5	(60.0)

## THREE MONTHS ENDED JUNE 30

Real estate net sales and operating revenues decreased \$17.0 million, or 59.4% in the second quarter of 1998 compared to the second quarter of 1997. Cost of sales and operating expenses decreased \$14.3 million, or 65.3% for the same comparable periods.

In the second quarter of 1998, the commercial/ industrial division had miscellaneous real estate revenues of \$.6 million with minimal cost of sales compared to sales of buildings and property totaling \$16.5 million with cost of sales totaling \$14.8 in the second quarter of 1997.

In the commercial/industrial division, rental revenues increased to \$10.2 million, from \$8.8 million in the second quarter of 1997, a 15.9% improvement. The increase in rental revenue for the quarter compared to 1997's second quarter was comprised of a 10.8% increase caused by increased rental rates, and an 11.8% increase in rental revenue due to new buildings placed in service since the second quarter of 1997. Offsetting these improvements were decreases in miscellaneous leases such as sign boards and parking lots of 4.9% for the quarter, and a 1.8% decrease in occupancy. Operating expenses in the commercial/industrial division increased to \$6.9 million in the second quarter of 1998 from \$5.9 million in 1997, a 16.9% increase, resulting from an 11.9% increase in depreciation and a 5% increase in property management costs. Gross margin was \$3.3 million or 32.4% in 1998 as compared to \$2.9 million, or 33.0% in 1997 as a result.

Real estate sales and management fees in the community/ residential division totaled \$.8 million with costs of sales and operating costs of \$.7 million in 1998. Sales this quarter were in the Summerwood and Woods III developments. Real estate sales in 1997 totaled \$3.3 million with costs of sales and operating expenses of \$1.2 million.

Selling, general and administrative expenses increased to \$2.1 million, or 90.9% in 1998 compared to 1997 due to pre-development and start-up costs incurred during the quarter in the residential division.

## SIX MONTHS ENDED JUNE 30

Real estate net sales and operating revenue decreased \$22.1 million, or 50.2% in the first six months of 1998 compared to 1997. Cost of sales and operating expenses decreased \$19.3 million, or 56.8% in 1998 compared to 1997.

In 1998, the commercial/industrial division had land sales and miscellaneous real estate income of \$1.4 million with \$0.1 million of related costs compared to land and building sales and miscellaneous real estate revenue in 1997 of \$23.2 million with cost of sales of \$20.9 million.

In the commercial/industrial division, rental revenues increased to \$19.3 million, from \$17.4 million in 1997, or 10.9%. The increase in rental revenue this year can be attributed to an 11.5 % increase from increases in rental rates and a 10.9 % increase in rental revenue due to new buildings placed in service since the second quarter of 1997. Partially offsetting these increases was a 5.2 % decrease in revenues attributable to reductions in rent recoverables from tenants, a 3.3% reduction in occupancy and buildings

sold and a 3% reduction in miscellaneous land leases such as parking lots and signboard leases. Operating expenses in the commercial/industrial division increased to \$13.5 million in 1998, from \$11.4 million in 1997, or 18.4% due to a 10.5% increase in depreciation and a 7.9% increase in property management costs. Gross margin was \$5.8 million, or 30.0% in 1998 compared to \$6.0 million 34.5% in 1997 as a result.

During the six months ended June 30, 1998 one office/showroom/warehouse building totaling 62,780 square feet was placed into service and two office buildings totaling 280,903 square feet were also placed into service. These additions bring total square feet available for lease to 5,935,677 square feet. There are also five buildings under construction or in pre-development stages, which will add an additional 634,000 square feet of office space in north and central Florida. Two of these, one each in north and central Florida totaling 266,000 square feet are expected to be completed in 1998, and the remaining three, of which two are in north Florida, are to be completed in 1999.

In the community/residential division, the Company recorded real estate sales and management fees of \$1.2 million and operating costs of \$1.1 million. In 1997 the community/residential division recorded real estate sales of \$3.4 million and costs of \$1.7 million. During the first six months of 1998, the Company had 20 lot sales in its Summerwood development and two lot sales in Woods III. The increase in operating costs this year is attributable to non-capitalizable property taxes on the residential land held for future development.

Selling, general and administrative costs are up \$1.7 million, or 68.0% for the first six months of 1998 compared to the first six months of 1997 due to start-up costs and additional salaries and benefits in 1998, primarily related to the activity beginning in the Company's West Florida residential real estate.

#### FORESTRY

	Three months ended June 30, (\$ in millions)			Six months ended June 30, (\$ in millions)		
	1998	1997	% Change	1998	1997	% Change
Net sales	\$ 9.1	\$ 4.0	127.5	\$19.7	\$17.8	10.7
Cost of sales	5.5	2.7	103.7	11.6	16.4	(29.2)
Selling, general and administrative expenses	.5	.2	150.0	1.3	1.3	-
Operating profit	3.1	1.1	181.8	6.8	.1	670.0

#### THREE MONTHS ENDED JUNE 30

Total net sales increased \$5.1 million, or 127.5% in 1998 compared to 1997. Sales to FCP made up \$5.7 million of the increase. Sales to other customers were down \$.6 million. Total sales to FCP for the quarter were \$6.4 million (218,790 tons). Last years sales to FCP were negligible since the mill was shutdown from April, 1997 until September, 1997. Sales to other customers totaled \$2.7 million (109,912 tons) in the second quarter of 1998 down from 1997's sales due to intensive effort in the prior year to sell to other customers during the shutdown of the mill.

Cost of sales for the quarter increased \$2.8 million, or 103.7% compared to 1997 due to increased sales volume. Cost of sales as a percentage of sales was 60.4% in 1998 as compared to 67.5% in 1997 due to less timber purchased from outside sources and from more wood sold to outside parties with no cut and haul charges. Of the total wood sold during this quarter, less than 1% was procured wood.

Selling, general and administrative expenses were \$.3 million higher than in 1997 due to increased medical insurance costs primarily on employees who were terminated in 1997.

#### SIX MONTHS ENDED JUNE 30

Total net sales increased \$1.9 million, or 10.7% in 1998 compared to 1997. Sales to FCP made up \$12.7 million (443,582 tons) of total sales in 1998, and sales to other customers totaled \$7.0 million (259,601 tons). This compares to sales in 1997 to FCP of \$12.8 million (425,704 tons) and sales to other customers totaling \$5.0 million (173,261 tons). Sales to other customers

were higher this year than 1997 as the Company experienced more lump sum bid timber sales due to increased demand in the first quarter of this year. Sales prices of timber sold to FCP were lower this year at an average price of \$29/ton compared to \$30/ton in 1997. Sales prices of timber sold to other customers were also lower this year at an average of \$27/ton compared to \$29/ton last year.

Cost of sales decreased \$4.8 million, or 29.2% in 1998 compared to 1997. Cost of sales as a percentage of sales was 58% in 1998 as compared to 92% in 1997 due primarily to less timber purchased from outside sources. The Company procured approximately 13,700 tons of wood this year to fulfill the requirements of its timber supply agreement with FCP compared to 173,000 tons last year. The cost of sales of procured wood were approximately \$30/ton in 1998 and \$40/ton in 1997. Cost of sales of timber grown on Company land and sold to FCP decreased by \$3/ton to approximately \$20/ton as a result of lower forestry costs in 1998. During the first quarter of 1997, the Company recorded in cost of sales severance costs of approximately \$0.7 million. The cost of sales for timber sold to other customers also decreased this year due to sales of bid timber, which do not require cutting and hauling. Cost of sales on sales to other customers was \$10/ton, which was approximately \$20/ton less than last year.

General and administrative expenses were the same as 1997. General and administrative costs in 1997 included \$0.5 million of severance payments made to terminated employees. Included in 1998 is a nonrecurring payment of \$0.4 million for settlement of property tax litigation which occurred in the first quarter.

#### TRANSPORTATION

	Three months ended June 30, (\$ in millions)			Six months ended June 30, (\$ in millions)		
	1998	1997	% Change	1998	1997	% Change
Operating revenues	\$54.4	\$47.8	12.9	\$103.7	\$95.4	7.4
Operating Expense	35.4	33.2	6.6	70.9	67.1	5.7
Selling, general and administrative expenses	5.6	7.5	(25.3)	11.7	11.9	(1.7)
Operating profit	13.4	7.2	86.1	21.1	16.4	20.6

#### THREE MONTHS ENDED JUNE 30

Total Florida East Coast Railway ("FEC") transportation operating revenues were \$51.3 million for the second quarter of 1998, an increase of \$5.5 million, or 12.0% compared to the second quarter of 1997. The majority of this increase is attributable to a \$3.4 million increase in income generated from fiber optic revenue from communications companies. This quarter, FEC recognized \$3.0 million of income in connection with a nonmonetary exchange transaction negotiated with Williams Network whereby FEC received the right to control 36 fiber optic communications fibers along FEC's right-of-way, in exchange for the surrender of certain future operating lease payments. The remaining increase in revenues was derived from increases in freight and trucking shipments. Shipments increased approximately 1% this quarter, primarily attributable to increases in aggregate products shipments and automotive shipments. Automotive shipments increases were attributable to a new auto facility located in Titusville, Florida operated by Norfolk Southern on FEC's right-of-way. Aggregate products shipments increased due to increased construction activity in Florida. Apalachicola Northern Railroad Company ("ANRR") operating revenues for the second quarter of 1998 were \$3.1 million, an increase of \$1.0 million, or 55% over the second quarter of 1997 due to increased shipments to FCP.

FEC's operating expenses were \$33.1 million, an increase of \$2.1 million, or 6.7%, due primarily to increased material and wages for operations. Operating costs as a percentage of revenues have decreased 2% due to cost cutting measures. ANRR's operating costs were \$2.3 million in the second quarter of 1998, an increase of \$0.1million, or 4.5% compared to the second quarter of 1997. Operating costs as a percentage of revenues actually lower in 1998 due to reductions in workforce.

Selling, general and administrative expenses decreased \$1.9 million, or 25.3% this quarter compared to 1997 due to the write-off in 1997 of \$2.9 million of costs incurred with the potential merger of FECI and the Company offset by increases in salaries and wages.

#### SIX MONTHS ENDED JUNE 30

Total FEC transportation operating revenues were \$98.1 million in the six months ended June 30, 1998, an increase of \$7.9 million, or 8.8% compared to 1997. The number of shipments increased by approximately 2% in 1998 compared to 1997, primarily in shipments of aggregate products and automobiles as previously discussed. Also included in 1998 operating revenue is an increase in fiber optic income of \$3.7 million as discussed above. ANRR operating revenues for 1998 were \$5.6 million, an increase of \$.4 million, or 7.7 % compared to 1997 due to an increase in shipments from FCP compared to 1997 when the mill was shutdown. Operating expenses for FEC in 1998 were \$66.1 million, \$3.7 million, or 5.9% higher than 1997 due to a nonrecurring casualty insurance settlement totaling \$1.4 million, \$.6 million in equipment repairs, and increased trucking costs. ANRR's operating costs were \$4.8 million, consistent with 1997.

Selling, general and administrative expenses were \$11.7 million, or 2% lower than last year.

#### SUGAR

	Three months ended June 30, (\$ in millions)			Six months ended June 30, (\$ in millions)		
	1998	1997	% Change	1998	1997	% Change
Net sales	\$1.4	\$13.7	(898.0)	\$26.7	\$25.4	5.1
Cost of sales	1.1	10.5	(895.2)	21.8	19.3	13.0
Selling, general and administrative expenses	1.0	1.1	(9.1)	2.6	2.5	4.0
Operating profit	(.7)	2.2	(131.8)	2.3	3.6	(36.1)

#### THREE MONTHS ENDED JUNE 30,

Net sales decreased \$12.3 million, or 898% compared to the second quarter of 1997. This year, the harvesting season ended later than last year. There were no shipments of sugar in the second quarter of 1997 and 2,659 tons shipped in the second quarter of 1997. Cost of sales were 78.6% of sales in 1998 compared to 76.6% of sales last year.

Selling, general, and administrative expenses decreased \$0.1 million or 9.1% as a result of slightly lower sugar taxes.

#### SIX MONTHS ENDED JUNE 30,

Net sales increased \$1.3 million, or 5.1% for the six months ended June 30, 1998 compared to the six months ended June 30, 1997 due to a 4.6% volume increase (2,755 tons) in sugar harvested and sold. Sales will begin on the 1998-1999 harvest season in the fourth quarter of this year. Sales price per ton was slightly higher than last years at \$432.70 per ton compared to \$430.40 per ton in 1997.

Cost of sugar sales as a percentage of sales increased in 1998 to 81.6% compared to 76.0% in 1997. Frequent interruptions of harvesting and milling operations caused by unseasonably rainy weather prevented the realization of any efficiency from the increased volumes experienced, and resulted in a \$26/ton higher cost.

Selling, general and administrative expenses increased \$0.1 million or 4.0% as a result of an increase in the everglades environmental tax rate this year.

As previously discussed, the Company has contracted to sell substantially all of its lands used for harvesting sugar. The Company does retain the right to harvest sugar once the land is sold until the year 2003.

#### CORPORATE AND OTHER

Corporate selling, general and administrative expenses not allocated to segments totaled \$3.2 million for the second quarter of 1998, an increase of \$3.0 million, compared to the second quarter of 1997 due to increases in salaries and benefits and professional fees. Corporate selling, general and administrative expenses totaled \$6.0 million for the six months of 1998, an increase of \$4.6 million over 1997 substantially due to the increases in salaries and benefits and professional fees. Selling, general, and administrative expenses were also up this year because of \$.9 million less pension income and \$.2 million of goodwill amortization from acquisitions which occurred at the end of 1997.

#### FINANCIAL POSITION

Total cash and cash equivalents decreased \$89.0 million during 1998 from \$158.6 million at December 31, 1997 to \$69.6 million at June 30, 1998 as a result of a net increase in short-term investments and marketable securities totaling \$72.1 million, the increases in investments in joint ventures totaling \$17.8 million as well as capital expenditures.

Capital expenditures for the six months of 1998 totaled \$53.1 million, of which \$32.7 million related to real estate construction and land purchases.

Stockholder's equity at June 30, 1998 was \$10.19 per share, an increase of \$0.30 from December 31, 1997 as a result of earnings for the six months, net of the Company's regular dividends totaling \$0.04 per share.

#### YEAR 2000 COMPLIANCE

The Company has created a Year 2000 Project Team to address potential problems within the Company's operations which could result from the century change in the Year 2000. The project team is led by the Vice President of Finance and consists of representatives of the Company's Information Systems Departments or financial departments for each subsidiary, and has access to key associates in all areas of the Company's operations. The project team has used and continues to use outside consultants on an as-needed basis.

A four-phase approach has been utilized to address the Year 2000 issues: an inventory phase to identify all computer-based systems and applications (including embedded systems) which might not be Year 2000 compliant; an assessment phase to determine what revisions or replacements would be necessary to achieve compliance and what priorities would best serve the Company; a conversion phase to implement the actions necessary to achieve compliance and to conduct the tests necessary to verify that the systems are operational; and an implementation phase to transition the compliant systems into the everyday operations of the Company. Excluding the Company's FEC subsidiary, management believes that the four phases are approximately 70%, 30%, 15% and 0% complete, respectively and that all critical systems will be compliant by the end of 1999. FEC has reported that they believe that the four phases are approximately 70%, 50%, 20% and 10%, respectively, complete.

The Company is in the process of assessing total costs to address and modify Year 2000 problems, however, its management as well as FEC's management believe the costs will not be material to either company's financial position. Approximately \$20,000 has been spent by the Company and another \$53,000 has been spent by FEC through June 30, 1998.

As a part of the Year 2000 review, the Company is examining its relationships with certain key outside vendors and others with whom it has significant business relationships to determine to the extent practical the degree of such parties' Year 2000 compliance. The Company has received or is seeking assurance from

several third party vendors that they are or will be Year 2000 compliant. Management believes that the failure of any other third party vendors will not have a material adverse effect on the Company.

Should the Company or a third party with whom the Company deals have a systems failure due to the century change, the Company believes that the most significant impact would likely be the inability to timely process, in its transportation sector, its payments for services and receipts of revenues. The Company does not expect any such impact to be material. A substantial amount of FEC's freight is derived from interline connections with other railroads. Should these other railroads have systems failures, freight delivered to others, or accepted by FEC, could be materially adversely effected. FEC is currently developing contingency plans for alternative methods of maintaining its current levels of operations.



PART II - OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

2.01 Agreement for Purchase and Sale of Assets and Stock between St. Joe Real Estate Services, Inc. et.al. and CMT Holding, Ltd.

27.01 Financial Data Schedule (for SEC use only)

27.02 Restated Financial Data Schedule (for SEC use only)

99.01 Supplemental Calculation of Selected Consolidated Financial Data

(b) Reports on Form 8-K

No reports filed this quarter

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

The St Joe Company

Date: August 12, 1998  
-----

/s/ Peter S. Rummell  
-----  
Peter S. Rummell  
Chief Executive Officer

Date: August 12, 1998  
-----

/s/ Michael N. Regan  
-----  
Michael N. Regan  
Vice President Finance and Planning  
(Principal Financial Officer)  
(Principal Accounting Officer)

AGREEMENT FOR PURCHASE  
AND SALE OF ASSETS AND STOCK

BETWEEN

ST. JOE REAL ESTATE SERVICES, INC.,  
ST. JOE TITLE SERVICES, INC.,  
ST. JOE SANCTUARY REALTY, INC.,  
ST. JOE PROPERTY INSPECTION SERVICES, INC.,  
COLLECTIVELY, AS PURCHASER

AND

CMT HOLDING, LTD., ITS AFFILIATES AND SUBSIDIARIES, AS SELLERS

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## EXHIBITS AND SCHEDULES

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Exhibit 1.01(w)	Cope Employment Agreement
Exhibit 1.01(hhh)	Promissory Note
Exhibit 1.01(kkk)	Option Agreement
Exhibit 1.01(www)	Purchaser's Legal Opinion
Exhibit 1.01(gggg)	Sellers' Legal Opinion
Exhibit 3.04	Allocation of Purchase Price
Exhibit 6.01(b)	Purchaser's Information
Exhibit 8.08	Independent Contractor Agreement
Exhibit 8.13	Composite Form of Non-Competition Agreement
Exhibit 8.15	Form of Estoppel Letter
Exhibit 11.02(c)	Bill of Sale and Assignment
Exhibit 11.02(d)	Estoppel Certificate and Consent to Assignment
Schedule A	Subsidiaries and Affiliates of CMT Holding, Ltd.
Schedule 7.01(g)	Key Executives for Purposes of Background Checks
Schedule 8.07(a)(i)	Sellers' Key Executives

AGREEMENT FOR  
PURCHASE AND SALE OF ASSETS AND STOCK

AGREEMENT FOR PURCHASE AND SALE OF ASSETS AND STOCK (the "Agreement") is made and entered into as of the 18th day of June, 1998, by and between (i) St. Joe Real Estate Services, Inc., a Florida corporation, St. Joe Title Services, Inc., a Florida corporation, St. Joe Sanctuary Realty, Inc., a Florida corporation, and St. Joe Property Inspection Services, Inc., a Florida corporation (collectively, "Purchaser"), and (ii) CMT Holding, Ltd., a Florida limited partnership, and its affiliates and subsidiaries set forth on Schedule "A" attached to the Agreement (collectively, jointly and severally, "Sellers").

PRELIMINARY STATEMENTS:

A. Purchaser desires to purchase from Sellers, and Sellers desire to sell to Purchaser, all of the assets used by Sellers in the Sellers' Businesses as a going concern and all of the issued and outstanding stock of certain affiliates and subsidiaries of Sellers.

B. As material and specific inducements to Purchaser and Sellers to purchase and sell the Assets and the Shares, Purchaser and Sellers desire to make certain representations and warranties and agree to be bound by certain covenants and obligations provided in the Agreement.

NOW, THEREFORE, in consideration of the mutual covenants, agreements, representations and warranties contained in the Agreement, and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereby agree as follows:

ARTICLE I

DEFINITIONS

1.01 Definitions. For purposes of the Agreement, the following terms have the meanings set forth below:

(a) 1997 Audited Financial Statements. The term "1997 Audited Financial Statements" means financial statements, prepared on a consolidated basis for CMT Holding Ltd., for the fiscal year ending June 30, 1997 audited by Price Waterhouse, LLP.

(b) 1998 Audited Balance Sheet. The term "1998 Audited Balance Sheet" means the Audited Balance Sheet, prepared on a consolidated basis for CMT Holding, Ltd., included in the 1998 Audited Financial Statements (as defined below).

(c) 1998 Audited Financial Statements. The term "1998 Audited Financial Statements" means financial statements, prepared on a consolidated basis for CMT Holding, Ltd., for the period commencing July 1, 1997 and ending as of the Closing Date audited by Price Waterhouse, LLP.

(d) Acquired Companies . The term "Acquired Companies" means MCK Real Estate Education Centers of Florida, Inc., Preferred Florida Mortgages, Inc. and Referral Associates of Florida, Inc.

(e) Adjusted EBITDA. The term "Adjusted EBITDA" has the meaning set forth in Section 3.02(d) of the Agreement.

(f) Affiliate. The term "affiliate" means an entity that directly, or indirectly through one or more intermediaries, controls or is controlled by, or is under common control with, the entity specified.

(g) Agreement. The term "Agreement" means this Agreement for Purchase and Sale of Assets and Stock.

(h) Annual Period. The term "Annual Period" means a twelve (12) month period commencing on January 1 and ending on December 31.

(i) Assets. The term "Assets" has the meaning set forth in Section 2.01 of the Agreement.

(j) Assumed Liabilities. The term "Assumed Liabilities" has the meaning set forth in Section 2.03 of the Agreement.

(k) Audited Closing Date Transaction Balance Sheet. The term "Audited Closing Date Transaction Balance Sheet" means the 1998 Audited Balance Sheet adjusted to reflect only the Assets and the Assumed Liabilities and a schedule listing the book value of each of the Assets and the Assumed Liabilities, prepared as of the Closing Date (as defined below) in the form attached as Exhibit 1.01(k) to the Agreement and accompanied by a report from Price Waterhouse, LLP confirming that the adjustments were made in accordance with the terms of the Agreement. For purposes of the Audited Closing Date Transaction Balance Sheet, the value of the Shares (as defined below) shall be determined based on each of the Acquired Company's respective net asset value calculated in accordance with the purchase from Sellers of the Assets and the assumption of the Assumed Liabilities as set forth in Sections 2.01 through 2.04 of the Agreement.

(l) Bank Accounts. The term "Bank Accounts" means all bank accounts of any of Sellers or any of the Acquired Companies.

(m) Benefit Plan. The term "Benefit Plan" has the meaning set forth in Section 5.17(e)(i) of the Agreement.

(n) Cash Payment. The term "Cash Payment" has the meaning set forth in Section 3.01(a) of the Agreement.

(o) Closing. The term "Closing" means the closing of the transactions contemplated by the Agreement.

(p) Closing Date. The term "Closing Date" means the last business day of the calendar month in which the last of all the following occurs: (i) the expiration of the Inspection Period; (ii) satisfaction of, or Purchaser's waiver in writing (including by Purchaser making its election pursuant to Section 11.05 of the Agreement) of, all conditions precedent to Purchaser's obligation to consummate the transactions contemplated by the Agreement as set forth in Article VIII of the Agreement; and (iii) satisfaction of, or Sellers' waiver in writing of, all conditions precedent to Sellers' obligation to consummate the transactions contemplated by the Agreement as set forth in Article IX of the Agreement; provided, however the Closing Date shall not be later than July 31, 1998 unless either Purchaser or Sellers elects to extend the Closing to August 31, 1998 because the other party has failed to satisfy all conditions precedent as set forth in Article VIII or Article IX of the Agreement, as the case may be, or as otherwise provided in Section 10.01(f) of the Agreement.

(q) Code. The term "Code" means the Internal Revenue Code of 1986, as amended.

(r) Constituent Partner. The term "Constituent Partner" means any direct partner and any person that is a partner in any partnership that, directly or indirectly through one or more partnerships, is a direct partner.

(s) Contracts. The term "Contracts" means all written or oral contracts, licenses, agreements, or commitments relating to the Assets, the Assumed Liabilities or the Sellers' Businesses to which any of Sellers or any of the Acquired Companies is a party or is bound, including, without limitation, the Cooperating Agreements, the Franchise Agreement, the Leases, the Employee Leasing Agreement and the Pending Contracts (all as defined below).

(t) Conversion Costs. The term "Conversion Costs" means all of Purchaser's costs incurred to reflect the change in ownership of the Sellers' Businesses or the names or fictitious names under which the Purchased Businesses operate and related license transfers, including, but not limited to, replacing signs, stationery, logos, telephone listings, advertisements and promotional materials directly related to the consummation of the transactions contemplated by the Agreement or to the subsequent termination of the Franchise Agreement (as defined below).

(u) Cooperating Agreements. The term "Cooperating Agreements" means all oral and written agreements, customs, conventions, regulatory promulgations and other arrangements for the benefit of the Realty Business which entitle it to share in commissions for participation in real estate sale and lease transactions which are not listed with the Realty Business.

(v) Cope. The term "Cope" means Richard W. Cope.

(w) Cope Employment Agreement. The term "Cope Employment Agreement" means that certain written employment agreement between Cope and St. Joe Real Estate Services, Inc., in a form acceptable to Purchaser and Cope and attached as Exhibit 1.01(w) to the Agreement, pursuant to which Cope shall serve as the Chief Executive Officer and President of each Purchaser and of each Acquired Company.

(x) Deferred Payment. The term "Deferred Payment" has the meaning set forth in Section 3.01(b) of the Agreement.

(y) Disclosure Statement. The term "Disclosure Statement" has the meaning set forth in Section 4.01 of the Agreement.

(z) Disclosure Statement Supplement. The term "Disclosure Statement Supplement" has the meaning set forth in Section 4.01 of the Agreement.

(aa) EBITDA. The term "EBITDA" has the meaning set forth in Section 3.02(c) of the Agreement.

(bb) Earnout. The term "Earnout" has the meaning set forth in Section 3.01(c) of the Agreement.

(cc) Earnout Determination. The term "Earnout Determination" has the meaning set forth in Section 3.02(e)(i)(2) of the Agreement.

(dd) Earnout Documents. The term "Earnout Documents" has the meaning set forth in Section 3.02(e)(i)(3) of the Agreement.

(ee) Employee Leasing Agreement. The term "Employee Leasing Agreement" means that certain Synadyne Client Service Agreement by and between Employee Lessor (as defined below) and CMT Holding, Ltd. and its subsidiaries and all amendments, supplements, extensions, modifications and renewals thereto.

(ff) Employee Lessor. The term "Employee Lessor" means Synadyne, a division of Outsource International, Inc., a Florida corporation.

(gg) Environmental Laws. The term "Environmental Laws" means all applicable laws, rules or regulations relating to pollution, including laws, rules or regulations relating to emissions, discharges, releases or threatened releases of pollutants, contaminants, chemicals, or industrial, toxic or hazardous substances or wastes into the environment (including, without limitation, ambient air, surface water, groundwater or land).

(hh) ERISA. The term "ERISA" has the meaning set forth in Section 5.17(e)(i) of the Agreement.

(ii) ERISA Affiliate. The term "ERISA Affiliate" means any entity which is a part of a control group (as defined in Section 414 of the Code) with any of Sellers or any of the Acquired Companies.

(jj) Escrow Accounts. The term "Escrow Accounts" means all escrow accounts of any of Sellers or any of the Acquired Companies.

(kk) Excluded Assets. The term "Excluded Assets" has the meaning set forth in Section 2.02 of the Agreement.

(ll) Final Adjustment. The term "Final Adjustment" has the meaning set forth in Section 3.03(b)(ii) of the Agreement.

(mm) Franchise Agreement. The term "Franchise Agreement" means that certain Prudential Real Estate Brokerage Franchise Agreement, dated June 26, 1996, by and between The Prudential Real Estate Affiliates, Inc. and CMT Holding, Ltd. and other affiliated entities and all amendments, supplements, extensions, modifications and renewals thereto.

(nn) Funding Period. The term "Funding Period" means the period of time commencing on January 1, 1999 and ending on December 31, 2002.

(oo) HSR Act. The term "HSR Act" means the Hart-Scott-Rodino Antitrust Improvements Act of 1976 or any successor law, and regulations and rules issued pursuant to that Act or any successor law.

(pp) Incentive Programs. The term "Incentive Programs" means all contests, awards, bonus programs, award programs, or other incentive programs of any of Sellers and any of the Acquired Companies in effect as of the Closing Date.

(qq) Indemnification Amount. The term "Indemnification Amount" has the meaning set forth in Section 14.03 of the Agreement.

(rr) Inspection Business. The term "Inspection Business" means any of Seller's and any of the Acquired Company's property inspection operations.

(ss) Inspection Period. The term "Inspection Period" means the period of time commencing as of the date of the Agreement and ending on 5:00 p.m. on the thirtieth (30th) day thereafter.

(tt) Insurance Policies. The term "Insurance Policies" means all policies of fire, casualty, fidelity, liability, professional liability or other form of insurance held by or for the benefit of any of Sellers or any of the Acquired Companies.

(uu) Intellectual Property. The term "Intellectual Property" means any trademarks, service marks, logos, slogans, assumed names, copyrights, identifying

characteristics, proprietary designs, software, patents, patent applications, licenses thereof, technology, know-how, formulae, designs and drawings, processes and other similar intangible property and rights relating to the Sellers' Businesses, or applications for any of the foregoing that any of Sellers or any of the Acquired Companies owns, licenses or has any other interest in, or has ever used in connection with the Sellers' Businesses.

(vv) Interim Balance Sheet. The term "Interim Balance Sheet" means balance sheets covering each of Sellers and each of the Acquired Companies, as of April 30, 1998 which balance sheets are included in the Interim Financial Statements (as defined below).

(ww) Interim Financial Statements. The term "Interim Financial Statements" means the most recent internally prepared financial statements covering each of Sellers and each of the Acquired Companies for the period from July 1, 1997 through April 30, 1998.

(xx) Knowledge or Known. The term "knowledge" or "known" when used (i) with respect to Purchaser, shall mean the actual knowledge of or matters actually known to the officers, directors or senior executives of Purchaser and (ii) with respect to Sellers, shall mean the actual knowledge of or matters actually known to the officers, directors, shareholders, constituent general partner or senior executives of any of Sellers or any of the Acquired Companies. Notwithstanding the foregoing, unless Sellers deliver Purchaser written notice of the same, Purchaser shall not be deemed to have knowledge of any falsity, inaccuracy or misrepresentation in any of the representations or warranties made in the Agreement, the Sellers' Documents, the Disclosure Statement, or in any certificate, instrument, or document executed by any officer, director or Constituent Partner of any of Sellers or the Acquired Companies delivered by or on behalf of Sellers pursuant to the Agreement.

(yy) Lease Listings. The term "Lease Listings" means all oral and written agreements entered into by or for the benefit of the Realty Business for the lease of residential or commercial real property.

(zz) Leased Employees. The term "Leased Employees" means the personnel providing services to any of Sellers or any of the Acquired Companies as of the date of the Agreement pursuant to the Employee Leasing Agreement.

(aaa) Leases. The term "Leases" means all real property leases to which any of Sellers or any of the Acquired Companies is a party.

(bbb) Legal Support Program. The term "Legal Support Program" means the program described in Section 1.01(bbb) of the Disclosure Statement.

(ccc) Lower EBITDA Threshold. The term "Lower EBITDA Threshold" has the meaning set forth in Section 3.02(a) of the Agreement.



(ddd) Material. The term "material" shall refer to materiality with respect to the subject matter of the particular representation, warranty, or covenant in question, and not materiality in relation to the Purchase Price or the transactions contemplated by the Agreement taken as a whole.

(eee) Mortgage Business. The term "Mortgage Business" means any of Seller's and any of the Acquired Company's residential and commercial mortgage brokerage operations.

(fff) Mortgage Services Management Agreement. The term "Mortgage Services Management Agreement" means that certain Mortgage Services Management Agreement, dated September 26, 1997, by and between Preferred Florida Mortgages, Inc. and Residential Alliance, LLC, and all amendments, supplements, extensions, modifications and renewals thereto.

(ggg) Mueller. The term "Mueller" means James Mueller.

(hhh) Note. The term "Note" shall mean that certain Promissory Note to be delivered by Purchaser to Sellers in accordance with Section 3.01(b) of the Agreement, which Promissory Note shall be in the form attached as Exhibit 1.01(hhh) of the Agreement.

(iii) Notice of Claim. The term "Notice of Claim" has the meaning set forth in Section 14.02(a) of the Agreement.

(jjj) Intentionally Deleted.

(kkk) Option Agreement. The term "Option Agreement" means that certain Option Agreement of even date herewith between Purchaser and CMT Holding, Ltd. attached as Exhibit 1.01(kkk) to the Agreement.

(lll) Pending Contracts. The term "Pending Contracts" means contracts for the sale and purchase of real property as to which any of Sellers and any of the Acquired Companies has a right to receive commissions but which have not closed as of the Closing Date.

(mmm) Permits. The term "Permits" means all governmental or quasi-governmental licenses, consents, certificates of authority, accreditations, permits, credentials, authorizations, certifications and approvals held or obtained by or issued to any of Sellers or any of the Acquired Companies in connection with the operation of the Sellers' Businesses, including, without limitation, all brokerage licenses required by brokers and sales agents of any of Sellers or any of the Acquired Companies.

(nnn) Permitted Liens. The term "Permitted Liens" means all statutory liens for obligations, including, without limitation, rents, assessments or taxes to the extent any of such obligations are not yet delinquent and rights reserved to, or vested in, any governmental authority by virtue of any right to control or regulate any property, or to

use such property in any manner other than as a result or arising out of the failure of any of Sellers or any of the Acquired Companies prior to the Closing to comply with any applicable law, regulation, award, judgment, order or decree.

(ooo) Personal Property Leases. The term "Personal Property Leases" means all personal property leases to which any of Sellers or any of the Acquired Companies is a party.

(ppp) PFR Builder Services Division. The term "PFR Builder Services Division" means the builder services division of any of Sellers and any of the Acquired Companies which provides developer marketing services in the greater Orlando marketing area.

(qqq) Property Management Business. The term "Property Management Business" means any of Seller's and any of the Acquired Company's residential and commercial property management operations.

(rrr) Purchase Price. The term "Purchase Price" has the meaning set forth in Section 3.01 of the Agreement.

(sss) Purchased Businesses. The term "Purchased Businesses" means the Sellers' Businesses as operated by Purchaser and the Acquired Companies after the Closing.

(ttt) Purchaser. The term "Purchaser" has the meaning set forth in the first paragraph to the Agreement.

(uuu) Purchaser's Documents. The term "Purchaser's Documents" has the meaning set forth in Section 6.02(a) of the Agreement.

(vvv) Purchaser's Indemnified Parties. The term "Purchaser's Indemnified Parties" has the meaning set forth in Section 14.01(b)(i) of the Agreement.

(www) Purchaser's Legal Opinion. The term "Purchaser's Legal Opinion" means an opinion of legal counsel to Purchaser, dated as of the Closing Date in accordance with the Report on Standards For Florida Opinions dated April 8, 1991 issued by the Business Law Section of The Florida Bar, in form and substance reasonably satisfactory to Sellers and Sellers' counsel, with appropriate factual exceptions, and as to the matters referred to in Exhibit 1.01(www) to the Agreement.

(xxx) Real Estate Education Business. The term "Real Estate Education Business" means any of Seller's and any of the Acquired Company's real estate continuing education operations.

(yyy) Real Property Listing Contracts. The term "Real Property Listing Contracts" means all Sale Listings (as defined below) and Lease Listings, collectively.

(zzz) Realty Business. The term "Realty Business" means any of Seller's and any of the Acquired Company's general real estate brokerage operations.

(aaaa) Retained Liabilities. The term "Retained Liabilities" has the meaning set forth in Section 2.04 of the Agreement.

(bbbb) Sale Listings. The term "Sale Listings" means all oral and written agreements entered into by or for the benefit of the Realty Business for the sale of residential or commercial real property.

(cccc) Sellers. The term "Sellers" has the meaning set forth in the first paragraph of the Agreement.

(dddd) Sellers' Businesses. The term "Sellers' Businesses" means the Inspection Business, the Mortgage Business, the PFR Builders Services Division, the Property Management Business, the Real Estate Education Business, the Realty Business and the Title Business (as defined below).

(eeee) Sellers' Documents. The term "Sellers' Documents" has the meaning set forth in Section 5.02(a) of the Agreement.

(ffff) Sellers' Indemnified Parties. The term "Sellers' Indemnified Parties" has the meaning set forth in Section 14.01(a) of the Agreement.

(gggg) Sellers' Legal Opinion. The term "Sellers' Legal Opinion" means an opinion of legal counsel to Sellers and the Acquired Companies, dated as of the Closing Date, in accordance with the Report on Standards For Florida Opinions dated April 8, 1991 issued by the Business Law Section of The Florida Bar, in form and substance reasonably satisfactory to Purchaser and Purchaser's counsel, with appropriate factual exceptions, and as to the matters referred to in Exhibit 1.01(gggg) to the Agreement.

(hhhh) Shares. The term "Shares" means all of the issued and outstanding capital stock of each of the Acquired Companies.

(iiii) Soflex Software. The term "Soflex Software" shall mean that certain software system used in Sellers' and the Acquired Companies' real estate and financial reporting system.

(jjjj) Sticco. The term "Sticco" shall mean Lewis A. Sticco.

(kkkk) Tax Returns. The term "Tax Returns" has the meaning set forth in Section 5.24(a) of the Agreement.

(llll) Taxes. The term "Taxes" has the meaning set forth in Section 5.24(a) of the Agreement.

(mmmm) Third Party Claim. The term "Third Party Claim" has the meaning set forth in Section 14.02(b) of the Agreement.

(nnnn) Title Agencies. The term "Title Agencies" means Sunbelt Title Agency of Central Florida, Inc., and its parent Sunbelt Title Agency, Inc.

(oooo) Title Business. The term "Title Business" means any of Seller's and any of the Acquired Company's title insurance agency operations.

(pppp) Tooke. The term "Tooke" means Edwin C. Tooke, Jr.

(qqqq) Trade Secrets. The term "Trade Secrets" means all trade secrets, including inventions, designs, techniques, discoveries, computer programs, software and routines, and other technical data currently used or owned by or in which any of Sellers and any of the Acquired Companies has any rights or which are otherwise used in the Sellers' Businesses.

(rrrr) Upper EBITDA Threshold. The term "Upper EBITDA Threshold" has the meaning set forth in Section 3.02 of the Agreement.

## ARTICLE II

### SALE AND PURCHASE OF ASSETS

2.01 Sale and Purchase of the Assets. Subject to the terms and conditions set forth in the Agreement, Sellers agree to sell, convey, transfer, assign and deliver to Purchaser, and Purchaser agrees to purchase from Sellers, at the Closing, each of Sellers' assets and properties of every description, whether real, personal or mixed, tangible or intangible, wherever located, as shall exist on the Closing Date except the Excluded Assets (collectively, the "Assets"). Without limiting the generality of the foregoing, the Assets include, without limitation, the following:

(a) Tangible Personal Property. All equipment, furniture, fixtures, inventory, supplies, furnishings, machinery, parts, computer equipment, vehicles and all other tangible personalty owned by any of Sellers, as more particularly described in Section 5.08(a) of the Disclosure Statement;

(b) Contracts. All rights and interests of any of Sellers in and to the Contracts, including, without limitation, the following:

(i) all Real Property Listing Contracts and Pending Contracts;

(ii) all independent contractor, employment and other such agreements relating to, entered into by, or for the benefit of any of the Sellers' Businesses;

(iii) all management agreements, services agreements and subcontractor agreements relating to, entered into by or for the benefit of any of the Sellers' Businesses;

(iv) all rights of any of Sellers under the Franchise Agreement;

(v) to the extent transferrable by law, all agency agreements with title insurance underwriters relating to, entered into by, or for the benefit of the Title Business; (v) all agreements with title abstract plants pursuant to which the Leased Employees and agents of the Title Business research title records;

(vii) all of the interest and the rights and benefits accruing to any of Sellers as lessees under the Leases; and

(viii) all of the interest and the rights and benefits accruing to any of Sellers as lessees under the Personal Property Leases.

(c) Warranties. All express or implied warranties applicable to any of the Assets received by any of Sellers from manufacturers or suppliers;

(d) Insurance Policies. All Insurance Policies to the extent applicable to the Assets, the Assumed Liabilities and any of the Acquired Companies;

(e) Utility Deposits and Advances. All utility and other deposits and advances of any of Sellers;

(f) Pre-paid Expenses. All pre-paid expenses of any of Sellers, including, without limitation, pre-paid commissions, pre-paid rentals, insurance, taxes, advertising, business licenses and unbilled charges and deposits relating to the operations of the Sellers' Businesses;

(g) Escrow Accounts and Bank Accounts. All Escrow Accounts and Bank Accounts;

(h) Bonds and Surety Arrangements. All outstanding bonds and other surety arrangements issued or entered into by any of Sellers in connection with the Sellers' Businesses;

(i) Receivables. All receivables of any of Sellers, including, without limitation, all accounts receivable, notes receivable, commissions receivable, agents receivable, relocations receivable and receivables from insurance companies, title insurance companies and any other vendors, customers, or suppliers of any of Sellers;

(j) Rights under Non-competition Agreements. All non-competition agreements entered into by, or for the benefit of, any of Sellers, including, without

limitation, the non-competition agreements disclosed in Section 5.17(j) of the Disclosure Statement;

(k) Rights under Confidentiality Agreements. All confidentiality agreements entered into by, or for the benefit of, any of Sellers, including, without limitation, the confidentiality agreements disclosed in Section 5.17(k) of the Disclosure Statement;

(l) Rights Under Non-Solicitation Agreements. All non-solicitation agreements entered into by, or for the benefit of, any of Sellers, including, without limitation the non-solicitation agreements disclosed in Section 5.17(l) of the Disclosure Statement;

(m) Rights Under Indemnification Agreements. All indemnification agreements entered into by, or for the benefit of, any of Sellers, including, without limitation the indemnification agreements disclosed in Section 5.17(m) of the Disclosure Statement, except to the extent such indemnification agreements relate to Retained Liabilities or provide indemnification to any of Sellers for any of Sellers' obligations to Purchaser pursuant to Article XIV of the Agreement;

(n) Permits. All Permits;

(o) Intellectual Property. All rights, title and interest of any of Sellers in and to the Intellectual Property (including, without limitation, the names "Prudential Florida Realty," "Sunbelt Title Agency," "Preferred Florida Mortgages," "CMT Florida Residential Services," "PFR Asset Management," "Pinnacle Property Inspection," "MCK Real Estate Education Centers of Florida" and "PFR Builder Services Division" and any other business or trade names or fictitious names owned or controlled by any of Sellers), in each case together with all registrations thereof, all common and civil law rights thereto, all rights to royalties or fees paid by others in respect thereof, and all claims or causes of action for infringement thereof;

(p) Computer Hardware and Software. All rights and interests of any of Sellers to computer hardware and software owned or controlled by any of Sellers, or used in the Sellers' Businesses, including, without limitation, the Soflex Software, all licenses to computer software used by any of Sellers and all documentation and related object and source codes relating to all computer software owned, licensed or used by any of Sellers in the Sellers' Businesses;

(q) Trade Secrets. All of the rights, title and interest in and to all Trade Secrets, as more particularly described in Sections 5.18(a) and 5.18(b)(i) of the Disclosure Statement;

(r) Business and Computer Records. All operating data, business records, employee records and computer records of any of Sellers, including, without limitation, supplier lists, payment invoices, billing records, correspondence, all records, documents or data relating to accounting and financial information and all customer lists;

(s) Corporate Records. The articles of incorporation, bylaws, corporate minutes, tax returns, books of account and other records having to do with the organization of any of the Acquired Companies;

(t) Loan Applications, Commitments and Commission Agreements. All loan applications, loan commitments and agreements for commissions or other compensation relating to, entered into by, or for the benefit of the Mortgage Business;

(u) Telephone Numbers, Listings and Post Office Boxes. All telephone and telecopier numbers and post office boxes utilized by any of Sellers in connection with the Sellers' Businesses, as more particularly described in Section 5.25 of the Disclosure Statement;

(v) Certain Tax Refunds. All rights of any of Sellers to claims for federal, state, local, or foreign non-income tax refunds;

(w) Internet. All rights of any of Sellers to Internet domain names, all web page information, including all web site sites and all related data files, set forth in Section 5.18(d) of the Disclosure Statement;

(x) Cash. All cash and cash equivalents of any of Sellers reflected on the Audited Closing Date Transaction Balance Sheet;

(y) Stock of the Acquired Companies. All of the Shares; and

(z) Other Assets. All other assets owned by any of Sellers, except for the Excluded Assets.

Upon Purchaser's written request on or after the Closing, Sellers shall cause (a) any or all of the Board of Directors of Prudential Florida Realty Foundation, Inc. to resign and (b) the election of Purchaser's designees to the Board of Directors of the Prudential Florida Realty Foundation, Inc.

2.02 Excluded Assets . Notwithstanding anything to the contrary set forth in Section 2.01 of the Agreement, the parties expressly agree that the Assets shall not include any of the following (collectively, the "Excluded Assets"):

(a) Corporate Records. The articles of incorporation, bylaws, limited partnership agreements, certificates of limited partnership, corporate minutes, tax returns, books of account or other records having to do with the organization of any of Sellers;

(b) Tax Refunds. The rights to any of Seller's claims for any federal, state, local, or foreign income tax refunds;

(c) "Key Man" Life Insurance Policies. The "key man" life insurance policies on Cope, Tooke and Mueller held by Sellers as of the date of the Agreement;

(d) Partnership Interests in CMT Holding, Ltd.: The ownership interests in CMT Holding, Ltd. owned by its Constituent Partners;

(e) Selected Earned Commissions. Any commissions earned by any of Sellers prior to the Closing which, due to uncertainty of collectability, are not included in the 1998 Audited Balance Sheet;

(f) Unamortized Acquisition Costs. Unamortized Acquisitions reflected on the Interim Balance Sheet as Accounts Receivable - Acquisitions (including goodwill associated with such acquisitions);

(g) Deferred Charges. Deferred charges reflected on the Interim Balance Sheet;

(h) Subscriptions Receivable. Subscriptions Receivable reflected on the Interim Balance Sheet;

(i) Litigation Proceeds. Setoffs and proceeds of claims and counterclaims that are received after Closing in connection with any litigation described in Section 5.19 of the Disclosure Statement or the Disclosure Statement Supplement or which result from any litigation as to which there is potential liability to any of Sellers which has not been assumed by Purchaser, except to the extent that any such proceeds are included as an asset in the Audited Closing Date Transaction Balance Sheet; and

(j) Goodwill. All goodwill of any of Sellers, including goodwill described as "Total Other Intangibles" on the Interim Balance Sheet.

2.03 Assumption of Liabilities . At the Closing, Purchaser shall assume, as of the Closing Date, and pay when due, otherwise discharge and perform thereunder, or satisfy, only the following obligations and liabilities of any of Sellers (collectively, the "Assumed Liabilities"):

(a) Liabilities Disclosed on the Interim Balance Sheet. Except for liabilities that would otherwise be Retained Liabilities under Sections 2.04(c) and (e) through (j) of the Agreement, all liabilities reflected on the Interim Balance Sheet, to the extent such liabilities have not been paid as of the Closing Date and only to the extent such liabilities are included in making the computations required pursuant to Sections 3.03(a)(iii) and 3.03(b)(v) of the Agreement.

(b) Liabilities from the Date of the Interim Balance Sheet to the Closing Date. Except for liabilities that would otherwise be Retained Liabilities under Sections 2.04(c) and (e) through (j) of the Agreement, all liabilities incurred from the date of the Interim Balance Sheet to the Closing Date to the extent same were incurred either (i) with the prior written consent of Purchaser or (ii) in the ordinary course of business consistent with past practices and not in violation of the Agreement including, without limitation,



Section 7.02 of the Agreement, in each case, to the extent that such liabilities have not been paid as of the Closing Date and only to extent such liabilities are included in making the computations required pursuant to Sections 3.03(a)(iii) and 3.03(b)(v) of the Agreement;

(c) Executory Contracts. All liabilities under the Contracts assigned by any of Sellers to Purchaser at the Closing to the extent such liabilities arise from goods or services to be delivered or performed after the Closing Date including, without limitation, the Franchise Agreement, the Leases, the Personal Property Leases and the other Contracts identified in the Disclosure Statement or that were entered into in the ordinary course of business but omitted from the Disclosure Statement by reason of the monetary obligations thereunder being less than the amounts specified in Section 5.16 of the Agreement;

(d) Escrow Accounts. Liabilities relating to obligations of any of Sellers for which sums have been deposited in Escrow Accounts, to the extent that such liabilities can be satisfied from the money on deposit in such Escrow Accounts;

(e) Contingent Acquisition Cost Obligations. Liabilities arising from contingent purchase price obligations resulting from acquisitions made by any of Sellers prior to the date of the Agreement, to the extent included as a liability in the Audited Closing Date Transaction Balance Sheet, and not to exceed \$350,000 in the aggregate (such calculation shall also include contingent purchase price obligations resulting from acquisitions made by any of the Acquired Companies);

(f) Illness Reserve. To the extent such liabilities are set forth in Section 5.17(i) of the Disclosure Statement or arise after April 30, 1998 in the ordinary course of business in accordance with the illness reserve policy described in Section 5.17(i) of the Disclosure Statement, contingent liabilities to the Leased Employees for illness reserve; and

(g) Claims arising from Real Property Listing Contracts or Pending Contracts. Liabilities from any claims, actions, arbitrations, suits or proceedings arising from either: (i) Real Property Listing Contracts with respect to which no agreement has been executed between the listing seller and a purchaser as of the Closing Date; or (ii) Pending Contracts; provided, however, that to the extent a Pending Contract is terminated after the Closing Date without a closing having occurred pursuant to such Pending Contract, any claims arising from such Pending Contract shall be a Retained Liability and Sellers shall reimburse Purchaser for any expenses paid by Purchaser and shall pay any obligation of Purchaser with respect to claims arising under such Pending Contract to the extent that such claims or expenses exceed any commission received by Purchaser in connection with the termination of such Pending Contract.

After the Closing Date, Purchaser shall have complete control over the payment, settlement or other disposition of, or any dispute involving, any of the Assumed Liabilities and Purchaser shall have the right to conduct and control all negotiations and proceedings with respect thereto. The assumption by Purchaser of the Assumed

Liabilities, shall in no way expand the rights or remedies of any third party against any of Sellers, the Acquired Companies, or Purchaser as compared to the rights and remedies which such third party would have had against any of Sellers, the Acquired Companies, or Purchaser had Purchaser not assumed such liabilities.

2.04 No General Assumption of Liabilities. Except for the Assumed Liabilities, Purchaser shall not assume, pay or discharge any debts, obligations, contracts, loans, commitments, undertakings or liabilities of any of Sellers of any nature whatsoever, whether fixed, unliquidated, contingent, or otherwise, in connection with any of the Assets or the Sellers' Businesses, including, without limitation, the following (collectively, the "Retained Liabilities"):

(a) Taxes. Federal, state, local, or other taxes of any kind;

(b) Compensation. Wages, salaries, commissions, fees, reimbursements, benefits, bonuses, obligations for severance or compensation of any kind payable to any past or present employees, officers, agents or independent contractors of any of Sellers or the Sellers' Businesses;

(c) Claims. Any claim against any of Sellers regardless of the manner in which asserted or the nature of the claim or cause of action alleged, including, without limitation, negligence, product liability, breach of contract, intentional tort or injury to person or property arising from or related to the Sellers' Businesses, any of Sellers or the Leased Employees, employees, independent contractors, agents, partners, officers, directors or shareholders of any of Sellers;

(d) Creditor Liabilities. Any liabilities or obligations of any of Sellers to trade creditors attributable to the Sellers' Businesses existing as of the date of the Agreement or arising between the date of the Agreement and the Closing Date;

(e) Negotiation and Preparation of this Agreement. Any liability or obligation of any of Sellers arising or incurred in connection with the negotiation, preparation and execution of the Agreement and the transactions contemplated by the Agreement and the fees and expenses of counsel, accountants and other experts retained by any of Sellers;

(f) Indemnification and Transaction Costs. The liabilities and obligations described in Section 14.01(b) and Section 16.02(b) of the Agreement;

(g) Escrow Account. Escrow Account liability to the extent there is not corresponding money on deposit;

(h) Litigation Reserve. Litigation reserve related to the Legal Support Program as reflected on the Interim Balance Sheet as Litigation Reserve - Agents Fee;

(i) Title Agencies Reserves. Title Agencies reserve for losses as reflected on the Interim Balance Sheet as Accrued Losses; and

(j) Prior Acquisitions. Liabilities arising from contingent purchase price obligations resulting from acquisitions made by any of the Sellers prior to the date of the Agreement to the extent not included in the Audited Closing Date Transaction Balance Sheet or to the extent, regardless of inclusion in the Audited Closing Date Transaction Balance Sheet, that such obligations exceed \$350,000 in the aggregate (such calculation shall also include contingent purchase price obligations resulting from acquisitions made by any of the Acquired Companies).

Sellers shall retain and discharge all Retained Liabilities as and when due. After the Closing Date, Sellers shall have complete control over the payment, settlement or other disposition of, or any dispute involving, any of the Retained Liabilities and Sellers shall have the right to conduct and control all negotiations and proceedings with respect thereto. The retention by Sellers of the Retained Liabilities, shall in no way expand the rights or remedies of any third party against any of Sellers or Purchaser as compared to the rights and remedies which such third party would have had against any of Sellers or Purchaser had Sellers not retained such liabilities.

2.05 Conveyance of the Assets. Except to the extent Purchaser elects not to acquire or assume an Asset pursuant to Section 11.05 of the Agreement, each of the Assets shall be conveyed to Purchaser, at the Closing, free and clear of all liens, pledges, security interests, charges, claims, undisclosed restrictions and encumbrances of any nature whatsoever other than Assumed Liabilities and Permitted Liens.

2.06 Election under Sections 338(g) and 338(h)(10) of the Code. Purchaser may, in its sole discretion, have the right to effect an election under Sections 338(g) and 338(h)(10) of the Code with respect to the purchase of the issued and outstanding capital stock of Preferred Florida Mortgages, Inc. In the event Purchaser makes an election or elections under Section 338(h)(10) of the Code, Sellers agree to join with Purchaser by taking whatever actions may be necessary to effect such election or elections. Sellers shall be liable for, and shall pay any tax attributable to the making of the Section 338(h)(10) election or elections and will indemnify Purchaser from and against any tax liability or other adverse tax consequences arising out of any failure to pay such tax provided Purchaser's election is consistent with Section 1.01(k) of the Agreement.

### ARTICLE III

#### PURCHASE PRICE

3.01 Purchase Price and Method of Payment. Subject to adjustment as described in Section 3.03 of the Agreement, Purchaser shall pay Sellers the following (in the aggregate, the "Purchase Price"):

(a) Eighty Million and No/100 Dollars (\$80,000,000) (the "Cash Payment") shall be paid to Sellers on the Closing Date by wire of available federal funds to accounts designated by CMT Holding, Ltd.;

(b) Ten Million and No/100 Dollars (\$10,000,000) (the "Deferred Payment") shall be paid to Sellers by wire of available federal funds in two equal annual installments of Five Million and No/100 Dollars (\$5,000,000) each commencing on the first anniversary of the Closing Date in accordance with the terms of the Note and to accounts designated by CMT Holding, Ltd.; and

(c) up to Ten Million and No/100 Dollars (\$10,000,000) (the "Earnout") shall be paid to CMT Holding, Ltd. by wire of available federal funds to accounts designated by CMT Holding, Ltd. in accordance with the terms of Section 3.02 of the Agreement. (f) 3.02 Payment of the Earnout; Adjustment of Lower EBITDA Threshold and Upper EBITDA Threshold; and Definition of EBITDA and Definition of Adjusted EBITDA.

(a) Payment of the Earnout. In accordance with the following table, Purchaser shall pay CMT Holding, Ltd. the Earnout within six (6) months (subject only to such additional time as may be required pursuant to Section 3.02(e) of the Agreement) of the end of each of the Annual Periods ending on December 31, 2000, December 31, 2001 and December 31, 2002, respectively:

FOR THIS ANNUAL PERIOD:	MULTIPLY BY THIS NUMBER	TIMES THE "ADJUSTED EBITDA" EXCEEDING THIS AMOUNT (THE "LOWER EBITDA THRESHOLD")	BUT NOT EXCEEDING THIS AMOUNT (THE "UPPER EBITDA THRESHOLD")	EQUALS THE MAXIMUM AMOUNT OF THE EARNOUT PAYABLE FOR SUCH ANNUAL PERIOD
The Annual Period Ending on December 31, 2000	1.5	\$14,000,000	\$16,000,000	\$ 3,000,000
The Annual Period Ending on December 31, 2001	1.75	\$16,000,000	\$18,000,000	\$ 3,500,000
The Annual Period Ending on December 31, 2002	1.75	\$18,000,000	\$20,000,000	\$ 3,500,000
TOTAL				\$10,000,000

For example, if Adjusted EBITDA equals \$18,000,000, \$15,000,000 and \$19,000,000 for the Annual Periods ending on December 31, 2000, December 31, 2001 and December 31, 2002, respectively, the Earnout payable by Purchaser to Sellers for such Annual Periods shall be \$3,000,000, \$0 and \$1,750,000, respectively.

## (b) Adjustment of Lower EBITDA Threshold and Upper EBITDA Threshold.

(i) Upon the occurrence of any of the following events prior to December 31, 2002, Purchaser and Sellers shall mutually agree to equitably and proportionally adjust the Lower EBITDA Threshold and the Upper EBITDA Threshold:

- (1) there occurs a material disposition or diversion of assets or business operations of the Purchased Businesses;
- (2) there occurs a material addition of other businesses operated by The St. Joe Company or its affiliates, other than Purchaser, to the Purchased Businesses;
- (3) The St. Joe Company or any of its affiliates conducts a material amount of business with or directs a material amount of business to the Purchased Businesses; or
- (4) The St. Joe Company or any of its affiliates provides funds (whether as capital, debt, or via Purchaser's internal cost of credit enhancement, guarantees or the like) for the Purchased Businesses for any purpose, including, without limitation, to fund deficits or capital expenditures, in excess of (i) \$208,333.33 for each calendar month between the Closing Date and December 31, 1998 or (ii) Two Million Five Hundred Thousand and No/100 Dollars (\$2,500,000) in any year during the Funding Period.

(ii) In the event Purchaser and Sellers cannot mutually agree to adjust the Lower EBITDA Threshold and the Upper EBITDA Threshold within thirty (30) days after the occurrence of an event requiring an adjustment in accordance with subsection (i) above, the matter shall be submitted to arbitration in accordance with Section 16.05 of the Agreement. The cost of such arbitration shall be shared equally by Purchaser and Sellers.

(c) Definition of EBITDA. For purposes of the Agreement, the term "EBITDA" means net income of the Purchased Businesses (determined in accordance with generally accepted accounting principles consistently applied) before interest expense and the provision for income taxes, adjusted by adding back the amount of all amortization and depreciation that were deducted in arriving at Purchased Businesses' net income and excluding any portion of the Purchase Price.

(d) Definition of Adjusted EBITDA. For purposes of the Agreement, the term "Adjusted EBITDA" means EBITDA adjusted as follows:

(i) The following amounts shall be added to EBITDA to the extent such amounts are included in the calculation of EBITDA:

- (1) any and all of Purchaser's expenses related to this transaction, including, without limitation, legal and accounting fees, consulting fees and investment banking fees;
- (2) any and all Conversion Costs;
- (3) the amount paid by any of Sellers to Purchaser and its affiliates pursuant to Section 14.01(b) of the Agreement, solely to the extent the amount of the underlying indemnified claim is included as a deduction to EBITDA and reimburses Purchaser for payments that are charged against EBITDA;
- (4) any director's fees, management fees, overhead and travel and entertainment expenses charged to the Purchased Businesses by The St. Joe Company or any of its affiliates other than Purchaser;
- (5) any taxes charged to the Purchased Businesses because of any activities of The St. Joe Company or any of its affiliates other than Purchaser;
- (6) any expense incurred to acquire the right to use the "Arvida" trademark in connection with the conduct of the Realty Business;
- (7) the amount by which, if any, (a) the expenses directly related to providing the Purchased Businesses' employees with The St. Joe Company's employee benefit plans, are greater than (b) the expenses which would have been incurred had the Purchased Businesses instead continued to provide its employees the benefits provided by Sellers and the Acquired Companies to the Leased Employees pursuant to renewals of the policies maintained for the benefit of the Leased Employees as of the Closing Date (such calculation shall take into consideration subsequent increases or decreases following the Closing Date in the premiums of such policies maintained by any of Sellers, any of the Acquired Companies, or Employee Lessor on behalf of any of Sellers and the Acquired Companies);

- (8) items of extraordinary loss, as determined by generally accepted accounting principles consistently applied;
- (9) except as otherwise expressly provided in Section 3.02(e)(vi) of the Agreement, the additional incremental expense directly related to calculating and auditing EBITDA and Adjusted EBITDA over and above the expense of auditing the Purchased Businesses;
- (10) Intentionally Deleted;
- (11) the amount by which, if any, (a) the expenses incurred by The St. Joe Company for goods or services acquired on behalf of the Purchased Businesses are greater than (b) the expenses which would have been incurred had the Purchased Businesses instead acquired such goods or services directly from unrelated third parties;
- (12) any expenses incurred by The St. Joe Company on behalf of the Purchased Businesses which are not incurred by Purchased Businesses in the ordinary course of its business consistent with Sellers' and the Acquired Companies' past practices; and
- (13) if applicable, in accordance with Section 3.02(e)(vi), the cost of determining the Earnout.

Notwithstanding anything contained in this Section to the contrary, EBITDA shall only be increased pursuant to Sections 3.02(d)(i)(11) or 3.02(d)(i)(12), if Sellers deliver written notice to Purchaser requesting an increase to EBITDA, within ten (10) business days of any of Sellers, Cope, Mueller, or Tooke obtaining knowledge that The St. Joe Company has or will (a) acquire a particular good or service on behalf of the Purchased Businesses or (b) incur any expenses on behalf of the Purchased Businesses.

(ii) There shall be added to EBITDA, an amount equal to the amount by which Purchaser has reduced the Purchased Businesses' ability to earn arbitrage investment income in accordance with the arbitrage investment practices of the Sellers described in Section 3.02(d)(ii) of the Disclosure Statement. The amount that will be adjusted is the amount by which (1) the Purchased Businesses' annual income directly related to arbitrage investments resulting from interest rate spreads is less than (2) the earnings from arbitrage investments the Purchased Businesses would have earned from arbitrage investments during such Annual Period had the Purchased Businesses continued Sellers' past arbitrage investment practices assuming a borrowing cost of

1.5% per annum and investment earnings based on the rate paid from time to time on thirty (30) day commercial paper rated A-1/P-1.

(iii) The following amounts shall be deducted from EBITDA:

- (1) the amount by which, if any, (a) the expenses directly related to providing the Purchased Businesses' employees and leased employees The St. Joe Company's employee benefit plans are less than (b) the expenses which would have been incurred had the Purchased Businesses instead continued to provide its employees the benefits provided by Sellers and the Acquired Companies to the Leased Employees pursuant to renewals of the policies maintained for the benefit of the Leased Employees as of the Closing Date (such calculation shall take into consideration subsequent increases or decreases following the Closing Date in the premiums of such policies maintained by Sellers, any of the Acquired Companies or Employee Lessor);
- (2) items of extraordinary gain, to the extent included in EBITDA, as determined by generally accepted accounting principles consistently applied;
- (3) the amount by which, if any, (a) the expenses incurred by The St. Joe Company for goods or services acquired on behalf of the Purchased Businesses are less than (b) the expenses which would have been incurred had the Purchased Businesses instead acquired such goods or services directly from unrelated third parties;
- (4) the amount paid by any of Sellers to Purchaser and its affiliates pursuant to Section 14 of the Agreement, to the extent such indemnification payment is included in EBITDA and reimburses Purchaser for payments that are not charged against EBITDA; and
- (5) other than the interest earnings described in Section 3.02(d)(ii) of the Agreement, the amount of interest income on, and earnings from passive investments of, cash, to the extent included in EBITDA.

Notwithstanding anything contained in this Section to the contrary, EBITDA shall only be decreased pursuant to Section 3.02(d)(iii)(3), if Purchaser delivers written notice to Sellers requesting a decrease in EBITDA, within ten (10) days of Purchaser obtaining knowledge that The St. Joe Company has or will acquire a particular good or service on behalf of the Purchased Businesses.



## (e) Calculation of EBITDA and Adjusted EBITDA.

(i) Within ninety (90) days of the end of each Annual Period through December 31, 2002, Purchaser shall deliver to Sellers the following for such Annual Period:

- (1) audited financial statements for the Purchased Businesses;
- (2) as determined by Purchaser and its outside independent certified public accountants, the calculated amount of Adjusted EBITDA and the Earnout with respect thereto (the "Earnout Determination"); and
- (3) the reports of Purchaser's outside independent certified public accountants relating to the calculation of Adjusted EBITDA and the Earnout Determination (collectively, the "Earnout Documents").

(ii) If, within thirty (30) days after the date on which Purchaser fully complies with Section 3.02(e)(i), Sellers shall not have delivered to Purchaser notice setting forth in detail the objections of Sellers to the Earnout Determination, then the Earnout Determination shall be final and binding upon Purchaser and Sellers and Purchaser shall pay the specified Earnout, if applicable. During such thirty (30) day period, Sellers shall have complete access to all working papers, data, books and records and other information prepared or used by Purchaser and such independent certified public accountants to determine Adjusted EBITDA and the Earnout Determination and to prepare the Earnout Documents.

(iii) In the event Sellers deliver written notice to Purchaser objecting to the Earnout Determination within such thirty (30) day period, Purchaser and Sellers shall use all reasonable efforts to resolve the dispute within thirty (30) days following the delivery of such notice to Purchaser. Sellers' objection shall specify, in as much detail as possible, the specific items of disagreement and the reasons therefor.

(iv) If Purchaser and Sellers are unable to reach an agreement on the Earnout within such thirty (30) day period, the dispute shall, within ten (10) days thereafter, be submitted by either party to a mutually agreed upon nationally recognized "Big 6" firm of independent certified public accountants that shall make its determination of the Earnout and Adjusted EBITDA within thirty (30) days of such submission. The determination of the Earnout and Adjusted EBITDA of such accounting firm shall be final and binding upon Purchaser and Sellers.

(v) Purchaser shall pay the applicable Earnout on the later of (a) six (6) months after the end of the applicable Annual Period or (b) within fifteen (15) days after the earlier of (1) Purchaser and Sellers agreeing on the Earnout or (2) the parties receiving the determination of Adjusted EBITDA and the Earnout from the selected accounting firm pursuant to subsection (iv) above.

(vi) If such selected accounting firm determines that the Earnout is actually less than ninety-five percent (95%) of the Earnout Determination, then the cost of such accounting firm shall be paid solely by Sellers. If the accounting firm determines that the Earnout is actually more than one hundred five percent (105%) of the Earnout Determination, then the cost of such accounting firm shall be paid solely by Purchaser and shall not reduce Adjusted EBITDA. In all other cases the cost of such accounting firm shall be paid by Purchaser and shall reduce such Annual Period's Adjusted EBITDA and, if applicable, such Annual Period's Earnout.

(vii) The St. Joe Company and Purchaser covenant and agree that, during the Funding Period: (a) the books and records of the Purchased Businesses shall be maintained in a manner that will enable Purchaser's accounting firm to audit Purchaser's financial statements for each Annual Period and to make the adjustments necessary to determine Adjusted EBITDA pursuant to the Agreement; and (b) The St. Joe Company shall deliver the Earnout Documents for each Annual Period to Sellers.

### 3.03 Adjustment to Purchase Price.

(a) Adjustment to Purchase Price. The Purchase Price shall be adjusted after the Closing in the following manner:

(i) to the extent not reflected in the Audited Closing Date Transaction Balance Sheet as a liability, the Purchase Price shall be reduced by the amount received by any of Sellers and the Acquired Companies from brokers, sales agents and others related to the Legal Support Program for periods after June 30, 1998;

(ii) the Purchase Price shall be increased by one-twelfth (1/12) of the total amount to be paid into the Legal Support Program for the period from July 1, 1998 through June 30, 1999 for each calendar month that elapses between July 1, 1998 and the Closing Date;

(iii) the Purchase Price shall be adjusted after the Closing Date in accordance with Sections 3.03(b)(v) and 3.03(c); and

(iv) Purchaser shall have the right to setoff against the Deferred Payment and the Earnout the amount, if any, of Sellers' monetary obligations to Purchaser pursuant to Sections 3.03(b)(v) and 3.03(c), the Indemnification Amount described in Section 14.03 of the Agreement and any amounts determined to be payable following arbitration pursuant to Section 16.05 of the Agreement.

(b) 1998 Audited Financial Statements and Audited Closing Date Transaction Balance Sheet.

(i) Not later than sixty (60) days after the Closing Date, Sellers shall deliver to Purchaser the 1998 Audited Financial Statements and the Audited Closing Date Transaction Balance Sheet. Sellers shall provide Purchaser with any detailed back-up materials Purchaser may request relating to such financial statements. Sellers shall also provide Purchaser with a certificate signed by Cope and Sticco certifying the accuracy of the 1998 Audited Financial Statements and the Audited Closing Date Transaction Balance Sheet and any back-up materials Purchaser may request. The 1998 Audited Financial Statements shall be prepared in accordance with generally accepted accounting principles, applied on a consistent basis, in accordance with past practice and shall present fairly the financial position of Sellers and the Acquired Companies, as of the date and for the period indicated.

(ii) Within thirty (30) days of the delivery of the 1998 Audited Financial Statements and the Audited Closing Date Transaction Balance Sheet to Purchaser, Purchaser or its representatives shall complete a review of the items reflected in the Audited Closing Date Transaction Balance Sheet and shall issue a report on the amounts reflected therein stating any further adjustments which in their opinion should be made thereto and the reasons such adjustments are required (the "Final Adjustment").

(iii) Within ten (10) days after delivery to Sellers of the Final Adjustment prepared by Purchaser or its representatives, Sellers shall notify Purchaser in writing that Sellers either (a) agree with the Final Adjustment or (b) desire to exercise Sellers' rights under subsection (iv) below.

(iv) If Sellers disagree with the Final Adjustment as prepared by Purchaser or its representatives and Purchaser and Sellers cannot agree on the Final Adjustment within thirty (30) days, the matter shall be submitted within ten (10) days to a mutually agreed upon nationally recognized "Big 6" firm of independent public accountants for determination. The determination of such selected accounting firm shall be final and binding upon Purchaser and Sellers. The cost of obtaining such determination shall be shared equally by Purchaser and Sellers.

(v) Within three (3) days of the agreement of Purchaser and Sellers on the Final Adjustment or delivery of the determination of the Final Adjustment by the selected accounting firm pursuant to subsection (iv) above, the following shall occur:

(1) if (a) the value of the Assets reflected on the Audited Closing Date Transaction Balance Sheet is greater than (b) the value of the Assumed Liabilities reflected on the Audited Closing Date Transaction Balance Sheet, then Purchaser shall pay Sellers such difference; or

(2) if (a) the value of the Assets reflected on the Audited Closing Date Transaction Balance Sheet is less than (b) the value of the Assumed Liabilities reflected on the Audited Closing Date Transaction Balance Sheet, then Sellers shall pay Purchaser such difference.

(c) Credit for Illness Reserve. Purchaser shall receive a credit against the Purchase Price at Closing equal to \$50,000 for Purchaser's assumption of Sellers' obligation for the illness reserve pursuant to Section 2.03(f) of the Agreement, which credit shall be reduced to the extent such amount is included as a liability on the Audited Closing Date Transaction Balance Sheet.

3.04 Allocation of Purchase Price and Assumed Liabilities . The Purchase Price shall be allocated for tax reporting purposes as agreed to by Purchaser and Sellers in the manner set forth in Exhibit 3.04 attached to the Agreement (which Exhibit 3.04 shall be delivered by Sellers and mutually agreed upon and initialed by the parties on or before the expiration of the Inspection Period). Purchaser and Sellers shall adjust the valuations set forth in Exhibit 3.04 only for changes in the Assets and the Assumed Liabilities subsequent to the date of the Interim Financial Statements. Purchaser and Sellers declare that the valuation of the Assets and the Assumed Liabilities has been determined in good faith and as the result of arms' length bargaining and Purchaser and Sellers agree that no position inconsistent with the allocation agreed to by Purchaser and Sellers shall be taken by either party before any governmental or judicial authority. Purchaser and Sellers agree to file Internal Revenue Service Form 8594 in accordance with the agreed upon allocation referenced in Exhibit 3.04, as adjusted.

#### ARTICLE IV

##### DISCLOSURE STATEMENT

4.01 Disclosure Statement. Sellers shall deliver to Purchaser a document (the "Disclosure Statement") of even date herewith and delivered contemporaneously with the execution of the Agreement disclosing the information and containing the documents specified in the Agreement and such document will become part of the Agreement. Sellers shall provide Purchaser with an update and supplement to the Disclosure Statement, if necessary, to ensure the accuracy and completeness of the Disclosure Statement as of the Closing Date. Such supplement shall be hereinafter referred to as the "Disclosure Statement Supplement". If the Closing occurs, all references to the "Disclosure Statement" shall be understood to mean and refer as well to any Disclosure Statement Supplement.

## ARTICLE V

## SELLERS' REPRESENTATIONS AND WARRANTIES

Each of Sellers hereby, jointly and severally, represents and warrants to Purchaser as of the date of the Agreement (which warranties and representations shall survive the Closing regardless of what examinations, inspections, audits and other investigations Purchaser has made or may hereafter make, with respect to such warranties and representations), as follows:

## 5.01 Due Organization; Structure.

(a) Entities Owned by Sellers. Section 5.01(a) of the Disclosure Statement is a true and complete list of the state of organization and each of the names of all entities which are owned or controlled by CMT Holding, Ltd., or conduct any of the Sellers' Businesses and all entities to which any of the foregoing are successors due to merger or reorganization since August 31, 1990, and as to each of them, a true and complete list of all states where they have been qualified to do business since August 31, 1990 and all names under which they have ever transacted business since August 31, 1990. Except as set forth in Section 5.01(a) of the Disclosure Statement, none of Sellers nor any of the Acquired Companies own, possess or otherwise hold or have an interest in, directly or indirectly, any other entity.

(b) Due Organization. Each of Sellers and each of the Acquired Companies (i) is a duly organized and validly existing limited partnership or corporation under the laws of the state in which Section 5.01(a) of the Disclosure Statement indicates it is organized and (ii) has the power and lawful authority to own its properties and to transact the business in which it is currently engaged. Except as disclosed in Section 5.01(a) of the Disclosure Statement, none of Sellers nor any of the Acquired Companies is, nor is required to be, qualified to transact business as a foreign entity in any jurisdiction.

## 5.02 Power and Authority.

(a) Power and Authority. Each of Sellers has full corporate or partnership power to enter into the Agreement and to carry out its respective obligations under the Agreement, including, but not limited to, the power and authority to effect any of the elections contemplated under Section 2.06 of this Agreement. The execution and delivery of the Agreement and the other agreements, documents and instruments required to be executed and delivered by any of Sellers pursuant to the Agreement (collectively, the "Sellers' Documents") and the consummation of the transactions contemplated to be performed by Sellers under the Agreement and each of the Sellers' Documents have been duly and validly authorized by each of Sellers. No other acts or proceedings on the part of any of Sellers or any of the Acquired Companies will be necessary to authorize the performance of the Agreement or the Sellers' Documents by Sellers or the transactions contemplated by the Agreement and the Sellers' Documents.

(b) Valid and Binding Obligation. The Agreement and the Sellers' Documents constitute a valid and legally binding obligation of each of Sellers enforceable against each of Sellers in accordance with their respective terms, except as limited by applicable bankruptcy, insolvency, reorganization, moratorium or other laws of general application relating to creditors' rights or by the application of equitable principles when equitable remedies are sought.

(c) No Violation. Except as disclosed in Section 5.02(c) of the Disclosure Statement, neither the execution and delivery of the Agreement or the Sellers' Documents, nor the consummation of the transactions contemplated by the Agreement or the Sellers' Documents, nor compliance by Sellers with any of the provisions of the Agreement and the Sellers' Documents, will:

(i) violate, or conflict with, or result in a breach of any provisions of, or constitute a default (or an event which, with notice or lapse of time or both, would constitute a default) under, or result in the actual or possible termination of, or accelerate the performance required by any note, bond, mortgage, indenture, deed of trust, contract, permit, license, agreement, lease or other instrument or obligation to which any of Sellers is a party, or by which any of Sellers, any of the Acquired Companies, any of the Assets, or the Assumed Liabilities, may be bound or affected, or result in the creation of any lien, security interest, charge or encumbrance upon any of the Assets or the Assumed Liabilities; or

(ii) violate any order, judgment, writ, injunction, decree, or any law, statute, rule, ordinance or regulation, applicable to any of Sellers, any of the Acquired Companies, or any of the Assets or the Assumed Liabilities.

5.03 Accuracy . Neither the representations or warranties of Sellers to Purchaser set forth in the Agreement, the Disclosure Statement, nor any certificate, instrument, or document executed by any officer, director or Constituent Partner of any of Sellers delivered pursuant to the Agreement contains any untrue statement of a fact or omits to state a fact necessary in order to make the statements included herein or therein not misleading in light of the circumstances under which they were made. Without limiting the generality of the foregoing, the information concerning any of Sellers and any of the Acquired Companies provided to Purchaser by any officer, director or general partner of any of Sellers or any of the Acquired Companies for use in any filing or application to be made with any governmental body in connection with the transactions contemplated by the Agreement will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not false or misleading.

5.04 Approvals. Except as required by the HSR Act or disclosed in Section 5.04 to the Disclosure Statement, no permits, approvals, consents, satisfaction of waiting periods, or waivers thereof of agencies of any jurisdiction or governmental body, or of any other person whatsoever related exclusively to any of Sellers or any of the Acquired Companies, are necessary to allow any of Sellers or any of the Acquired Companies to consummate the transactions contemplated by the Agreement in compliance with, and not in breach of, all applicable laws, rules, regulations, orders or governmental or other agency directives, or the provisions of any contract or obligation binding upon any of Sellers or any of the Acquired Companies.

5.05 Brokers. Neither the Agreement nor the sale and purchase of the Assets or any other transaction contemplated by the Agreement was induced by or procured through any person, firm, corporation or other entity acting on behalf of, or representing any of Sellers or any of the Acquired Companies as a broker, finder, investment banker, financial advisor or in any similar capacity.

5.06 Financial Statements; Books of Account.

(a) Accuracy. Exhibit 5.06(a) of the Disclosure Statement is a true and complete copy of the 1997 Audited Financial Statements and the Interim Financial Statements. The 1997 Financial Statements and the Interim Financial Statements are in accordance with the books and records of each of Sellers and each of the Acquired Companies. The Interim Financial Statements present fairly the financial position and results of operations of each of Sellers and each of the Acquired Companies at the date and for the period indicated thereon (except for such year end adjustments and explanatory footnotes as are customarily included in audited financial statements). The 1997 Audited Financial Statements together with the notes thereto, have been prepared in accordance with generally accepted accounting principles, applied on a consistent basis, in accordance with past practice and present fairly the financial position and results of operation of each of Sellers and each of the Acquired Companies, as of the date and for the period indicated therein.

(b) All Transactions Disclosed. None of Sellers nor any of the Acquired Companies has engaged in any transaction, maintained any bank account or used any of the funds of any Sellers or any of the Acquired Companies in the conduct of the Sellers' Businesses except for Excluded Assets or transactions, bank accounts and funds which have been and are reflected in the normally maintained books and records of each of Sellers and each of the Acquired Companies.

(c) No Overstatement or Understatement. The value of all assets listed in the Financial Statements are not overstated and the liabilities listed in the Financial Statements are not understated and do not reflect any writeup or revaluation increasing the book value of any assets, except as specifically disclosed in the notes thereto. Except as disclosed in Section 5.06(c) of the Disclosure Statement, there are no extraordinary or material non-recurring items of income or expense during the periods covered by the 1997 Audited Financial Statements or the Interim Financial Statements.

(d) Banking. Section 5.06(d) of the Disclosure Statement is a true and complete list of (i) each bank, safety deposit facility and other financial institution in which any of Sellers and any of the Acquired Companies has an account (including Escrow Accounts), line of credit, safety deposit box or other financial agreement together with a brief description of the financial arrangement involved, (ii) each of the Bank Accounts and (iii) the names of all persons authorized to draw on or make use of each such account, credit line or other financial arrangement or to have access to any such safety deposit box facility, together with a description of the authority (and conditions thereof, if any) of each such person with respect thereto.

(e) Escrow Accounts. Section 5.06(e)(i) of the Disclosure Statement is a true and complete list of depositors and amounts of all escrow arrangements entered into in the ordinary course of business and, to the extent not included on such list, a copy and

list of all escrow agreements to which any of Sellers and any of the Acquired Companies is a party and pursuant to which Purchaser will have obligations following the Closing. Except as set forth in Section 5.06(e)(ii) of the Disclosure Statement, the Escrow Accounts have been handled in accordance with all agreements pertaining thereto and all applicable federal and state laws, statutes, ordinances, rules and regulations.

5.07 Offices; Title to Property: Leases, Buildings Structures and Appurtenances.

(a) Offices. Section 5.07(a) of the Disclosure Statement is a true and complete list of each of Seller's and each of the Acquired Company's offices and places of business.

(b) Title to Property; Leases. Except as disclosed in Section 5.07(b) of the Disclosure Statement, (i) none of Sellers nor any of the Acquired Companies owns legal or equitable title to any real property, (ii) each of the Leases is in full force and effect, (iii) none of the Leases has been modified except to the extent that such modifications are disclosed by the copies of such Leases delivered to Purchaser, (iv) none of Sellers nor any of the Acquired Companies is in breach of, has failed to perform an obligation of, or is in default under, the Leases in any respect, and no event or action has occurred, is pending, or is, to any of Seller's knowledge, threatened, which after the giving of notice, or the lapse of time, or otherwise, would constitute or result in a breach or default in any respect by any of Sellers or any of the Acquired Companies under the Leases, (v) none of Sellers nor any of the Acquired Companies has received notice that any landlord under the Leases intends to cancel, suspend or terminate any of the Leases or to exercise or not exercise any options under any of the Leases and (vi) each of Sellers and each of the Acquired Companies is in possession of all premises leased to it pursuant to the Leases.

(c) Buildings, Structures and Appurtenances. Except as disclosed in Section 5.07(c) of the Disclosure Statement, and to the knowledge of each of Sellers without Sellers or the Acquired Companies having conducted any inspection of same, (i) all buildings, structures and appurtenances which are the subject of the Leases are in good operating condition and in a state of good repair, and are adequate and suitable for the purposes for which they are being used, (ii) none of such buildings, structures or appurtenances (or any equipment therein), nor the operation or maintenance thereof, nor the operation of the Sellers' Businesses therein, violates any documents or restrictive covenants or any provision of any federal, state or local law, ordinance, rule or regulation, or encroaches on any property owned by others and (iii) no condemnation proceeding is pending or, to the knowledge of any of Sellers, threatened which would preclude or impair the use of any of the Leases by any of Sellers or the Acquired Companies for the purposes for which it is currently used.



## 5.08 Assets; Title to and Character of Assets.

(a) Assets. Section 5.08(a) of the Disclosure Statement is a true and complete list of any equipment, furniture, fixtures, inventory, supplies, furnishings, machinery, parts, computer equipment, vehicles and all other tangible and intangible personal property owned or leased by any of Sellers and any of the Acquired Companies which is related to or used in the Sellers' Businesses, specifying, as to owned property, its aggregate cost or original value and the net book value and, with respect to property subject to a Personal Property Lease, specifying the identity of the lessor, the rental rate and the unexpired term of the lease for each lease requiring an annual payment of \$25,000 or more; provided, however, Sellers represent that the aggregate rental payment due under all Personal Property Leases not listed in Section 5.08(a) of the Disclosure Statement will not exceed \$50,000 per annum.

(b) Title to and Character of Assets. Except for (i) security interests, liens, charges and encumbrances disclosed in Section 5.08(b) of the Disclosure Statement and (ii) Permitted Liens and subject to the Assumed Liabilities, Sellers own and have good and marketable title to all the Assets, free and clear of all leases, conditional sales contracts, licenses, security interests, liens, charges and encumbrances of any nature whatsoever. The Assets constitute all the tangible and intangible personal property necessary for the conduct of the Sellers' Businesses.

(c) Transfer of Assets. Except for (i) security interests, liens, charges and encumbrances disclosed in Section 5.08(b) of the Disclosure Statement and (ii) Permitted Liens and subject to the Assumed Liabilities, upon the sale, transfer and assignment of the Assets pursuant to the Agreement, there shall be vested in Purchaser good and valid title to all of the Assets free and clear of any lien, security interest, encumbrance or restrictions. Each of Sellers covenant and agree that each of Sellers will warrant and defend the title to the Assets against all lawful claims, demands and charges of third parties.

(d) Condition of Property. Except as disclosed in Section 5.08(d) of the Disclosure Statement, all tangible personal property owned or leased by any of Sellers or any of the Acquired Companies is in good operating condition and repair, subject to normal wear and tear. There are no outstanding agreements, options or commitments of any nature obligating any of Sellers or any of the Acquired Companies to transfer any of the Assets or the Assumed Liabilities or rights or interests therein to any other party.

5.09 Related Parties. Except as disclosed in Section 5.09 of the Disclosure Statement, no officer, director, shareholder or Constituent Partner of any of the Sellers or any of the Acquired Companies, nor any child or spouse of any of them (a) has any direct or indirect interest in (i) any entity which does business with, or competes with, any of Sellers or any of the Acquired Companies, or (ii) any property, asset or right which is used by any of Sellers or any of the Acquired Companies in the conduct of the Sellers' Businesses, or (b) has any contractual relationship with any of Sellers or any of the Acquired Companies, including, without limitation, as debtor or creditor, other than a relationship arising from the status of officer, director, employee, shareholder or

partner. Notwithstanding the foregoing, Sellers shall not be required to disclose in Section 5.09 of the Disclosure Statement the ownership of stock in any company or other securities of any company or entity provided such stock or securities are traded on a national or regional stock exchange or over-the-counter and the individual owning such stock or securities owns five percent (5%) or less of the stock or securities of such company or entity.

5.10 Acquisitions. Section 5.10(a) of the Disclosure Statement sets forth a true and complete list of all acquisitions made by any of Sellers and any of the Acquired Companies since August 31, 1990. Except as set forth in Section 5.10(b) of the Disclosure Statement, none of Sellers nor any of the Acquired Companies has any remaining obligations relating to such acquisitions

5.11 Ownership of Interests.

(a) Section 5.11(a) of the Disclosure Statement is a true and complete list of all shareholders and partners of each of Sellers and any of the Acquired Companies, as applicable, together with such shareholders and partners respective ownership interests in Sellers and any of the Acquired Companies, and, except as disclosed in Section 5.11(a) of the Disclosure Statement, such parties are the owners of record and beneficially of their respective ownership interests in each of Sellers and any of the Acquired Companies, free and clear of all rights, proxies, voting trusts, shareholder agreements, claims, liens, security interests, assessments, levies, restrictions, options and encumbrances of any nature whatsoever, and such interests have not been sold, pledged, hypothecated, assigned or otherwise transferred except pursuant to the Agreement. No other person or entity has any right whatsoever to any additional ownership interests of Sellers.

(b) The Shares constitute all of the issued and outstanding capital stock of the Acquired Companies. The Shares are fully paid and nonassessable. Other than the Option Agreement, there are no outstanding subscriptions, options, rights, warrants, convertible securities, or other agreements or commitments obligating any of the Acquired Companies to authorize, issue or transfer any additional shares of capital stock.

5.12 Line of Credit. Except as disclosed in Section 5.12 of the Disclosure Statement, no Seller nor any Acquired Company is subject to any outstanding obligations underlying any lines of credit.

5.13 Incentive Programs and Bonuses.

(a) Section 5.13(a) of the Disclosure Statement sets forth a true and complete list of all Incentive Programs. During the first twelve (12) months immediately following the Closing Date, the total liabilities incurred by the Purchased Businesses for continuing the Incentive Programs not reflected in Section 5.13(a) of the Disclosure Statement shall not exceed Twenty Thousand and No/100 Dollars (\$20,000) in excess of the amount accrued for Sellers' and the Acquired Companies' liabilities pursuant to

the Incentive Programs on the Audited Closing Date Transaction Balance Sheet and, if such Incentive Programs had been discontinued as of the Closing Date, there would be no liability thereunder accruing at any time after twelve (12) months after the Closing Date.

(b) The Earnout shall be distributed by Sellers to: (i) the partners of CMT Holding, Ltd. and the shareholders of CMT Holding, Inc. in accordance with the ownership interests of the partners and shareholders, respectively, set forth in Section 5.11(a) to the Disclosure Statement; or (ii) such other individuals or according to such other formula or method determined by Sellers, in their sole and absolute discretion, as set forth in advance written notice to Purchaser. Purchaser shall not consider any such distribution in the determination of salary, bonus, award or other compensation payable by Purchaser to such individuals for services rendered to Purchaser after the Closing Date.

#### 5.14 Environmental Matters.

(a) Compliance with Environmental Laws. Except as disclosed in Section 5.14(a) of the Disclosure Statement, each of Sellers and each of the Acquired Companies is in compliance with all terms and conditions, limitations, restrictions, conditions, standards, prohibitions, requirements, obligations, schedules and timetables contained in Environmental Laws or contained in any code, plan, order, decree, judgment, injunction, notice or demand letter issued, entered, promulgated or approved thereunder.

(b) Continued Compliance with Environmental Laws. None of Sellers nor any of the Acquired Companies is aware of, nor has received notice of, any past, present or future events, conditions, circumstances, activities, practices, incidents, actions or plans which may interfere with or prevent compliance or continued compliance with the Environmental Laws.

#### 5.15 Accounts Receivable, Accounts Payable and other Receivables.

(a) True and Complete Detail of Receivables. Exhibit 5.15(a) of the Disclosure Statement is a true and complete detail, including aging, of each of Seller's and each of the Acquired Company's accounts receivable and accounts payable as of the last day of the calendar month occurring at least fifteen (15) days prior to the date of this Agreement.

(b) Acquired in Ordinary Course. Except as disclosed in Section 5.15(b) of the Disclosure Statement, the accounts, notes, contracts and other receivables and work in progress which are reflected on the Interim Financial Statements were acquired by each of Sellers and each of the Acquired Companies in the ordinary and regular course of the Sellers' Businesses arising from bona fide deliveries of goods, services or other transactions and the aggregate gross amount of the accounts, notes, contracts and other receivables which are reflected in the Interim Financial Statements (without reduction for any bad debt or other reserve) are collectable in full or will be collected, as the case may be, in full, in the ordinary and regular course of business, net of any disclosed reserve for doubtful accounts.

(c) Collected or Collectable. Except as disclosed in Section 5.15(c) of the Disclosure Statement, the accounts, notes, contracts and other receivables which have been or will be acquired by any of Sellers and any of the Acquired Companies after the date of the Interim Financial Statements were or will be acquired in the ordinary and regular course of business and the aggregate amount thereof (without reduction for any bad debt or other reserve) has been collected in full or will be collected in full, in the ordinary and regular course of business, net of any disclosed reserve for doubtful accounts set forth in the Audited Closing Date Transaction Balance Sheet.

#### 5.16 Contracts; Leases.

(a) List of All Contracts. Except as otherwise listed or disclosed in the Disclosure Statement, Section 5.16(a) of the Disclosure Statement is a true and complete list of the Contracts involving commitments by a party thereto which (i) have a monetary value of \$10,000 or more individually or \$50,000 in the aggregate with the same party, and (ii) are material to or materially affect the Sellers' Businesses or the Assets.

(b) Leases. Section 5.16(b) of the Disclosure Statement is a true and complete list of the following information regarding each of the Leases: (i) the lessor and the lessee thereof; (ii) the date and term; and (iii) the Sellers' Businesses conducted on the property.

(c) Standard Form of Agreements and Non-Standard Form of Agreements. Attached as Exhibit 5.16(c) to the Disclosure Statement is a true and complete copy of each of Seller's and each of the Acquired Company's standard form of agreement with its independent sales representatives or contractors and a copy of any agreements with independent sales representatives or contractors having current and effective non-standard agreements.

(d) All Contracts and Leases Valid; No Breach.

(i) Except as disclosed in Section 5.16(d)(i) of the Disclosure Statement, the Contracts and the Leases, including, without limitation, the Franchise Agreement, are valid, binding and enforceable on and against each of Sellers and each of the Acquired Companies, as applicable, and against the other parties thereto, in accordance with their terms, except as limited by applicable bankruptcy, insolvency, reorganization, moratorium or other laws of general application relating to creditors' rights or by the application of equitable principles when equitable remedies are sought.

(ii) Except as disclosed in Section 5.16(d)(ii) of the Disclosure Statement, (1) none of Sellers, any of the Acquired Companies, nor, to any of Seller's knowledge, any other person, firm, corporation or entity, is in breach of, or default under, any of the Leases or any of the Contracts in any respect, (2) no event or

action has occurred, is pending, or to any of Seller's knowledge, is threatened, which after the giving of notice, or the lapse of time, or otherwise, would constitute or result in a breach or default in any respect by any of Sellers or any of the Acquired Companies or, to any of Seller's knowledge, any other person, firm, corporation or entity, under any of the Leases or the Contracts and (3) none of Sellers nor any of the Acquired Companies has received notice that any party to any of the Leases or the Contracts intends to cancel, suspend or terminate any of the Leases or the Contracts or to exercise or not exercise any options under any of the Leases or any of the Contracts.

5.17 Employee Matters; Employee Benefit Plans; Non-Competition Agreements; Employment Agreements; and Similar Arrangements.

(a) Leased Employees. The Employee Leasing Agreement may be terminated by Sellers and the Acquired Companies, without penalty, upon sixty (60) days notice. The Employee Leasing Agreement may be assigned to Purchaser with the consent of the Employee Lessor. Except for the individuals designated as employees in Section 5.17(a) of the Disclosure Statement (which excludes employees of the Employee Lessor that work for the Sellers' Businesses), no other individuals are employees in the Sellers' Businesses.

(b) Disclosure of Personnel. Section 5.17(b) of the Disclosure Statement contains a true and complete list of the names and addresses of all officers, directors, partners and shareholders of any of Sellers and the Acquired Companies, the Realty Business' independent brokers and sales agents and the Leased Employees, stating the positions, the Seller or the Acquired Company for which they provide a majority of their services, dates of hire, current rates of compensation, the amounts actually paid to such individuals during the calendar year ended December 31, 1997 and accrued vacation and bonuses payable by any of Sellers or any of the Acquired Companies to or with respect to each.

(c) Brokers and Sales Agents. Section 5.17(c) of the Disclosure Statement is a true and complete list, for calendar year 1996, calendar year 1997 and calendar year 1998 to date, of the Realty Business' brokers and sales agents ranked, (a) on a company-wide basis, by gross commission income and (b) on an office-by-office basis, by gross commission income.

(d) Loan Officers. Section 5.17(d) of the Disclosure Statement is a true and complete list, for calendar year 1997 and calendar year 1998 to date, of the Mortgage Business' loan officers and their respective compensation during such periods.

(e) Employee Benefit Plans.

(i) Section 5.17(e)(i) of the Disclosure Statement lists all employee benefit plans, whether or not any of Sellers or any of the Acquired Companies maintain or otherwise contribute to such benefit plans, and labor and employment agreements for all employees of any of Sellers or any of the Acquired Companies and all Leased Employees or other similar arrangements to which any of Sellers or any of the Acquired Companies

or any ERISA Affiliate contribute, are a party or by which they are bound, legally or otherwise (collectively, "Benefit Plans"), including, without limitation, (1) any profit-sharing, deferred compensation, bonus, stock option, stock purchase, pension, retainer, consulting, retirement, severance, welfare or incentive plan, agreement or arrangement, (2) any plan, agreement or arrangement providing for "fringe benefits" or perquisites to employees, officers, directors or agents, including but not limited to benefits relating to automobiles, clubs, vacation, child care, parenting, sabbatical, sick leave, medical, dental, hospitalization, life insurance and other types of insurance, (3) any employment agreement, oral or written and (4) any other "employee benefit plan" (within the meaning of Section 3(3) of the Employment Retirement Income Security Act of 1974, as amended ("ERISA")). Exhibit 5.17(e)(i) of the Disclosure Statement contains true and complete copies of all written Benefit Plans.

(ii) No Benefit Plan, nor any prior plan or arrangement for which the Sellers' Businesses have ever had a liability or responsibility, is, or was, subject to Title IV of ERISA or a multiemployer plan (within the meaning of Section 3(37) of ERISA) and except as disclosed in Section 5.17(e)(ii) of the Disclosure Statement, no Benefit Plan is a stock bonus, pension or profit sharing plan within the meaning of Section 401(a) of the Code. Each Benefit Plan which is intended to be qualified under the terms of Code Section 401(a) is noted in Section 5.17(e)(ii) of the Disclosure Statement. No ERISA Affiliate maintains a plan that is subject to Title IV of ERISA or that is a multiemployer plan.

(iii) Except as disclosed in Section 5.17(e)(iii) of the Disclosure Statement, (1) there are no actions, suits or claims pending or, to any of Seller's knowledge, threatened against such Benefit Plans or their assets, or arising out of such Benefit Plans, (2) no facts exist which could give rise to any such actions, suits or claims which would have a material adverse effect on the Sellers' Businesses prior to Closing or the Purchased Businesses after the Closing and (3) each of Sellers and each of the Acquired Companies has performed all of its respective obligations under all such Benefit Plans in all respects, all of which are in full force and effect.

(iv) Except as disclosed in Section 5.17(e)(iv) of the Disclosure Statement, each of the Benefit Plans can be terminated within a period of sixty (60) days without payment of any additional compensation or additional vesting or acceleration of any such benefits.

(v) Except as disclosed in Section 5.17(e)(v) of the Disclosure Statement, (1) none of Sellers nor any of the Acquired Companies is in default under the Benefit Plans and (2) there have been no claims of defaults and, to the best knowledge of any of Sellers, there are not facts or conditions which if continued will result in a default under these contracts or arrangements.

(vi) Subject to Section 5.13(a) and except for the Assumed Liabilities or as disclosed in Section 5.17(e)(v) of the Disclosure Statement, as of the Closing all contributions for all Benefit Plans shall have been paid or accrued on the 1998 Audited Balance Sheet.

(vii) Except as disclosed in Section 5.17(e)(v) of the Disclosure Statement, all Benefit Plans obligations are fully funded or fully insured to the extent such Benefit Plans are required to be funded or insured pursuant to the terms of such Benefit Plans or applicable law.

(viii) Sellers have provided Purchaser all documents, including, but not limited to, the funding agreement and current financial statements, Forms 5500 and summary plan description for each Benefit Plan.

(f) Compliance with ERISA, the Code and other Employment Laws. Except as disclosed in Section 5.17(f) of the Disclosure Statement, (i) each of Sellers, each of the Acquired Companies and Employee Lessor, with respect to the Leased Employees, are in full compliance with the applicable provisions of ERISA and the Code (as amended through the date of the Agreement), the regulations and published authorities thereunder, and all other laws applicable with respect to all Benefit Plans in all respects, (ii) there has been no act or omission by any of Sellers, any of the Acquired Companies, or Employee Lessor with respect to the Leased Employees, or any ERISA Affiliate that has given rise to or may give rise to fines, penalties, taxes, or related charges under Section 502(c) or (i) or Section 4071 of ERISA or Chapter 43 of the Code, (iii) each of Sellers, each of the Acquired Companies, and Employee Lessor have complied in all respects with, and are not in violation in any respect of, applicable federal, state and local equal employment opportunity and other employment of labor statutes, laws and regulations with respect to the Leased Employees, including without limitation, those involving health and safety matters and (iv) there are no pending or threatened labor practice charges, and none of Sellers, any of the Acquired Companies, or Employee Lessor has taken any action which could give rise to any unfair labor practice charge by Leased Employees.

(g) Group Health Plans. Except as disclosed in Section 5.17(g) of the Disclosure Statement, each of Sellers, each of the Acquired Companies and the Employee Lessor's group health plans maintained for personnel used by each of Sellers and each of the Acquired Companies have been operated in compliance with the group health plan continuation coverage requirements of Part 6 of Title I of ERISA and 4980B of the Code in all respects to the extent such requirements are applicable.

(h) Collective Bargaining Agreements. Except as disclosed in Section 5.17(h) of the Disclosure Statement, (i) none of Sellers nor any of the Acquired Companies is a party to any collective bargaining agreement, (ii) no such agreement determines the terms and conditions of employment of any Leased Employees, (iii) no collective bargaining agent has been certified as a representative of any Leased Employees, (iv) no representation campaign or election is now in progress with respect to any Leased Employee, (v) there is no labor trouble, dispute, grievances, controversies, strike or request for union representation pending, or, to the knowledge of any of Sellers, threatened, relating to or affecting the Sellers' Businesses and (vi) to the knowledge of any of Sellers, there is no occurrence or any event which could give rise to any such trouble, dispute, controversy, strike or request for representation.

(i) Accrued Vacation Time, Sick Time or Personal Time. Section 5.17(i) of the Disclosure Statement is a true and complete list, by individual, of any of Seller's, any of the Acquired Company's, and the Employee Lessor's obligations to the Leased Employees or applicable governmental agency, including all applicable taxes and withholding obligations, for vacation time, sick time or personal time or earned time-off accrued pursuant to their services on behalf of any of Sellers or any of the Acquired Companies.

(j) Non-competition Agreements. Section 5.17(j) of the Disclosure Statement is a true and complete list of all non-competition agreements to which any of Sellers or any of the Acquired Companies is a party.

(k) Confidentiality Agreements. Section 5.17(k) of the Disclosure Statement is a true and complete list of all confidentiality agreements to which any of Sellers or any of the Acquired Companies is a party.

(l) Non-Solicitation Agreements. Section 5.17(l) of the Disclosure Statement is a true and complete list of all non-solicitation agreements to which any of Sellers or any of the Acquired Companies is a party.

(m) Indemnification Agreements. Section 5.17(m) of the Disclosure Statement is a true and complete list of all indemnification agreements to which any of Sellers or any of the Acquired Companies is a party.

(n) Excess Parachute Payments. The consummation of the transactions contemplated by the Agreement shall not result in the acceleration of the vesting or in the payment of benefits or in the payment of any amounts which would be considered "excess parachute payments" within the meaning of Section 280G of the Code.

#### 5.18 Intellectual Property.

(a) Disclosure of all Intellectual Property. Except as to slogans not currently used by any of Sellers or any of the Acquired Companies in connection with any of the Sellers' Businesses, Section 5.18(a) of the Disclosure Statement is a true and complete list of the Intellectual Property used in any of the Sellers' Businesses since August 31, 1990.

(b) Trade Secrets.

(i) To the extent not included in Section 5.18(a) of the Disclosure Statement, Section 5.18(b)(i) of the Disclosure Statement is a true and complete list of all Trade Secrets.

(ii) Except as disclosed in Section 5.18(b)(ii) of the Disclosure Statement, (1) all Trade Secrets currently used or owned by or in which any of Sellers or any of the Acquired Companies have any rights or which are otherwise used in the



Sellers' Businesses, are not part of the public knowledge or literature, nor have they been used, divulged, or appropriated for the benefit of any past or present employees or other persons, or to the detriment of any of Sellers or any of the Acquired Companies and (2) each of Sellers and each of the Acquired Companies has taken all reasonable security measures to protect the secrecy, confidentiality, and value of the Trade Secrets.

(iii) Except as disclosed in Section 5.18(b)(iii) of the Disclosure Statement, any of the Leased Employees, representatives and agents of any of Sellers, or any of the Acquired Companies and any other persons who, either alone or in concert with others, developed, invented, discovered, derived, programmed, or designed the Trade Secrets, or who have knowledge of or access to information relating to the Trade Secrets, have been put on notice and, if appropriate, have entered into an agreement that the Trade Secrets are proprietary to each of Sellers or any of the Acquired Companies and are not to be divulged or misused.

(c) Trade Names. Section 5.18(c) of the Disclosure Statement is a true and complete list of all names, trade names and fictitious names under which any of Sellers and any of the Acquired Companies have conducted any business or which they have otherwise used since August 31, 1990.

(d) Internet. Section 5.18(d) of the Disclosure Statement is a true and complete list of any of Seller's and any of the Acquired Company's Internet domain names and Web Sites controlled or authorized by any of Sellers. Exhibit 5.18(d) to the Disclosure Statement is a true and complete print out of all Web Pages prepared by or for the benefit of any of Sellers and any of the Acquired Companies.

(e) No Infringement, Misuse or Misappropriation. Except as disclosed in Section 5.18(e) of the Disclosure Statement, to any of Seller's knowledge (i) there is not now and has not been any infringement, unlicensed use or misappropriation by any of Sellers or any of the Acquired Companies of any intellectual property or trade secret which is owned by any third party, (ii) there is not now any existing or, to any of Seller's knowledge, threatened claim, and no Seller has knowledge of any potential claim, against any of Sellers or any of the Acquired Companies for infringement, misuse or misappropriation of any intellectual property or trade secret, (iii) the Intellectual Property is in full force and effect, and (iv) none of the Intellectual Property or Trade Secrets is subject to any encumbrances whatsoever.

5.19 Litigation. Section 5.19 of the Disclosure Statement is a true and complete list and brief description (including the amounts involved) of all claims, actions, investigations, arbitrations, reviews, suits or proceedings pending or, to any of Seller's knowledge, threatened, including, without limitation, actions, investigations, reviews, suits or proceedings relating to product, service or personal injury liability claims or reimbursement claims, against or affecting any of Sellers, any of the Acquired Companies, any of the Assets or the Sellers' Businesses, at law or in equity, or before or by any federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign.

## 5.20 Legal Compliance.

(a) Except as disclosed in Section 5.20(a) of the Disclosure Statement, none of Sellers nor any of the Acquired Companies is operating under, or subject to, or in default with respect to, any order, writ, injunction or decree of any court or governmental agency or body, domestic or foreign.

(b) Except as disclosed in Section 5.20(b) of the Disclosure Statement, none of Sellers nor any of the Acquired Companies is conducting or carrying on its business or affairs in violation of any foreign, federal, state or local law, statute, ordinance, rule, regulation or court or administrative order or process, including, without limitation, the laws, rules and regulations of the Florida Department of Insurance and the Real Estate Settlement Procedures Act, to the extent any such violation would have a material adverse effect on the Sellers' Businesses prior to the Closing or the Purchased Businesses after the Closing.

(c) Except as disclosed in Section 5.20(c) of the Disclosure Statement, none of Sellers, nor any of the Acquired Companies, nor any of their respective officers, directors, shareholders, or Constituent Partners, on behalf of, or for the benefit of, any of Sellers or any of the Acquired Companies, directly or indirectly, have done any of the following:

(i) offered, paid or received any remuneration to or from, or made any arrangement with, any of the past or present customers or potential customers in order to obtain business, other than standard pricing or discount arrangements or other arrangements consistent with proper business practices and applicable law;

(ii) given or received, or agreed to give or receive, or is aware that there has been made, or that there is an agreement to make or receive, any gift or gratuitous payment of any kind, nature or description (whether in money, property or services) to any past or present customer, supplier, source of financing, landlord, subtenant, licensee or anyone else at any time, other than gifts and gratuitous payments that are consistent with proper business practices and applicable law;

(iii) made, or has agreed to make, or is aware that there is any agreement to make, any political contribution or any contributions, payments or gifts of their respective funds or property to or for the private use of any governmental official, employee or agent, where either the payment or the purpose of such contribution, payment or gift relates to the Sellers' Businesses and is illegal under the laws of the United States, any state thereof or any other jurisdiction (foreign or domestic); or

(iv) made, or has agreed to make, or is aware that there have been made or that there is any agreement to make, any payments to any persons with the intention or understanding that any part of such payment was to be used, directly or indirectly, for the benefit of any past or present customer, employee, supplier or landlord of Sellers nor any of the Acquired Companies for any purpose other than that reflected in the documents supporting the payments.

(d) No Compensation Paid by the Title Business to Sales Agents or Brokers. Except as disclosed in Section 5.20(d) of the Disclosure Statement, no referral fees, benefits or other compensation of any kind have ever been paid by either of the Title Agencies to any of the Realty Business' brokers and sales agents and none of the Sellers or any of the Acquired Companies has any oral or written agreement to pay such referral fees, benefits or other compensation of any kind in the future.

#### 5.21 Permits; Consents.

(a) Section 5.21(a) of the Disclosure Statement is a true and complete list of and copies of the Permits (except that in lieu of copies of Department of Business and Professional Regulation's licenses for Realty Businesses' independent contractor agents, Sellers shall deliver a list of such agents' license registration numbers).

(b) Except as set forth in Section 5.21(b) of the Disclosure Statement, the Permits listed in Section 5.21(a) of the Disclosure Statement (i) have been duly and validly issued, and are in full force and effect, (ii) none of Sellers nor any of the Acquired Companies has committed any act or failed to act in a manner or under circumstances which could result in the revocation or suspension of the Permits or in any other disciplinary action relating thereto, (iii) no one has claimed, and none of Sellers nor any of the Acquired Companies has received, any notice that it has committed any such act or failed to so act, (iv) the consummation of the transactions contemplated by the Agreement will not impair or adversely affect any of the rights, powers or privileges granted pursuant to the Permits and (v) are renewable by their terms or in the ordinary course of business without the need to comply with any special qualification procedures or to pay any amounts other than routine filing fees.

#### 5.22 Insurance.

(a) Disclosure of Insurance Policies. Section 5.22(a) of the Disclosure Statement is a true and complete list of all Insurance Policies, other than those which relate solely to the Excluded Assets, together with a list of all outstanding claims under each Insurance Policy (excluding those claims listed in Section 5.19 of the Disclosure Statement). Attached as Exhibit 5.22(a) of the Disclosure Statement is a true and complete copy of each Insurance Policy.

(b) Full Force and Effect; Adequacy of Coverage; Paid in Full. Except as disclosed in Section 5.22(b) of the Disclosure Statement, (i) the Insurance Policies are in full force and effect in accordance with their terms, (ii) no notice of cancellation has been received, and there is no existing default or event which, with the giving of notice or lapse of time or both, would constitute a default thereunder, (iii) such policies are in amounts which are adequate in relation to the Sellers' Businesses and the Assets, (iv) all premiums to date have been paid in full and (v) none of Sellers nor any of the Acquired Companies has been refused any insurance, or had its coverage limited by

any insurance carrier to which it has applied for insurance or with which it has carried insurance.

(c) Outstanding Bonds and Surety Arrangements. Section 5.22(c) of the Disclosure Statement is a true and complete list and copy of all outstanding bonds and other surety arrangements issued or entered into by any of Sellers or any of the Acquired Companies in connection with the Sellers' Businesses, including, without limitation, all surety bonds required by Chapter 494 of the Florida Statutes.

5.23 Subsequent Events. Except as disclosed in Section 5.23 of the Disclosure Statement, since the date of the Interim Balance Sheet each of Sellers and each of the Acquired Companies has conducted the Sellers' Businesses only in the ordinary course consistent with past practices or as approved in writing by Purchaser, and there has not been any:

(a) material adverse change (financial or otherwise) in the condition of the Assets, liabilities, earnings, business affairs or prospects or properties of any of Sellers or any of the Acquired Companies;

(b) sale, assignment, transfer, mortgage, pledge, encumbrance or lease of any of the Assets, tangible or intangible;

(c) issuance, sale or other disposition of any stock, stock options, bonds, notes or other securities related to any of Sellers, any of the Acquired Companies, the Assets or the Sellers' Businesses;

(d) incurrence of any obligation or liability (absolute or contingent), except for current liabilities incurred, and obligations entered into, in the ordinary course of business, consistent with past practice;

(e) increase in compensation payable or to become payable to any officer, shareholder, partner, Leased Employee, agent, or consultant, whether by means of bonus, percentage compensation, service award or other like benefit, or welfare, pension, retirement or similar payment or arrangement, except in the ordinary course of business, consistent with past practice (the foregoing shall not include or preclude distributions consistent with past practices and in the ordinary course of business to Constituent Partners of any of Sellers or any of the Acquired Companies);

(f) material adverse change in the number or composition of the Leased Employees;

(g) resignation or termination of the Realty Business' brokers and sales agents responsible for more than 10% of the Realty Business' gross commission income on a company-wide basis during calender year 1996, calender year 1997 or calender year 1998 to date;

(h) discharge or satisfaction of any lien, charge or encumbrance, or payment of any obligation or liability, absolute or contingent, other than current liabilities shown on the Interim Balance Sheet and current liabilities incurred since that date in the ordinary course of business, consistent with past practice;

(i) release, compromise, waiver or cancellation of any debts to or claims by Sellers or any of the Acquired Companies, except in each case in the ordinary course of business, consistent with past practice;

(j) waiver of any rights of substantial value except in each case in the ordinary course of business, consistent with past practice;

(k) capital expenditure in excess of \$25,000 for any single item or \$100,000 in the aggregate;

(l) charitable contributions made or pledged in excess of \$1,000 or \$5,000 in the aggregate, except for the quarterly contribution to the Prudential Florida Realty Foundation, Inc. in an amount not exceeding previous quarterly contributions;

(m) change in accounting methods or practices or revaluation of any of the Assets;

(n) damage, destruction or loss (whether or not covered by insurance) adversely affecting the Leases, the Sellers' Businesses or the Assets (and Sellers agree to promptly inform Purchaser of any fire or casualty, loss or damage in excess of \$10,000);

(o) incurrence of any extraordinary losses or waiver of any rights of substantial value to any of Sellers or any of the Acquired Companies, whether or not in the ordinary course of business;

(p) loan by any of Sellers or any of the Acquired Companies to any person or entity, or guaranty by any of Sellers or any of the Acquired Companies of any loan;

(q) amendment or termination of any of the Contracts, except in the ordinary course of business, consistent with past practice;

(r) entrance by any of Sellers or any of the Acquired Companies into any collective bargaining agreement or any employment agreement, or incurrence of any significant labor trouble or work stoppage;

(s) failure by any of Sellers or any of the Acquired Companies to satisfy any of its debts, obligations or liabilities related to the Sellers' Businesses or the Assets as the same become due and owing, except to the extent same are being disputed in good faith by Sellers or any of the Acquired Companies;

(t) agreement or commitment by any of Sellers or any of the Acquired Companies to do any of the foregoing; or

(u) other event or condition of any character which, individually or in the aggregate, has materially adversely affected, or any event or condition known to any of Sellers which reasonably can be expected in any one case or in the aggregate to have a material adverse affect (financial or otherwise) on, the Sellers' Businesses or the Assets (excluding events or conditions, if any, of public knowledge or of a general economic, market or similar nature).

#### 5.24 Tax Returns; Taxes.

(a) Tax Returns. Section 5.24(a) of the Disclosure Statement is a true and complete list of all federal, state, local and foreign tax returns, reports, statements and other similar filings required to have been filed by any of Sellers and any of the Acquired Companies from January 1, 1997 through the date of the Agreement (the "Tax Returns") with respect to any federal, state, local or foreign taxes, assessments, interest, penalties, deficiencies, fees and other governmental charges or impositions (including, without limitation, all income tax, unemployment compensation, social security, payroll, sales and use, excise, privilege, property, ad valorem, franchise, license, school and any other tax or similar governmental charge or imposition under laws of the United States, of any state or municipal or political subdivision thereof or any foreign country or political subdivision thereof) (collectively, the "Taxes").

(b) All Tax Returns Filed. The Tax Returns or extensions therefor have been filed with the appropriate governmental agencies in all jurisdictions in which such Tax Returns are required to be filed.

(c) All Tax Returns Accurate. Except as disclosed in Section 5.24(c) of the Disclosure Statement, the Tax Returns are complete and accurate in all substantial respects and properly reflect the liabilities of each of Sellers and each of the Acquired Companies for Taxes for the periods, property or events covered thereby.

(d) All Taxes Paid. Except as disclosed in Section 5.24(d) of the Disclosure Statement, (i) all Taxes payable by any of Sellers and any of the Acquired Companies through the date of the Agreement, including those, without limitation, which are called for by the Tax Returns, or heretofore or claimed to be due by any taxing authority from any of Sellers or any of the Acquired Companies have been properly accrued or paid, (ii) each of Sellers, each of the Acquired Companies and Employee Lessor have made all deposits required by law to be made with respect to employees' withholding and other employment taxes, including, without limitation, the portion of such deposits relating to Taxes imposed upon any of Sellers, any of the Acquired Companies or Employee Lessor as to the Leased Employees, and (iii) since the date of the Interim Balance Sheet, none of Sellers nor any of the Acquired Companies has incurred any liability with respect to any Taxes except in the ordinary and regular course of business.

(e) No Audits or Disputes. Except as disclosed in Section 5.24(e) of the Disclosure Statement, (i) no waiver by any of Sellers or any of the Acquired Companies of the statute of limitations with respect to any Taxes is in effect, (ii) none of the Tax Returns of any of Sellers or any of the Acquired Companies has been or are being audited by the Internal Revenue Service or any other regulatory authority, and (iii) there are no present disputes as to Taxes payable by any of Sellers or any of the Acquired Companies that could themselves have or result in any adverse effect on any of Sellers, any of the Acquired Companies, the Assets, the Sellers' Businesses or the Purchased Business.

5.25 Telephone Numbers, Listings, Yellow-Page Advertisements and Post Office Boxes. Section 5.25 of the Disclosure Statement is a true and complete list of (a) all telephone and telecopier numbers related to the Sellers' Businesses, (b) all current Yellow Page advertisements related to the Sellers' Businesses and a schedule of the dates on which such advertisements are required to be renewed and the cost of each Yellow Page advertisement for the prior year and (c) all post office boxes utilized by any of Sellers or any of the Acquired Companies in connection with the Sellers' Businesses.

5.26 Conditions Affecting Purchaser. Except as disclosed in Section 5.26 of the Disclosure Statement, none of Sellers nor any of the Acquired Companies has any reason to believe that any material loss or resignation of any Leased Employees, agents, independent contractors, suppliers, or other advantageous arrangement will result because of the consummation of the transactions contemplated by the Agreement.

5.27 Previous Potential Purchaser. Except as disclosed in Section 5.27(a) of the Disclosure Statement, none of the Sellers or any of the Acquired Companies has entered into written agreements, letters of intent or other similar documents relating to the potential sale of the stock or all or substantially all of the assets of any of Sellers or any of the Acquired Companies. Except as disclosed in Section 5.27(b) of the Disclosure Statement, to the best knowledge of any of Sellers, no party that has discussed its interest in purchasing the stock or all or substantially all of the assets of any of Sellers or any of the Acquired Companies has elected, after conducting due diligence or other investigation on any of Sellers or any of the Acquired Companies, not to proceed with such transaction based, in part or in whole, on information learned by such party during its due diligence or other investigation.

5.28 Sellers' Businesses.

(a) Inspection Business. The Inspection Business is only conducted by Pinnacle Property Inspection, Inc. and only under the name "Pinnacle Property Inspection."

(b) Mortgage Business. The Mortgage Business is only conducted by Preferred Florida Mortgages, Inc. and only under the name "Preferred Florida Mortgages."

(c) PFR Builder Services Division. The PFR Builder Services Division is only conducted by CMT Holding, Ltd. and only under the name "PFR Builders Services Division."

(d) Property Management Business. The Property Management Business is only conducted by PFR Asset Management, Inc. and only under the names "CMT Florida Residential Services" and "PFR Asset Management."

(e) Real Estate Education Business. The Real Estate Education Business is only conducted by MCK Real Estate Education Centers of Florida, Inc., and only under the name "MCK Real Estate Education Centers of Florida."

(f) Realty Business. The Realty Business is only conducted by CMT Holding, Ltd., CMT Florida Residential Services, Inc. and NEWCMT, Inc., and only under the names "Prudential Florida Realty", "The Prudential Florida Realty Rental Division" and "Sanctuary Realty", respectively.

(g) Title Business. The Title Business is only conducted by the Title Agencies, and only under the name "Sunbelt Title Agency of Central Florida, Inc."

(h) Offices for the Sellers' Businesses. The Sellers' Businesses are only conducted in the offices disclosed in Sections 5.07(a) and 5.16(b) of the Disclosure Statement.

5.29 Rates and Fees Charged by the Title Business. Exhibit 5.29 of the Disclosure Statement are true and complete copies of all rate and fee schedules used by the Title Business for title insurance and other services during the thirty-six (36) months immediately preceding the Closing Date.

5.30 HSR Act. Promptly after the execution of the Agreement, Sellers shall prepare and file, and, to the extent the participation of any of the Acquired Companies is necessary, Sellers shall cause the Acquired Companies to prepare and file, all documents with the Federal Trade Commission and the United States Department of Justice as are required to comply with the HSR Act and shall promptly furnish all materials thereafter requested by any of the regulatory agencies having jurisdiction over such filings. Each of Sellers shall use its best reasonable efforts to cooperate with Purchaser to obtain an acceleration of the applicable waiting period under the HSR Act. All information provided by Sellers and the Acquired Companies to such agencies shall be, to the best of Sellers' knowledge, true and complete.

5.31 Software and Hardware. Exhibit 5.31 of the Disclosure Statement is a true and complete copy of any of Seller's and any of the Acquired Company's plans and budgets for software and hardware upgrades and enhancements prepared as of the date of the Agreement.



## ARTICLE VI

## PURCHASER'S REPRESENTATIONS AND WARRANTIES

Purchaser refers to all affiliates and designees of Purchaser as defined in the opening paragraph of the Agreement. Purchaser hereby represents and warrants to Sellers as of the date of the Agreement (which warranties and representations shall survive the Closing regardless of what examinations, inspections, audits and other investigations Sellers have made or may hereafter make, with respect to such warranties and representations) as follows:

## 6.01 Due Organization.

(a) Each of the entities that are included in Purchaser is a duly organized and validly existing corporation in good standing under the laws of the State of Florida and has the power and lawful authority to own its properties and to transact the business in which it is currently engaged. Each of the entities that are included in Purchaser are direct or indirect subsidiaries of The St. Joe Company. As of the date of the Agreement and until the Closing, none of the entities comprising Purchaser (i) has conducted or will conduct any business or (ii) had or will have any assets or liabilities.

(b) Exhibit 6.01(b) to the Agreement sets forth: (i) the state of incorporation of each entity comprising Purchaser; (ii) the owner of capital stock or other equity interest in each entity comprising Purchaser and, to the extent such owner is not The St. Joe Company, the ownership of capital stock in each such ownership entity up through The St. Joe Company; (iii) the portion of the Purchased Businesses that will be conducted through such entity; and (iv) the members of the Boards of Directors of each entity. At least ten (10) days prior to the Closing, Purchaser shall deliver to Sellers true and complete copies of the Articles of Incorporation and Bylaws of each of the entities comprising Purchaser.

## 6.02 Power and Authority.

(a) Purchaser has full power to enter into the Agreement and to carry out its obligations under the Agreement. The execution and delivery of the Agreement and the other agreements, documents, and instruments required to be delivered by Purchaser pursuant to the Agreement including, without limitation, the Note (collectively, the "Purchaser's Documents"), and the consummation of the transactions contemplated by the Agreement have been duly and validly authorized by its Board of Directors. No other acts or proceedings on the part of Purchaser will be necessary to authorize the Agreement, the Purchaser's Documents, or the transactions contemplated by the Agreement and the Purchaser's Documents. The Agreement and the Purchaser's Documents constitute a valid and legally binding obligation of Purchaser, enforceable against Purchaser in accordance with their respective terms, except as limited by applicable bankruptcy, insolvency, reorganization, moratorium or other laws of general application relating to creditors' rights or by the application of equitable principles when equitable remedies are sought.

(b) Neither the execution and delivery of the Agreement or the Purchaser's Documents, nor the consummation of the transactions contemplated by the Agreement or the Purchaser's Documents, nor compliance by Purchaser with any of the provisions of the Agreement and the Purchaser's Documents, will:

(i) violate, or conflict with, or result in a breach of any provisions of, or constitute a default (or an event which, with notice or lapse of time or both, would constitute a default) under, any of the terms, conditions or provisions of the Articles of Incorporation or By-laws of Purchaser, or any note, bond, mortgage, indenture, deed of trust, license, agreement or other instrument or obligation to which it or any subsidiary is a party, or by which they or any of their properties or assets may be bound or affected; or

(ii) violate any order, writ, injunction or decree, or any statute, rule or regulation applicable to Purchaser or any of its properties or assets.

#### 6.03 Accuracy.

(a) All certificates, instruments, or documents executed by any officer or director of Purchaser delivered pursuant to the Agreement, or any other transaction contemplated by the Agreement, are true and complete.

(b) Neither the Agreement, the Purchaser's Documents, nor any certificate, instrument, or document executed by any officer or director of Purchaser delivered pursuant to the Agreement, or any other transaction contemplated by the Agreement, contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements included herein or therein not misleading in light of the circumstances under which they were made. Without limiting the foregoing, the information concerning Purchaser provided to Sellers for use in any filing or application to be made with any governmental body in connection with the transactions contemplated by the Agreement will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not false or misleading.

6.04 Approvals. Except as required by the HSR Act, no permits, approvals, consents, satisfaction of waiting periods, or waivers thereof of agencies of any jurisdiction or governmental body, or of any other person whatsoever, related exclusively to Purchaser are necessary to allow Purchaser to consummate the transactions contemplated by the Agreement in compliance with, and not in breach of, all applicable laws, rules, regulations, orders or governmental or other agency directives, or the provisions of any contract binding upon Purchaser.

6.05 Brokers. Neither the Agreement nor the sale and purchase of the Assets or any other transaction contemplated by the Agreement was induced by or procured through any person, firm, corporation or other entity acting on behalf of, or representing Purchaser as a broker, finder, investment banker, financial advisor or in any similar capacity.

6.06 HSR Act. Promptly after the execution of the Agreement, Purchaser shall prepare and file all documents with the Federal Trade Commission and the United States Department of Justice as are required to comply with the HSR Act and shall promptly furnish all materials thereafter requested by any of the regulatory agencies having jurisdiction over such filings. Purchaser shall use its best reasonable efforts to obtain an acceleration of the applicable waiting period under the HSR Act. All information provided by Purchaser to such agencies shall be, to the best of Purchaser's knowledge, true and complete.

## ARTICLE VII

### PRE-CLOSING COVENANTS

7.01 Purchaser's Examinations and Due Diligence. During the Inspection Period, each of Sellers shall, and shall cause each of the Acquired Companies to:

(a) permit Purchaser and its representatives, agents, counsel, accountants and lenders (and their counsel and agents) to conduct such inspections, investigations and due diligence relating to the Sellers' Businesses, the Assets and the Assumed Liabilities as Purchaser shall deem necessary in its sole discretion;

(b) permit Purchaser and its representatives, agents, counsel, accountants and lenders (and their counsel and agents) to have full access to all books, accounts, records, contracts, files, correspondence, tax records and documents of or relating to the Sellers' Businesses, the Assets, the Assumed Liabilities, or any Benefit Plans;

(c) permit Purchaser and its representatives, agents, counsel, accountants and lenders (and their counsel and agents) reasonable access, during any of Seller's or any of the Acquired Company's normal business hours, to any of Seller's and any of the Acquired Company's properties and offices;

(d) permit Purchaser, at its sole cost and expense, to cause its representatives, agents, counsel, accountants and lenders (and their counsel and agents) to conduct such reviews, inspections, surveys, tests and investigations of the Sellers' Businesses, the Assets and the Assumed Liabilities as Purchaser deems necessary or advisable in its sole discretion, including, without limitation, verification of assumptions upon which the Purchase Price is based;

(e) promptly furnish or cause to be furnished, at Sellers' sole cost and expense, to Purchaser and Purchasers representatives, agents, counsel, accountants and lenders (and their counsel and agents) originals or copies of all documents, records, data and information concerning the Sellers' Businesses, the Assets and the Assumed Liabilities that may be requested (Purchaser shall promptly reimburse Sellers for Sellers' reasonable costs in making any photocopies requested by Purchaser and Purchasers' representatives, agents, counsel, accountants and lenders);

(f) permit Purchaser to consult with, and interview, each of Seller's and each of the Acquired Company's executives, accountants, auditors, and attorneys and each of Seller's and each of the Acquired Company's executives, accountants, auditors, and attorneys are hereby authorized to disclose all information in their possession to Purchaser with respect to the Sellers' Businesses, the Assets and the Assumed Liabilities; and

(g) permit Purchaser and its representatives, agents, counsel, accountants and lenders (and their counsel and agents) to conduct such investigations and due diligence as Purchaser shall deem necessary in its sole discretion relating to each of Seller's and each of the Acquired Company's key executives set forth on Schedule 7.01(g) to the Agreement. Sellers shall direct such key executives to provide Purchaser any and all written consents and authorizations that Purchaser may request relating to such investigations and due diligence.

Purchaser shall have the absolute right to terminate its inspections, investigations and due diligence, with or without cause, at any time. Nothing in this Section 7.01 shall be construed as permitting Purchaser or any of its agents, representatives, counsel, accountants or lenders to (i) unreasonably interfere with the ongoing business operations of Sellers or the Acquired Companies, or (ii) communicate directly with any of the Leased Employees other than Cope, Mueller, Jill Fisher Powers, Sticco or Tooke without first coordinating such communications with any of the foregoing executives.

7.02 Sellers' Covenants. Unless Purchaser shall otherwise agree in writing from and after the date of the Agreement and until the Closing Date, each of Sellers shall and shall cause each of the Acquired Companies to:

(a) carry on the Sellers' Businesses in the ordinary course consistent with past practices;

(b) except to the extent resulting from activities permitted elsewhere in the Agreement, refrain from doing, or causing to be done, anything which would cause the representations and warranties set forth in Article V of the Agreement from not being true, complete and accurate in all respects on the Closing Date as if made on such date;

(c) continue to insure themselves and the Assets and all property owned or leased by each of Sellers and the Acquired Companies in accordance with the manner disclosed in Section 5.22 of the Disclosure Statement, and to use, operate, maintain and repair the Assets and all property consistent with past practices;

(d) not enter into any contract or agreement for the purchase of goods, equipment or services (excluding any Cooperating Agreements or payments to any of Seller's or the Acquired Company's brokers, sales agents and the like in the ordinary

course of business consistent with past practices) without Purchaser's prior written consent, which shall not be unreasonably withheld, except in the ordinary course of business and not exceeding \$10,000 for any individual contract or agreement, nor exceeding \$50,000 in the aggregate, and except for contracts or agreements relating to legal, accounting and other services to be provided to any of Sellers or any of the Acquired Companies in connection with the Agreement and the transactions contemplated hereby;

(e) not enter into any agreement for any of Sellers to sell assets or supply services to others, other than Real Property Listing Contracts without Purchaser's prior written consent, which shall not be unreasonably withheld, other than in the ordinary course of business and not exceeding \$25,000 for any individual contract or agreement, or exceeding \$100,000 in the aggregate;

(f) use commercially reasonable efforts (without making any commitments on behalf of Purchaser) to preserve the Sellers' Businesses intact, to keep available to Purchaser the key executives set forth on Schedule 8.07(a)(i) to the Agreement and to preserve for Purchaser the present relationships with suppliers, agents independent contractors, underwriters, franchisors, lenders, agents, Leased Employees and others having business relationships with any of Sellers or any of the Acquired Companies;

(g) use commercially reasonable efforts (without making any commitments on behalf of Purchaser) to keep available to Purchaser all of the Sellers' and the Acquired Companies' key sales agents and brokers (as determined by Purchaser) and the Realty Business' Branch Managers, Sales Directors and Marketing Directors and, as applicable, cooperate with Purchaser and such sales agents and brokers, Branch Managers, Sales Directors and Marketing Directors in transferring the requisite Florida Real Estate sales licenses to Purchaser as of the Closing Date;

(h) refrain from doing any act or omitting to do any act, or permitting any act or omission to act, which will cause a breach of any contract, commitment or obligation of any of Sellers or any of the Acquired Companies related to the Sellers' Businesses, the Assets or the Assumed Liabilities;

(i) refrain from soliciting, encouraging or responding to (directly or indirectly by way of furnishing information, or otherwise) any inquiries or proposals for the acquisition of any of Sellers, any of the Acquired Companies, the Sellers' Businesses, or the Assets other than pursuant to the HSR Act or in accordance with the Agreement or as explicitly required by the Franchise Agreement;

(j) promptly notify Purchaser in writing of any written investigation, claim, action, suit or proceeding, which is commenced against, by or relating to any of Sellers, any of the Acquired Companies, the Assets, the Sellers' Businesses or the Agreement before any court or governmental department, commission, board, bureau, agency or instrumentality other than pursuant to the HSR Act;

(k) refrain from doing any act or omitting to do any act, or permitting any act or omission to act, which will cause any of the Assets to be depleted other than in the ordinary course of business or any of the accounts or accounts receivable to be collected on an accelerated basis;

(l) refrain from entering into, modifying or selecting any additional benefits under any Benefit Plan maintained by Employee Lessor for the benefit of the Leased Employees;

(m) to the extent applicable, comply with Part 6 and Part 7 of Title I of ERISA with regard to health plans;

(n) use best efforts to cause all of the conditions to the obligations of any of Sellers under the Agreement to be satisfied on or prior to the Closing Date;

(o) on or promptly after the Closing, any of Sellers or any of their affiliates selected by Purchaser shall legally change their names to names not similar to or variations of their current names or trade names or fictitious names;

(p) promptly disclose to Purchaser any information contained in Sellers' representations and warranties contained in the Agreement or the Disclosure Statement which, because of an event occurring after the date of the Agreement, is materially incomplete or materially incorrect as of all times after the date of the Agreement until the Closing Date, except to the extent such event occurs in the ordinary course of business consistent with past practices or is otherwise permitted in the Agreement and does not materially adversely affect the Sellers' Businesses; provided, however, that none of such disclosures shall be deemed to modify, amend or supplement the representations and warranties of Sellers in the Agreement or the Disclosure Statement for the purposes of Article V of the Agreement, unless Purchaser fails to terminate the Agreement based upon such disclosure in accordance with Section 10.01(f) of the Agreement;

(q) refrain from, directly or indirectly, selling, pledging, purchasing, redeeming, or otherwise acquiring, transferring or disposing of any capital stock of any of the Acquired Companies;

(r) not permit any of the Acquired Companies to (i) amend its articles of incorporation, by-laws or other similar governing documents, (ii) issue any shares of capital stock or other equity interests, (iii) issue or create any warrants, obligations, subscriptions, options, convertible securities rights, interests, or other commitments under which any additional capital stock of any of the Acquired Companies might be, directly or indirectly, authorized or issued, or (iv) agree to do any of the foregoing acts; and

(s) not enter into or modify, or commit to enter into or modify, any individual's compensation except in the ordinary course of business consistent with past practices.

7.03 Employees. Sellers and the Acquired Companies shall comply with Part 6 and Part 7 of Title I of ERISA following the Closing Date to the extent applicable.

7.04 Phone Numbers. Sellers shall cooperate with Purchaser and take such actions as are necessary or expedient to cause all telephone and telecopier numbers utilized by Sellers in connection with the Sellers' Businesses to be transferred to Purchaser on or promptly after the Closing Date.

7.05 Purchaser's Covenants. Prior to Closing, Purchaser shall not take any action which would result in a breach of any of its representations and warranties under the Agreement. Furthermore, Purchaser shall cooperate with Sellers and use its best efforts to cause all of the conditions to the obligations of Purchaser under the Agreement to be satisfied on or prior to the Closing Date.

7.06 Purchaser Cooperation. Purchaser shall cooperate with Sellers by taking all reasonable actions and executing and delivering all reasonably requested documents and instruments to assist Sellers in obtaining consents and approvals required or useful from third parties, including governmental entities, to enable Sellers to convey the Assets to Purchaser for use in the Purchased Businesses.

## ARTICLE VIII

### CONDITIONS PRECEDENT TO PURCHASER'S OBLIGATIONS

The obligation of Purchaser to consummate the transactions contemplated by the Agreement is subject to the satisfaction, at or before the Closing, of the following conditions, any or all of which (other than Section 8.01) may be waived, in whole or in part, by Purchaser:

8.01 No Termination. The Agreement shall not have been terminated in accordance with Article X of the Agreement.

8.02 Representations True and Correct. The representations and warranties of each of Sellers contained in the Agreement shall be true and correct in all material respects on and as of the Closing Date with the same force and effect as if made on and as of the Closing Date, except to the extent that variations occurring from the date of the Agreement to the Closing Date result from actions of any of Sellers or any of the Acquired Companies permitted under the Agreement.

8.03 Compliance with Covenants. Each of Sellers shall have performed and complied in all material respects with all covenants, agreements and conditions required by the Agreement to be performed or complied with by each of Sellers on or before the Closing Date.

8.04 No Adverse Proceedings. On the Closing Date, no action or proceeding shall be pending, threatened, or otherwise disclosed by notice by any public authority or private

individual or entity before any court or administrative body to restrain, enjoin or otherwise prevent the consummation of the Agreement or the transactions contemplated by the Agreement or to recover any damages or obtain other relief as a result of the transactions contemplated by the Agreement.

8.05 HSR Act. Without limiting the generality of Section 8.08(a) below, all waiting periods required pursuant to the HSR Act shall have expired or been terminated without any comments or objections raised by the U.S. Department of Justice which would delay or prohibit the consummation of the transactions contemplated by the Agreement.

8.06 Opinion of Sellers' Counsel. Purchaser shall have received Sellers' Legal Opinion.

8.07 No Adverse Changes.

(a) Maintenance of Key Personnel. Between the date of the Agreement and the Closing, neither of the following shall have occurred:

(i) the resignation or termination of more than ten percent (10%) of (1) the Leased Employees, (2) the key executives set forth on Schedule 8.07(a)(i) to the Agreement, or (3) the Realty Business' Branch Managers; or

(ii) the resignation or termination of the Realty Business' brokers and sales agents responsible for more than 10% of the Realty Business' gross commission income, on a company-wide basis, during calendar year 1996, calendar year 1997 or calendar year 1998 to date.

If the key executives set forth on Schedule 8.07(a)(i) to the Agreement do not sign new Non-Competition Agreements with Purchaser, in the form of Exhibit 8.13 to the Agreement, prior to Closing (but effective upon Closing), or if any Realty Business broker or sales agent fails to sign an Independent Contractor Agreement with Purchaser substantially in the form of Exhibit 8.07 to the Agreement prior to Closing (but effective upon Closing), such key executive, broker or sales agent shall be deemed to have resigned for purposes of this Section 8.07(a).

(b) Maintenance of Business. Between the date of the Agreement and the Closing, there shall have been (i) no change in the operations of the Sellers' Businesses outside of the ordinary course of business consistent with past practices, except as approved by Purchaser in writing, in Purchaser's sole and absolute discretion, and (ii) no materially adverse change in (1) the Assets, (2) the Assumed Liabilities, or (3) the results of operations or the working capital, business, affairs, financial condition, position or prospects of the Sellers' Businesses.



#### 8.08 Permits; Consents; Qualification to Be a Real Estate Broker.

(a) Permits and Consents. Purchaser shall have obtained any and all permits, approvals and consents of agencies of any jurisdiction, governmental body or agency and of any other third party, which are necessary in order to ensure that consummation of the transactions contemplated by the Agreement will be in compliance with the applicable laws, rules and regulations, or the provisions of any of the Contracts where the absence of such compliance could have a material adverse effect on the conduct of the Purchased Businesses or result in fines or penalties in excess of \$5,000 in the aggregate. No condition shall have been imposed in connection with obtaining such permits, approvals and consents which would have a material adverse effect on the cost or value of transactions to Purchaser or on Purchaser's ability to own and operate the Sellers' Businesses and the Assets in the manner owned and operated by each of Sellers and each of the Acquired Companies prior to the Closing.

(b) Qualification to be a Real Estate Broker. St. Joe Real Estate Services, Inc. and St. Joe Sanctuary Realty, Inc. shall have qualified to act as a real estate broker in all jurisdictions in which the Realty Business engaged in business as of the execution of the Agreement.

(c) Qualification to be a Title Agency. St. Joe Title Services, Inc. shall have qualified and become licensed to act as a title agency in all jurisdictions in which the Title Business engaged in business as of the execution of the Agreement. In addition, Purchaser shall have qualified to act as an agent for the same title insurance underwriters which served as underwriters for the Title Business prior to the date of the Agreement.

8.09 Certificate. At the Closing, Sellers shall have delivered to Purchaser a certificate signed by the President or general partner of each of Sellers to the effect that the conditions set forth in Sections 8.02, 8.03 and 8.07 have been satisfied and updating and certifying as to the accuracy of the Disclosure Statement through the Closing Date.

8.10 Reconciliation of Escrow Accounts and Related Obligations. To the reasonable satisfaction of Purchaser and its counsel, Sellers shall have reconciled Escrow Accounts and related obligations to a date not less than sixty (60) days prior to the Closing Date, in accordance with the Florida Department of Business and Professional Regulation's standards as to the Realty Business, and, in accordance with the Florida Department of Insurance Standards as to the Title Business.

8.11 Assignment of Rights under the Franchise Agreement. Each of Sellers shall have assigned any and all of their rights under the Franchise Agreement to Purchaser.

8.12 Employment Agreement with Cope. Purchaser shall have received the Cope Employment Agreement duly executed by Cope.

8.13 Non-Competition Agreements. Purchaser shall have received written non-competition agreements duly executed by each of Sellers, Cope, Mueller, Tooke and the individuals set forth in Schedule 8.07(a)(i) to the Agreement, substantially in the forms attached as composite Exhibit 8.13 to the Agreement.

8.14 Intentionally Deleted.

8.15 Employee Leasing Agreement. The Employee Leasing Agreement shall have been assigned to Purchaser and Employee Lessor, Sellers and each of the Acquired Companies shall have executed an estoppel letter in the form attached as Exhibit 8.15 to the Agreement.

8.16 Taxes. Sellers and the Acquired Companies shall have (a) filed or extended the date for filing of all federal, state, local and foreign tax returns, reports, statements and other similar filings required to have been filed by any of Sellers and any of the Acquired Companies through the Closing Date with respect to any federal, state, local or foreign taxes, assessments, interest, penalties, deficiencies, fees and other governmental charges or impositions (including, without limitation, all income tax, unemployment compensation, social security, payroll, sales and use, excise, privilege, property, ad valorem, franchise, license, school and any other tax or similar governmental charge or imposition under laws of the United States of any state or municipal or political subdivision thereof or any foreign country or political subdivision thereof), (b) paid all taxes due and payable by any of Sellers and any of the Acquired Companies through the Closing Date and (c) made all deposits required by law on or before the Closing Date to be made with respect to employees' withholding and other employment taxes, including, without limitation, the portion of such deposits relating to taxes imposed upon any of Sellers, any of the Acquired Companies and Employee Lessor.

## ARTICLE IX

### CONDITIONS PRECEDENT TO SELLERS' OBLIGATIONS

The obligation of Sellers to consummate the transactions contemplated by the Agreement is subject to the satisfaction, at or before the Closing, of the following conditions, any or all of which (other than Section 9.01) may be waived, in whole or in part, by Sellers:

9.01 No Termination. The Agreement shall not have been terminated in accordance with Article X of the Agreement.

9.02 Representations True and Correct. The representations and warranties of Purchaser contained in the Agreement shall be true and correct in all material respects on and as of the Closing Date with the same force and effect as if made on and as of the Closing Date.

9.03 Compliance with Covenants. Purchaser shall have performed and complied in all material respects with all covenants, agreements and conditions required by the Agreement to be performed or complied with by Purchaser prior to or at the Closing Date.

9.04 No Adverse Proceedings. On the Closing Date, no action or proceeding shall be pending by any public authority or individual or entity before any court or administrative body to restrain, enjoin or otherwise prevent the consummation of the Agreement or the transactions contemplated by the Agreement or to recover any damages or obtain other relief as a result of the transactions contemplated by the Agreement.

9.05 Purchaser's Certificate. At the Closing, Purchaser shall have delivered to Sellers a certificate executed by each President of Purchaser to the effect that the conditions set forth in Sections 9.02 and 9.03 have been satisfied.

9.06 HSR Act. All waiting periods required pursuant to the HSR Act shall have expired or been terminated without any comments or objections raised by the U.S. Department of Justice which would delay or prohibit the consummation of the transactions contemplated by the Agreement.

9.07 Opinion of Purchasers' Counsel. Sellers shall have received Purchaser's Legal Opinion.

9.08 Employment Agreement with Cope. Purchaser shall have executed and delivered the Cope Employment Agreement.

9.09 Permits; Consents; Qualifications.

(a) Permits and Consents. All permits, approvals and consents of agencies of any jurisdiction, governmental body or agency and of any other third party which are necessary in order to ensure that consummation of the transactions contemplated by the Agreement will be in compliance with applicable laws, rules and regulations, or the provisions of any of the Contracts shall have been obtained where the absence of such compliance or consent could have a material adverse affect on the conduct of the Purchased Businesses.

(b) Qualification to be a Real Estate Broker. St. Joe Real Estate Services, Inc. and St. Joe Sanctuary Realty, Inc. shall have qualified to act as a real estate broker in all jurisdictions in which any of Sellers are engaged in the Realty Business as of the date of the Agreement.

(c) Qualification to be a Title Agency. St. Joe Title Services, Inc. shall have qualified and become licensed to act as a title agency in all jurisdictions in which any of Sellers are engaged in the Title Business as of the date of the Agreement and been approved as an agent for the same title insurance underwriters that are the underwriters for the Title Business as of the date of the Agreement.

ARTICLE X  
TERMINATION

10.01 Termination of the Agreement. The Agreement may be terminated at any time prior to the Closing as follows, and in no other manner:

(a) by the mutual consent of Purchaser and Sellers;

(b) by Purchaser, if any conditions set forth in the Agreement for the benefit of Purchaser shall not have been timely met;

(c) by Sellers, if any conditions set forth in the Agreement for the benefit of Sellers shall not have been timely met;

(d) by Purchaser, if on or before the expiration of the Inspection Period, (i) Purchaser's inspections, investigations and due diligence relating to the Sellers' Businesses, the Assets and the Assumed Liabilities are deemed not satisfactory by Purchaser, in Purchaser's sole, absolute and arbitrary discretion or (ii) the Board of Directors of The St. Joe Company and each Purchaser shall have failed to approve The St. Joe Company and each Purchaser, respectively, entering into the Agreement and the Purchaser's Documents and the consummation of the transactions contemplated by the Agreement and the Purchaser's Documents;

(e) by Purchaser, if any representation or warranty made in the Agreement for the benefit of Purchaser or in any certificate or document furnished to Purchaser pursuant to the Agreement is untrue in any material respect as of the date of the Agreement or any of Sellers shall have defaulted in any material respect in the performance of any obligation arising from the Agreement;

(f) by Purchaser, if Sellers, in a Disclosure Statement Supplement or pursuant to Section 7.02(p) of the Agreement, deliver notice to Purchaser that any representation or warranty made in the Agreement for the benefit of Purchaser, while true when made, has become untrue in a material respect after execution of the Agreement and prior to the Closing Date and Purchaser, within five (5) business days after the delivery of such notice from Sellers, delivers notice to Sellers terminating the Agreement or requesting additional information from Sellers to enable Purchaser to make an informed decision, in which event Purchaser shall have five (5) business days from receipt of such additional information in which to elect to terminate the Agreement. If Purchaser does not elect to terminate the Agreement, it shall be deemed to have waived any claims arising from same, either prior to or after the Closing Date, and the Disclosure Statement shall be deemed modified to incorporate the new information. The Closing Date shall be extended, if necessary, to enable Purchaser to exercise its rights under this Section 10.01(f);

(g) by Purchaser or Sellers, if on or before the expiration of the Inspection Period, Purchaser and Sellers cannot mutually agree upon the allocation of the Purchase Price and fail to initial Exhibit 3.04 in accordance with Section 3.04 of the Agreement; or

(h) by Sellers, if any representation or warranty made in the Agreement for the benefit of Sellers or in any certificate or document furnished to Sellers pursuant to the Agreement is untrue in any material respect or Purchaser shall have defaulted in any material respect in the performance of any obligation arising from the Agreement.

10.02 Effect of Termination. Except for the provisions of Article XIII, Sections 16.02, 16.04 and 16.07 through 16.26 of the Agreement, which shall survive any termination of the Agreement, in the event of termination of the Agreement pursuant to Section 10.01, the Agreement shall be of no further force and effect and the parties shall be released from all obligations and liabilities arising under the Agreement; provided, however, if the Agreement is terminated pursuant to Sections 10.01(e) or 10.01(h) of the Agreement, then the parties to the Agreement shall be permitted to pursue any of their legal or equitable remedies.

## ARTICLE XI

### CLOSING DATE AND DELIVERIES AT CLOSING

11.01 Closing Date. Subject to the provisions of the Agreement, the Closing shall be held in Ft. Lauderdale, Florida, at the offices of Ruden, McClosky, Smith, Schuster & Russell, P.A., at 10:00 A.M., local time, on the Closing Date, or on such other date and at such other place as may be mutually agreed upon by the parties.

11.02 Deliveries by Sellers. In addition to and without limiting any other provision of the Agreement, each of Sellers shall deliver, or cause to be delivered, to Purchaser, at or prior to the Closing, the following in form and substance approved in the Agreement or as reasonably satisfactory to Purchaser and Purchaser's counsel:

(a) Sellers' Legal Opinion;

(b) the certificate referred to in Section 8.09 of the Agreement;

(c) a Bill of Sale and Assignment in the form of Exhibit 11.02(c) to the Agreement and such other deeds, certificates of title, assignments, assurances and other instruments and documents as Purchaser may reasonably request in order to effect the sale, conveyance, transfer and assignment of the Assets to Purchaser free and clear of all leases, conditional sales contracts, licenses, security interests, liens, charges and encumbrances of any nature whatsoever, except for (i) Assumed Liabilities and (ii) Permitted Liens;

(d) at least five (5) days prior to the Closing, an Estoppel Certificate and Consent to Assignment in the form attached as Exhibit 11.02(d) to the Agreement executed by the applicable Sellers and the landlord under each of the Leases;

(e) possession of all the Contracts and copies of all documents, contracts, instruments, books, specifications, records and data relating to the Assets and the Assumed Liabilities which possession shall be accomplished by delivering control to Purchaser of the offices in which same are maintained;

(f) at least five (5) days prior to the Closing, in each case where any of the licenses, Permits, approvals, leases, Contracts, agreements or commitments of any of Sellers or the Acquired Companies require the consent of another party as a result of the consummation of the transactions contemplated by the Agreement, the written consent of each such other party to the consummation of the transactions contemplated by the Agreement;

(g) a certificate dated as of a date not earlier than thirty (30) days prior to the Closing Date, of the Secretary of State of Florida as to the good standing of each of Sellers and the Acquired Companies in the State of Florida;

(h) at least five (5) days prior to the Closing, a certified resolution of the Board of Directors and shareholders of each of Sellers that is a corporation authorizing the execution and delivery of the Agreement and the transactions contemplated by the Agreement to be performed by each of Sellers;

(i) at least five (5) days prior to the Closing, a certified partnership action of CMT Holding, Ltd., authorizing the execution and delivery of the Agreement and the transactions contemplated by the Agreement to be performed by CMT Holding, Ltd.;

(j) at least five (5) days prior to the Closing, a certificate of incumbency of each of Sellers and each of the Acquired Companies listing the officers or partners, as the case may be, and specimen signatures of each officer or partner of each of Sellers and each of the Acquired Companies, as the case may be, authorized to execute the Agreement, the Sellers' Documents and all other documents and instruments contemplated by the Agreement on behalf of each of Sellers and each of the Acquired Companies;

(k) at least five (5) days prior to the Closing, an estoppel certificate from the applicable Sellers and the Acquired Companies and The Prudential Real Estate Affiliates, Inc., in a form satisfactory to Purchaser and its counsel, stating (i) the term of the Franchise Agreement, (ii) the amounts due to The Prudential Real Estate Affiliates, Inc. under the Franchise Agreement and confirming that all amounts due are current, (iii) that there has been no changes or additions to the Franchise Agreement since the date of the Agreement other than those attached to the Estoppel Certificate as an exhibit, (iv) there exists no default or breach under the Franchise Agreement by either any of Sellers or The Prudential Real Estate Affiliates, Inc. (and that there exists no event which, with notice or lapse of time or both, would constitute a default or breach under the Franchise Agreement), (v) consenting to the assignment of each of the Seller's rights under the Franchise Agreement, as the case may be, to Purchaser, (vi) acknowledging and consenting to The St. Joe Company and its affiliates continuing to

conduct their respective existing lines of business and maintaining their respective investments, management agreements, joint ventures and other similar arrangements that without such consent may be prohibited by the Franchise Agreement without The Prudential Real Estate Affiliates, Inc. claiming royalty fees, advertising contributions, or any other additional compensation or fees based on such activities, and (vii) such other matters that Purchaser or its counsel may reasonably request;

(l) the duly executed Cope Employment Agreement;

(m) the duly executed Option Agreement;

(n) the duly executed written non-competition agreements with Sellers, Cope, Mueller, Tooke, and each of the individuals set forth in Schedule 8.13 of the Agreement as required pursuant to Section 8.13 of the Agreement;

(o) such other documents, instruments or certificates as shall be reasonably requested by Purchaser or its counsel; and

(p) certificates representing the Shares duly endorsed by the holders of all such Shares, and with all required documentary transfer stamps affixed.

11.03 Deliveries by Purchaser. In addition to and without limiting any other provision of the Agreement, Purchaser shall deliver, or cause to be delivered, to Sellers, at or prior to the Closing, the following in form and substance approved in the Agreement or reasonably satisfactory to Sellers and Sellers' counsel:

(a) the Cash Payment;

(b) Purchaser's Legal Opinion;

(c) the certificate referred to in Section 9.05 of the Agreement;

(d) a written assumption by Purchaser of the Assumed Liabilities;

(e) the Note;

(f) the duly executed Option Agreement;

(g) a certificate dated as of a date not earlier than thirty (30) days prior to the Closing Date of the Secretary of State of Florida as to the good standing of Purchaser in such jurisdiction;

(h) at least five (5) days prior to the Closing, a certified copy of resolutions adopted by the Board of Directors of Purchaser and The St. Joe Company authorizing the execution and delivery of the Agreement and the transactions contemplated in the Agreement to be performed by Purchaser and The St. Joe Company;

(i) at least five (5) days prior to the Closing, a certificate of incumbency of Purchaser which lists the officers and specimen signatures of each officer of Purchaser authorized to execute the Agreement, the Purchaser's Documents and all other documents and instruments contemplated by the Agreement on behalf of Purchaser; and

(j) such other documents, instruments or certificates as shall be reasonably requested by Sellers or Sellers' counsel.

11.04 Possession by Purchaser. Simultaneously with the consummation of the transfer of the Assets, each of Sellers, through their respective directors, officers, partners, representatives, agents and Leased Employees, will put Purchaser into full possession and enjoyment of all the Assets and Assumed Liabilities to be conveyed and transferred by the Agreement.

11.05 Failure to Obtain Third Party Consents.

(a) Without restricting Sellers' right not to proceed to the Closing if the conditions in Article IX are not satisfied, to the extent that the rights of any of Sellers or the Acquired Companies under any contract, license, permit or approval or other Asset or Assumed Liability to be assigned to Purchaser under the Agreement may not be assigned without the consent of another person or entity which, notwithstanding Sellers' and the Acquired Companies' use of their best efforts to obtain any such required consent(s) as promptly as possible have not been obtained by the Closing Date, Purchaser may elect that the Agreement not constitute an agreement to assign the same if an attempted assignment would constitute a breach thereof or be unlawful and, instead, proceed with Closing pursuant to Section 11.05(b) of the Agreement.

(b) If any such consent shall not be obtained or if any attempted assignment would be ineffective or would impair Purchaser's rights under the Asset or Assumed Liability in question so that Purchaser would not in effect acquire the benefit of all such rights, Purchaser, at its sole option, shall have the right to terminate the Agreement without any liability to any of Sellers or any of the Acquired Companies or to elect for any of Sellers, to the maximum extent permitted by law and the Asset, to act after the Closing as Purchaser's agent in order to obtain for it the benefits thereunder and each of Sellers shall cooperate, to the maximum extent permitted by law and the Asset or Assumed Liability, with Purchaser in any other reasonable arrangement designed to provide such benefits to Purchaser.

## ARTICLE XII

### POST-CLOSING COVENANTS

12.01 After the Closing Date. After the Closing Date, unless Purchaser shall otherwise agree in writing, each of Sellers shall:



(a) accurately prepare and file in the time periods prescribed therefor all tax returns with respect to income attributable to the Sellers' Businesses in the period prior to the Closing Date, and pay when due all taxes due and owing with respect thereto;

(b) discharge all Retained Liabilities as and when due;

(c) not use the Intellectual Property, or use or disclose the Trade Secrets;

(d) not retain, hire, or use any of Purchaser's employees, the Leased Employees, personnel, agents, or independent contractors to wind up Sellers' affairs or render any services for Sellers or their respective Constituent Partners, agents or shareholders where such services would adversely affect their duties to Purchaser and the Purchased Businesses;

(e) comply with Part 6 and Part 7 of Title I of ERISA with regard to health plans to the extent such requirements are applicable;

(f) immediately upon Purchaser's request, deliver to Purchaser the written resignations of any or all of the officers, directors and resident agents of each of the Acquired Companies; and

(g) immediately upon Purchaser's request, take such actions and deliver such documents as are necessary to effect the election or elections contemplated under Section 2.06 of this Agreement.

12.02 Payments Received by Sellers Subsequent to the Closing Date. From and after the Closing, Purchaser shall have the right and authority to endorse without recourse the name of any of Sellers on any check or any other evidences of indebtedness received by Purchaser on account of Purchased Businesses, the Assets or the Assumed Liabilities. After the Closing, each of Sellers will hold and promptly transfer and deliver to Purchaser, from time to time, as and when received, any cash, checks with appropriate endorsements or other property that any of Sellers may receive on or after the Closing which properly belongs to Purchaser, or the Acquired Companies and will account to Purchaser for all such receipts.

12.03 Access to Records. At all times after the Closing Date, upon the request of Purchaser, each of Sellers shall make available to Purchaser any records, documents and data retained with respect to the Sellers' Businesses, the Assets or the Assumed Liabilities not transferred to Purchaser under the Agreement to the extent reasonably required by Purchaser in connection with the Purchased Businesses or the Agreement. Each of Sellers shall preserve until the seventh (7th) anniversary of the Closing Date all records possessed or to be possessed by Sellers relating to any of the Sellers' Businesses, the Assets, or the Assumed Liabilities. At all times after the Closing Date, upon the request of Sellers, Purchaser shall make available to Sellers and Sellers shall have the right to make copies of any records, documents and data with respect to the Purchased Businesses, the Assets or the Assumed Liabilities transferred to or assumed by Purchaser under the Agreement to the extent reasonably required by Sellers in connection with the Sellers' Businesses or the Agreement.

12.04 Delivery of Mail; Payment of Amounts Related to Scheduled Assets and Retained Liabilities. Purchaser agrees to deliver or cause to be delivered to CMT Holding, Ltd on behalf of Sellers all mail, courier packages, boxes or other notices or communications or any monies received by them relating to the Excluded Assets and the Retained Liabilities.

#### ARTICLE XIII

##### PUBLICITY

13.01 Publicity. Before, during and after the Closing Date, (a) subject at all times to compliance with the law, any proposed press release pertaining to the transactions contemplated by the Agreement shall be mutually prepared and approved by Purchaser and Sellers and (b) subject at all times to compliance with all applicable laws, any proposed disclosure pertaining to the transactions contemplated by the Agreement shall be mutually prepared and approved by Purchaser and Sellers. Notwithstanding anything contrary contained in this Section, Purchaser and each of Sellers and each of the Acquired Companies may respond to inquiries relating to the Agreement and the transactions contemplated by the Agreement, by the press, securities analysts, employees (including the Leased Employees), or customers without prior notice to the other parties. Sellers and Purchaser will keep each other generally informed with respect to such response.

#### ARTICLE XIV

##### INDEMNIFICATION

14.01 Indemnification Obligation.

(a) Indemnification Obligation of Purchaser. Purchaser shall indemnify, save, defend and hold harmless each of Sellers and their respective successors and assigns and each of Seller's and each of the Acquired Company's respective officers, directors, shareholders, partners, affiliates and attorneys (collectively, the "Sellers' Indemnified Parties"), against and in respect of any and all actual damages, claims, losses, liabilities and reasonable expenses (including, without limitation, legal, accounting, and other expenses) suffered by Sellers' Indemnified Parties which arises out of or is in respect of: (i) any breach or violation of the Agreement by Purchaser or The St. Joe Company, (ii) any falsity, inaccuracy or misrepresentation in or breach of any of the representations, warranties or covenants made in the Agreement, Purchaser's Documents or in any certificate, instrument, or document executed by any officer or director of Purchaser and delivered by or on behalf of Purchaser pursuant to the Agreement, (iii) any tax obligations imposed on Sellers attributable to the revenue or

income Purchaser earned after the Closing Date, (iv) any of the Assumed Liabilities, (v) any brokerage commission, finder's fee, commissions or similar payments alleged to be payable directly related to the transactions contemplated by the Agreement because of any act, omission or other statement of Purchaser or its representatives, (vi) the operation of Purchased Businesses after the Closing or (vii) any brokerage commission, finder's fee, commissions or similar payments alleged to be payable directly related to the transactions contemplated by the Agreement because of any act, omission or other statement of any of the Purchaser's Indemnified Parties (as defined in Section 14.01(b)). The parties hereby agree that Sellers' Indemnified Parties' sole and exclusive remedy for damages hereunder shall be the right to seek actual damages from Purchaser and Sellers' Indemnified Parties hereby waive and shall have no right to seek indirect, consequential (including lost profits) or punitive damages against Purchaser.

(b) Indemnification Obligation of Sellers.

(i) Each of Sellers shall, jointly and severally, save, indemnify, defend and hold harmless Purchaser, The St. Joe Company and their respective successors and assigns, and all of their respective officers, directors, shareholders, partners, affiliates and attorneys (collectively, the "Purchaser's Indemnified Parties") against and in respect of any and all actual damages, claims, losses, liabilities and reasonable expenses (including, without limitation, legal, accounting, and other expenses) suffered by Purchaser's Indemnified Parties which may arise out of or be in respect of: (1) any breach or violation of the Agreement by Sellers, (2) any falsity, inaccuracy or misrepresentation in or breach of any of the representations, warranties or covenants made in the Agreement, the Sellers' Documents, the Disclosure Statement, or in any certificate, instrument, or document executed by any officer, director or Constituent Partner of any of Sellers or the Acquired Companies delivered by or on behalf of Sellers pursuant to the Agreement, (3) except to the extent same is an Assumed Liability, any action, event, condition, omission or failure to act of or by any of Sellers' Indemnified Parties prior to the Closing, (4) except to the extent same is an Assumed Liability, any tax obligations imposed on Purchaser attributable to the revenue or income Sellers or the Acquired Companies earned prior to the Closing Date, the revenue or income the Acquired Companies earned prior to the Closing Date, or the Assets, (5) any and all of the Retained Liabilities, (6) any brokerage commission, finder's fee, commissions or similar payments alleged to be payable directly related to the transactions contemplated by the Agreement because of any act, omission or other statement of any of the Sellers' Indemnified Parties or any of the Acquired Companies, (7) the obligations to The Prudential Real Estate Affiliates, Inc. as described in Section 16.02(b)(ii) of the Agreement and (8) except to the extent same is an Assumed Liability, the operations of any and all of the Sellers' Businesses prior to the Closing including, without limitation, (a) those brokered transactions in which any of Sellers or any of the Acquired Companies participate as a broker and which close prior to the Closing, (b) any nonpayment of earned commissions and other compensation due pursuant to Listings and all other accounts receivable, except to the extent of reserves established on the Audited Closing Date Balance Sheet for doubtful accounts, (c) any conditions waived by Purchaser prior to or at the Closing and (d) any Escrow Account deficiencies. The

parties hereby agree that Purchaser's Indemnified Parties' sole and exclusive remedy for damages hereunder shall be the right to seek actual damages from Sellers and Purchaser's Indemnified Parties hereby waive and shall have no right to seek indirect, consequential (including lost profits) or punitive damages against Sellers.

(ii) Notwithstanding Section 14.01(b)(i) of the Agreement, Sellers shall only be required to indemnify Purchaser's Indemnified Parties for any damages, claims, losses, liabilities and reasonable expenses in excess of Two Hundred Thousand and No/100 Dollars (\$200,000) in the aggregate; provided, however, the following shall not be subject to such limitation or included in the calculation of such \$200,000 threshold: (1) all expenses payable or reimbursable to Purchaser by any of Sellers pursuant to Section 16.02 of the Agreement, (2) any amounts payable as a result of a breach by any of Sellers of Section 5.05, (3) all reductions to the Purchase Price pursuant to Section 3.03(a)(i), 3.03(b)(v)(2) or 3.03(c) of the Agreement and (4) any of Seller's obligations under Section 2.04(j).

#### 14.02 Indemnification Notice.

(a) The indemnified party shall notify the indemnifying party, in writing, of any facts or circumstances which may give rise to a right of indemnification under Section 14.01 of the Agreement ("Notice of Claim"). The Notice of Claim shall specify the nature and details of such facts and circumstances (including any amount claimed, if known) which may give rise to such right of indemnification. The failure of the indemnified party to promptly provide a Notice of Claim shall not relieve the indemnifying party of its obligations hereunder, except to the extent that the indemnifying party is actually prejudiced by such failure to give notice.

(b) If the claim or demand set forth in the Notice of Claim relates to a claim or demand asserted by a third party (a "Third Party Claim"), the indemnifying party shall have the right to employ counsel reasonably acceptable to the indemnified party (Purchaser and Sellers hereby agree and acknowledge that Gunster, Yoakley, Valdes-Fauli & Stewart, P.A. and Ruden, McClosky, Smith, Schuster and Russell, P.A. are acceptable counsel for purposes of this Section), to defend any such claim or demand and the indemnified party, at its sole cost and expense, shall have the right to participate in the defense of any such Third Party Claim. The indemnifying party shall notify the indemnified party, in writing, within fifteen (15) days after the date of the Notice of Claim, of its decision to defend in good faith any Third Party Claim. So long as the indemnifying party is defending in good faith any such Third Party Claim, the indemnified party shall not settle or compromise such Third Party Claim. If the indemnifying party does not so elect to defend any such Third Party Claim, the indemnified party shall have the right, but not the obligation, to undertake the defense, compromise, or final determination thereof.

(c) If the indemnifying party has undertaken defense of a Third Party Claim and if there is a reasonable probability that the Third Party Claim may materially and adversely affect the indemnified party or the Purchased Businesses other than as a result of money damages or other money payments, then the indemnified party, at the

reasonable expense of the indemnifying party, shall have the right to joint control of the defense, compromise or settlement of such Third Party Claim; provided, however, that if the Third Party Claim may be settled in full without any acknowledgment of liability solely by the payment of money and the indemnifying party is willing to pay the money to settle the claim but the indemnified party is not, then the indemnifying party may elect to pay that amount of money to the indemnified party and thereafter have no further obligation with respect to such Third Party Claim or any fees or expenses related thereto and the indemnified party shall indemnify the indemnifying party with respect to same. Notwithstanding the foregoing, the indemnifying party shall not be liable for any compromise or settlement of any action, suit or other proceeding effected without its written consent, which shall not be unreasonably withheld or delayed.

(d) The indemnified party shall make available to the indemnifying party or its representatives all records and other materials reasonably required by them for their use in contesting any Third Party Claim and shall cooperate with the indemnifying party in connection therewith.

(e) Neither the indemnified party or the indemnifying party shall, without the written consent of the other, settle or compromise any Third Party Claim or consent to the entry of any judgment which does not include as an unconditional term thereof the giving by the claimant or the plaintiff to the indemnified party and the indemnifying party and their respective affiliates a release from all liability in respect of such Third Party Claim.

(f) As soon as is reasonably practicable after Notice of Claim is deemed delivered to the receiving party, the indemnified party and the indemnifying party shall endeavor to agree upon the amount, if any, to which the indemnified party is entitled under this Article XIV. In the event the indemnifying party and the indemnified party are unable to reach agreement upon the right of the indemnified party to indemnification under the Agreement, or upon the amount of any such indemnification under the Agreement, either the indemnified party or the indemnifying party may submit such dispute for resolution by arbitration in accordance with Sections 16.05, 16.16, 16.17, 16.19, 16.20, 16.25 and 16.26 of the Agreement.

14.03 Indemnification Payment and Limitations. Subject to Section 14.01(b)(ii) of the Agreement, within thirty (30) days after either the indemnifying party and the indemnified party reach agreement on the amount of any indemnification obligation of the indemnifying party or any such indemnification obligation is determined by arbitration pursuant to Section 16.05 of the Agreement (in either case, the "Indemnification Amount"), the indemnifying party shall pay the Indemnification Amount to the indemnified party. Notwithstanding the indemnification obligation of any indemnifying party under this Article XIV, the indemnification obligation of any indemnifying party shall be reduced by the amount that an indemnified party recovers from any third party (other than by way of contribution from another indemnifying party) with respect to the matter for which indemnification is being paid, including, without limitation, any insurance company. An indemnified party receiving any such amount shall promptly reimburse any amount so received from a third party to the indemnifying party.

## ARTICLE XV

## GUARANTEE

15.01 Guarantee of The St. Joe Company. The St. Joe Company hereby guarantees the payment and performance by Purchaser of its obligations under the Agreement and the Cope Employment Agreement, including, without limitation, the payment and performance of the Assumed Liabilities and the payment of all sums payable to Sellers pursuant to Articles III and XIV of the Agreement. This guarantee is a continuing guarantee and shall remain in full force and effect so long as any sums remain payable by Purchaser to Sellers or Cope or any of the obligations of Purchaser under the Agreement or the Cope Employment Agreement remain outstanding. Notwithstanding anything contained in this Section to the contrary, The St. Joe Company shall be entitled to all defenses, counterclaims and offsets available to Purchaser with the sole exception of Purchaser's bankruptcy. The St. Joe Company also agrees to guarantee Purchaser's obligations to third parties under the Franchise Agreement and the Leases to be transferred to Purchaser pursuant to the Agreement to the extent requested by Sellers in order to obtain the required consents to the assignment of the Franchise Agreement and the Leases to Purchaser or Sellers' release therefrom after the Closing Date.

15.02 Guarantee of the Partners of CMT Holding, Ltd. and the Shareholders of CMT Holdings, Inc. All Constituent Partners of CMT Holding, Ltd. and all shareholders of CMT Holdings, Inc. that are partners or shareholders, as applicable, as of the date of the Agreement and the Closing Date hereby, jointly and severally, guarantee the payment and performance of each of Seller's respective obligations under the Agreement, including, without limitation, the payment of all sums payable to Purchaser pursuant to the Agreement under Sections 3.03 and 16.02(a)(ii) and Article XIV of the Agreement. This guarantee is a continuing guarantee and shall remain in full force and effect so long as any of the obligations of any of Sellers under the Agreement remain outstanding. Notwithstanding anything contained in this Section to the contrary, the Constituent Partners of CMT Holding, Ltd. and the shareholders CMT Holdings, Inc. shall be entitled to all defenses, counterclaims and offsets available to any of Sellers with the sole exception of any Seller's bankruptcy. Notwithstanding anything to the contrary set forth in this Section 15.02, with the exception of Cope, Mueller and Tooke who shall be jointly and severally liable without any limitation or cap on their liability provided pursuant to the Agreement, no individual that is a direct or indirect Constituent Partner of CMT Holding, Ltd. shall be obligated by virtue of this Section 15.02 to pay any amount that exceeds the portion of the Purchase Price distributed to such individual and, upon payment of such amount, any judgment theretofore obtained by Purchaser against such individual shall be deemed satisfied.

15.03 Guarantees not Impacted by Amendments. No modification or amendment of the Agreement or waiver of any party's rights under the Agreement or extension or modification with respect to the time and manner in which any obligation under the Agreement shall or may be performed by a party shall affect the guarantees provided in Sections 15.01 and 15.02 of the Agreement.

## ARTICLE XVI

### MISCELLANEOUS

16.01 No Obligation to Hire the Leased Employees. Although Purchaser generally intends to offer positions to the Leased Employees at the same compensation rates presently paid to them, Purchaser shall not be obligated to offer positions to all Leased Employees. All Leased Employees, who are employed by Purchaser on or after the Closing Date shall be new employees or leased employees of Purchaser. The prior engagement by any of Sellers or any of the Acquired Companies of the Leased Employees shall not affect entitlement to, or the amount of, salary or other cash compensation, current or deferred, or benefits which Purchaser may make available to its employees or leased employees.

16.02 Transaction Expenses.

(a) Purchaser's Costs and Expenses. Except as otherwise provided in the Agreement, Purchaser shall be responsible for the following costs and expenses:

(i) the costs and expenses of Purchaser's professional advisors (including attorneys' fees and other legal costs and expenses and accountants' fees and other accounting costs and expenses) incurred by Purchaser in connection with the Agreement; and

(ii) the costs and expenses of filing for and the pursuing of permits and regulatory approvals for the consummation of the transactions contemplated by the Agreement, including, without limitation, the HSR Act;

(iii) Sellers shall immediately reimburse Purchaser for all costs and expenses set forth in Section 16.02(a)(ii) upon the termination of the Agreement by Purchaser in accordance with Section 10.01(e) of the Agreement.

(b) Sellers' Costs and Expenses. Except as otherwise provided in the Agreement, Sellers shall be responsible for the following costs and expenses:

(i) the costs and expenses of any of Seller's and any of the Acquired Company's professional advisors (including attorneys' fees and other legal costs and expenses and accountants' fees and other accounting costs and expenses) incurred by any of Sellers or any of the Acquired Companies in connection with the Agreement;

(ii) any and all fees, costs, liquidated damages and penalties and other amounts, payable to The Prudential Real Estate Affiliates, Inc. and its affiliates by any of Sellers, or Purchaser and their respective affiliates as a result of (1) the transfer of the rights of CMT Holding, Ltd. under the Franchise Agreement to Purchaser, (2) the termination of the Franchise Agreement by any of Sellers prior to Closing or by Purchaser after Closing in accordance with the terms of the Franchise Agreement, or (3) the termination of the Franchise Agreement pursuant to a settlement with The Prudential Real Estate Affiliates, Inc., provided Sellers' financial obligation as a result of such settlement shall not exceed amounts payable by Sellers pursuant to subsection 16.02(b)(ii)(2) of the Agreement (which payments shall be made by Sellers within thirty (30) days after their respective due dates);

(iii) to the extent not on Assumed Liability, any and all severance payments and all other obligations, if any, to any of Seller's or any of the Acquired Company's employees and the Leased Employees arising due to termination prior to the Closing or arising from any decision by Cope to terminate, within six (6) months of the Closing Date, a Leased Employee that becomes an employee or leased employee of the Purchased Businesses;

(iv) any and all severance payments and all other obligations, if any, to any of Seller's or any of the Acquired Company's employees and Leased Employees as a result of the transactions contemplated by the Agreement, including, without limitation all obligations arising under the Workers Adjustment and Retraining Notification Act; and

(v) any and all fees, dues, costs and expenses necessary to initially establish or transfer memberships, privileges and credentials with national, state and local trade or professional associations (such as Boards of Realtors(R)) for those Leased Employees who will become Purchaser's employees, Leased Employees, independent contractors or agents after the Closing Date.

16.03 The St. Joe Company's Funding Obligation. From the Closing Date to December 31, 1998, The St. Joe Company shall make available to Purchaser, at no cost to Purchaser, \$208,333.33 for each calendar month between the Closing Date and December 31, 1998 to fund the Purchased Businesses' recurring needs for capital expenditures and business expansion with respect to such period. During each Annual Period within the Funding Period, The St. Joe Company shall make available to Purchaser, at no cost to Purchaser, Two Million Five Hundred Thousand and No/100 Dollars (\$2,500,000) to fund the Purchased Businesses' recurring needs for capital expenditures and business expansion. Nothing contained in this Section shall be deemed to diminish the right or authority of any of Purchasers' board of directors to approve or disapprove any expenditures of the Purchased Businesses.

16.04 Authority of CMT Holding, Ltd. In all cases where a notice is required to be delivered to Sellers or consent of Sellers is required to be obtained, notice to or consent from CMT Holding, Ltd. shall be deemed binding upon each of Sellers.



16.05 Arbitration. Except where the Agreement expressly provides an alternative dispute mechanism, all disputes between Purchaser and any of Sellers arising pursuant to the Agreement shall be subject to binding arbitration pursuant to this Section 16.05 in accordance with the following:

(a) Appointment of Arbitrators. Within ten (10) days after receipt of a notice from either party to arbitrate a dispute, Sellers, collectively, and Purchaser shall each appoint one (1) arbitrator from the American Arbitration Association. Within twenty (20) days thereafter, the two (2) appointed arbitrators shall select an additional arbitrator. If the arbitrators chosen by Purchaser and Sellers are unable to agree on the additional arbitrator within the twenty (20) day period, then the American Arbitration Association shall choose an arbitrator to fill the vacancy. All arbitrators shall be impartial and unrelated, directly or indirectly, so far as employment of services is concerned, to Purchaser, The St. Joe Company or any of Sellers.

(b) Procedure Limitations on Authority.

(i) All arbitration hearings shall be held at a place designated by the arbitrators in Broward County, Florida. The arbitrators shall commence the first such hearing within ten (10) days of the selection of the last arbitrator, and shall render a written decision upon the matter presented to them by a majority vote within fifteen (15) days after the arbitration proceedings are completed. Purchaser, Sellers and the arbitrators shall use their best efforts to conclude the hearing as quickly as possible taking into consideration the respective parties' reasonable needs for discovery and preparation.

(ii) The decision rendered by the arbitrators shall be final and binding on Purchaser and each of Sellers and shall not be subject to appeal except on the grounds that the decision was procured by fraud or corruption engaged in by the arbitrators.

(iii) The arbitrators shall agree to observe the Code of Ethics for Arbitrators in Commercial Disputes promulgated by the American Arbitration Association.

(iv) To the extent that Purchaser or any of Sellers are required to make confidential information available to the other, an agreement or an order shall be entered in the proceeding protecting the confidentiality of and limiting access to such information before a party is required to produce such information. Information produced by a party shall be used exclusively in the arbitration or litigation that may arise, and shall not otherwise be disclosed.

16.06 Intentionally Deleted.

16.07 Amendments. The provisions of the Agreement may not be amended, supplemented, waived or changed orally, but only by a writing signed by the party as to whom enforcement of any such amendment, supplement, waiver or modification is sought and making specific reference to the Agreement.

16.08 Assignments. No party shall assign its rights or obligations under the Agreement without the prior written consent of each other party to the Agreement; provided, however, Purchaser shall have the right to assign its rights and obligations under the Agreement to affiliates of The St. Joe Company without the prior written consent of any of Sellers so long as such assignees assume the obligations of Purchaser under the Agreement and such assignments shall not result in a violation of the representations in Section 6.01(a) of the Agreement or adversely impact the guarantee of The St. Joe Company pursuant to Section 15.01 of the Agreement.

16.09 Further Assurances. Purchaser and Sellers, from time to time, shall execute and deliver such further and other transfers, assignments and documents and do all matters and things which may be reasonably requested by the other party as being convenient or necessary to more effectively and completely carry out the intentions of the Agreement, including, without limitation, the assignment of any Contracts that Purchaser determines were inadvertently not assumed that relate to the Sellers' Businesses. If requested by Purchaser, Sellers further agree to prosecute or otherwise enforce in their own name for the benefit of Purchaser any claims, rights or benefits that are transferred to Purchaser by the Agreement and that require prosecution or enforcement in any of Seller's names.

16.10 Binding Effect. All of the terms and provisions of the Agreement shall be binding upon, inure to the benefit of, and be enforceable by the parties and their respective legal representatives, successors and permitted assigns, whether so expressed or not.

16.11 Headings. The headings contained in the Agreement are for convenience of reference only, are not to be considered a part of the Agreement and shall not limit or otherwise affect in any way the meaning or interpretation of the Agreement.

16.12 Notices . All notices, requests, consents and other communications required or permitted under the Agreement shall be in writing (including electronic transmission) and shall be (as elected by the person giving such notice) hand delivered by messenger or courier service, telefaxed, or mailed (airmail if international) by registered or certified mail (postage prepaid), return receipt requested, addressed to:

To Purchaser:  
-----

With a copy to:  
-----

c/o St. Joe Real Estate Services, Inc.  
1650 Prudential Drive  
Suite 400  
Jacksonville, FL 32207  
Attn: Charles A. Ledsinger, Jr.  
Robert M. Rhodes, Esq.

Gunster, Yoakley, Valdes-Fauli &  
Stewart, P.A.  
500 East Broward Boulevard  
Suite 1400  
Fort Lauderdale, FL 33394  
Attn: Michael G. Platner, Esq.

Arvida  
7900 Glades Road  
Boca Raton, FL 33434  
Attn: John Baric, Esq.

To Sellers:  
- - - - -

With a copy to:  
- - - - -

CMT Holding, Ltd.  
19353 U.S. Highway 19 North, Suite 100  
Clearwater, FL 33764  
Attn: Richard W. Cope  
Jill Fisher Powers, Esq.

Ruden, McClosky, Smith, Schuster  
& Russell, P.A.  
200 East Broward Boulevard  
Fort Lauderdale, FL 33302  
Attn: Michael H. Krul, Esq.

or to such other address as any party may designate by notice complying with the terms of this Section. Each such notice shall be deemed delivered (a) on the date delivered if by personal delivery; (b) on the date of transmission with confirmed answer back if by electronic transmission; and (c) on the date upon which the return receipt is signed or delivery is refused or the notice is designated by the postal authorities as not deliverable, as the case may be, if mailed.

16.13 Severability. If any provision of the Agreement or any other agreement entered into pursuant to the Agreement is contrary to, prohibited by or deemed invalid under applicable law or regulation, such provision shall be inapplicable and deemed omitted to the extent so contrary, prohibited or invalid, but the remainder of the Agreement shall not be invalidated thereby and shall be given full force and effect so far as possible. If any provision of the Agreement may be construed in two or more ways, one of which would render the provision invalid or otherwise voidable or unenforceable and another of which would render the provision valid and enforceable, such provision shall have the meaning which renders it valid and enforceable.

16.14 Waivers. Except as set forth in writing signed by such party, the failure or delay of any party, at any time, to require performance by another party of any provision of the Agreement, even if known, shall not affect the right of such party to require performance of that provision or to exercise any right, power or remedy under the Agreement. Except as set forth in writing signed by such party, any waiver by any party of any breach of any provision of the Agreement should not be construed as a waiver of any continuing or succeeding breach of such provision, a waiver of the provision itself, or a waiver of any right, power or remedy under the Agreement. No notice to or demand on any party in any circumstance shall, of itself, entitle such party to any other or further notice or demand in similar or other circumstances.

16.15 Third Parties. Unless expressly stated in the Agreement to the contrary, nothing in the Agreement, whether express or implied, is intended to confer any rights or remedies under or by reason of the Agreement on any persons other than the parties to the Agreement and their respective legal representatives, successors and permitted assigns. Nothing in the Agreement is intended to relieve or discharge the obligation or liability of any third persons to any party to the Agreement, nor shall any provision give any third persons any right of subrogation or action over or against any party to the Agreement.

16.16 Enforcement Costs. If any arbitration proceeding is brought for the enforcement of the Agreement, or because of an alleged dispute, breach, default or misrepresentation in connection with any provision of the Agreement, the successful or prevailing party or parties shall be entitled to recover reasonable attorneys' fees, sales and use taxes, costs and all expenses even if not taxable as costs (including, without limitation, all such fees, taxes, costs and expenses incident to arbitration, bankruptcy and post-judgment proceedings), incurred in that arbitration proceeding, in addition to any other relief to which such party or parties may be entitled. Attorneys' fees shall include, without limitation, paralegal fees, investigative fees, administrative costs, sales and use taxes and all other reasonable charges billed by the attorney to the prevailing party.

16.17 Remedies Cumulative. Except as otherwise expressly provided in the Agreement, no remedy conferred in the Agreement upon any party is intended to be exclusive of any other remedy, and each and every such remedy shall be cumulative and shall be in addition to every other remedy given under the Agreement or now or hereafter existing at law or in equity or by statute or otherwise. No single or partial exercise by any party of any right, power or remedy under the Agreement shall preclude any other or further exercise thereof.

16.18 Counterparts. The Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which taken together shall constitute one and the same instrument. Confirmation of execution by electronic transmission of a facsimile signature page shall be binding upon any party so confirming.

16.19 Governing Law. The Agreement and all transactions contemplated by the Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of Florida.

16.20 Jurisdiction and Venue. The parties acknowledge that a substantial portion of the negotiations and anticipated performance of the Agreement occurred or shall occur in Broward County, Florida. As expressly provided in Section 16.05 of the Agreement, any arbitration proceeding arising out of or relating to the Agreement shall be brought in Broward County, Florida. Each party consents to the jurisdiction of such arbitration proceeding and waives any objection to the laying of venue of any such proceeding. With respect to any of the Sellers, service of any court paper affected upon CMT Holding, Ltd. shall be deemed service upon any or all of the other Sellers.

16.21 Preparation of Agreement. The Agreement shall not be construed more strongly against any party regardless of who is responsible for its preparation. The parties acknowledge each contributed and is equally responsible for its preparation.

16.22 Survival. All covenants, agreements, representations and warranties made herein or otherwise made in writing by any party pursuant to the Agreement shall survive the execution and delivery of the Agreement and the consummation of the transactions contemplated hereby.

16.23 Inducement to Transaction. All representations and warranties made by Purchaser or Seller in the Agreement shall be deemed made for the purpose of inducing the other to enter into the Agreement.

16.24 Joinder.

(a) The St. Joe Company hereby joins in the Agreement solely for the purpose of consenting to and agreeing to be bound hereby to Sections 3.02(e)(vii), 13.01, 15.01, 16.03 and 16.05 through 16.26 of the Agreement.

(b) The St. Joe Company represents and warrants to Sellers that it has the corporate power to enter into the Agreement and the Note and to carry out its respective obligations to be performed by it thereunder. The execution and delivery of the Agreement and the Note and the consummation of the transactions to be performed by it thereunder have been duly and validly authorized by it. No other acts or proceedings on the part of The St. Joe Company will be necessary to authorize the performance of its obligations under the Agreement and the Note. The Agreement and the Note constitute valid and legally binding obligations of The St. Joe Company enforceable against it in accordance with their respective terms, except as limited by applicable bankruptcy, insolvency, reorganization, moratorium or other laws of general application relating to creditors' rights or by the application of equitable principles when equitable remedies are sought.

(c) Cope, Mueller, Tooke, and all Constituent Partners of CMT Holding, Ltd. and all shareholders CMT Holdings, Inc., whether they are partners or shareholders, as the case may be, as of the date of the Agreement or the Closing, hereby join in the Agreement solely for the purpose of consenting to and agreeing to be bound hereby to Sections 13.01, 15.02 and 16.05 through 16.26 of the Agreement.

(d) Cope, Mueller, Tooke, jointly and severally, represent that the Agreement constitutes the valid and legally binding obligation of each of Sellers, and all individuals executing the Agreement, enforceable against each of them in accordance with its terms, except as limited by applicable bankruptcy, insolvency, reorganization, moratorium or other laws of general application relating to creditors' rights or by the application of equitable principles when equitable remedies are sought.

16.25 Dates. Any time period provided for in the Agreement which shall end on a Saturday, Sunday or legal holiday shall extend to 5:00 p.m. of the next full business day.

16.26 Entire Agreement. The Agreement represents the entire understanding and agreement between the parties with respect to the subject matter of the Agreement, and supersedes all other negotiations, understandings and representations (if any) made by and between such parties, including, without limitation, that certain Letter Of Intent between the parties dated April 15, 1998.

[SIGNATURES ON NEXT PAGE]

IN WITNESS WHEREOF, the parties to the Agreement have executed the Agreement as of the day and year first above written.

"PURCHASER"

ATTEST:  
/s/ D.L. Santipole  
-----  
/s/ Valerie L. House  
-----

ST. JOE REAL ESTATE SERVICES, INC.  
  
By: /s/ Charles A. Ledsinger, Jr.  
-----  
Name: Charles A. Ledsinger, Jr.  
-----  
Title: Senior Vice President  
-----

/s/ D. L. Santipole  
-----  
/s/ Valerie L. House  
-----

ST. JOE TITLE SERVICES, INC.  
  
By: /s/ Charles A. Ledsinger, Jr.  
-----  
Name: Charles A. Ledsinger, Jr.  
-----  
Title: Senior Vice President  
-----

/s/ D.L. Santipole  
-----  
/s/ Valerie L. House  
-----

ST. JOE SANCTUARY REALTY, INC.  
  
By: /s/ Charles A. Ledsinger, Jr.  
-----  
Name: Charles A. Ledsinger, Jr.  
-----  
Title: Senior Vice President  
-----

/s/ D.L. Santipole  
-----  
/s/ Valerie L. House  
-----

ST. JOE PROPERTY INSPECTION SERVICES, INC.  
  
By: /s/ Charles A. Ledsinger, Jr.  
-----  
Name: Charles A. Ledsinger, Jr.  
-----  
Title: Senior Vice President  
-----

[SELLERS' SIGNATURES FOLLOW]

The Agreement, Schedules and Exhibits have been initialled by the respective counsel for Sellers and Purchaser for identification and control purposes.

"SELLERS"

ATTEST:

CMT HOLDING, LTD.

By: CMT HOLDINGS, INC., its general partner

/s/ Elizabeth Klements  
-----  
Elizabeth Klements  
  
/s/ Linda Mackay  
-----  
Linda Mackay

By: /s/ Richard W. Cope  
-----  
Name: Richard W. Cope  
-----  
Title: President  
-----

ATTEST:

CMT HOLDINGS, INC.

/s/ Elizabeth Klements  
-----  
Elizabeth Klements  
  
/s/ Linda Mackay  
-----  
Linda Mackay

By: /s/ Richard W. Cope  
-----  
Name: Richard W. Cope  
-----  
Title: President  
-----

ATTEST:

CMT FLORIDA RESIDENTIAL SERVICES, INC.

/s/ Elizabeth Klements  
-----  
Elizabeth Klements  
  
/s/ Linda Mackay  
-----  
Linda Mackay

By: /s/ Richard W. Cope  
-----  
Name: Richard W. Cope  
-----  
Title: President  
-----

ATTEST:

NEWCMT, INC.

/s/ Elizabeth Klements  
-----  
Elizabeth Klements  
  
/s/ Linda Mackay  
-----  
Linda Mackay

By: /s/ Richard W. Cope  
-----  
Name: Richard W. Cope  
-----  
Title: President  
-----

ATTEST:

SUNBELT TITLE AGENCY, INC.

/s/ Evelyn Gazette  
-----  
Evelyn Gazette  
  
/s/ Martha C. Wells  
-----  
Martha C. Wells

By: /s/ James G. Mueller  
-----  
Name: James G. Mueller  
-----  
Title: President  
-----

ATTEST:

PFR ASSET MANAGEMENT, INC.

/s/ Elizabeth Klements  
-----  
Elizabeth Klements  
  
/s/ Linda Mackay  
-----  
Linda Mackay

By: /s/ Richard W. Cope  
-----  
Name: Richard W. Cope  
-----  
Title: President  
-----

ATTEST: PINNACLE PROPERTY INSPECTION, INC.

/s/ Gayle Elesker
-----
Gayle Elesker
/s/ Martha Rea
-----
Martha Rea

By: /s/ Jeffrey F. Winder
-----
Name: Jeffrey F. Winder
-----
Title: President
-----

ATTEST: SUNBELT TITLE AGENCY OF CENTRAL FLORIDA, INC.

/s/ Evelyn Gazette
-----
Evelyn Gazette
/s/ Martha C. Wells
-----
Martha C. Wells

By:/s/ James G. Mueller
-----
Name: James G. Mueller
-----
Title: President
-----

JOINDER

The undersigned joins in the Agreement for the limited purpose of agreeing to the terms and conditions of Sections 3.02(e)(vii), 13.01, 15.01 and 16.03, and 16.05 through 16.26 of the Agreement.

ATTEST: THE ST. JOE COMPANY

/s/ D.L. Sentepola
-----
D.L. Sentepola
/s/ Valerie L. House
-----
Valerie L. House

By:/s/ Charles A. Ledsinger, Jr.
-----
Name: Charles A. Ledsinger, Jr.
-----
Title: President
-----

The undersigned join in the Agreement for the limited purpose of agreeing to the terms and conditions of Sections 13.01, 15.02 and 16.05 through 16.26 of the Agreement.

WITNESSES:

/s/ Elizabeth Klements
-----
Elizabeth Klements
/s/ Linda Mackay
-----
Linda Mackay
/s/ Evelyn Gazette
-----
Evelyn Gazette
/s/ Martha C. Wells
-----
Martha C. Wells

/s/ Richard W. Cope
-----
Richard W. Cope, individually
/s/ James Mueller
-----
James Mueller, individually



/s/ Elizabeth Klements ----- Elizabeth Klements	/s/ Edwin C. Tooke, Jr. ----- Edwin C. Tooke, Jr., individually
/s/ Linda Mackay ----- Linda Mackay	
/s/ Evelyn Gazette ----- Evelyn Gazette	/s/ Karolyn Rehard Hall ----- Karolyn Rehard Hall, individually
/s/ Martha C. Wells ----- Martha C. Wells	
/s/ Pat R. Connelly ----- Pat R. Connelly	/s/ J. Rodney Clark ----- J. Rodney Clark, individually
/s/ Patricia Ramsay ----- Patricia Ramsay	
/s/ Linda Mackay ----- Linda Mackay	/s/ James M. Schmidt ----- James M. Schmidt, individually
/s/ Jeanette L. Short ----- Jeanette L. Short	
/s/ Elizabeth Klements ----- Elizabeth Klements	/s/ Eugenia McQuigg ----- Eugenia McQuigg, individually
/s/ Linda Mackay ----- Linda Mackay	
/s/ Doug Howell ----- Doug Howell	/s/ Patricia E. Dahne ----- Patricia E. Dahne, individually
/s/ Stephanie Dithers ----- Stephanie Dithers	
/s/ Elizabeth Klements ----- Elizabeth Klements	/s/ Beverly Crosby ----- Beverly Crosby, individually
/s/ Linda Mackay ----- Linda Mackay	
/s/ Elizabeth Klements ----- Elizabeth Klements	/s/ Linda K. Burger ----- Linda K. Burger, individually
/s/ Linda Mackay ----- Linda Mackay	
/s/ Elizabeth Klements ----- Elizabeth Klements	/s/ Lewis A. Sticco ----- Lewis A. Sticco, individually
/s/ Linda Mackay ----- Linda Mackay	

/s/ Elizabeth Klements  
-----  
Elizabeth Klements

/s/ Michelle A. Sticco  
-----  
Michelle A. Sticco, individually

/s/ Linda Mackay  
-----  
Linda Mackay

/s/ Elizabeth Klements  
-----  
Elizabeth Klements

/s/ Stanley Cowherd, Jr.  
-----  
Stanley Cowherd, Jr., individually

/s/ Linda Mackay  
-----  
Linda Mackay

ATTEST:

Richard W. Cope Two Year Grantor Retained  
Annuity Trust

/s/ Elizabeth Klements  
-----  
Elizabeth Klements

By:/s/ Margaret M. Cope, as  
-----  
Name: Margaret M. Cope

/s/ Linda Mackay  
-----  
Linda Mackay

Title: Trustee  
-----

ATTEST:  
Trust

Richard W. Cope Irrevocable GST Family  
Trust

/s/ Elizabeth Klements  
-----  
Elizabeth Klements

By:/s/ Margaret M. Cope, as  
-----  
Name: Margaret M. Cope

/s/ Linda Mackay  
-----  
Linda Mackay

Title: Trustee  
-----

ATTEST:  
Trust

Richard W. Cope Irrevocable GST Family  
Trust

/s/ Elizabeth Klements  
-----  
Elizabeth Klements

By:/s/ Margaret M. Cope, as  
-----  
Name: Margaret M. Cope

/s/ Linda Mackay  
-----  
Linda Mackay

Title: Trustee  
-----

## SCHEDULE "A"

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## LIST OF CMT'S SUBSIDIARIES AND AFFILIATES

1. CMT Florida Residential Services, Inc.
2. CMT Holdings, Inc.
3. NEWCMT, Inc.
4. PFR Asset Management, Inc.
5. Pinnacle Property Inspection, Inc.
6. Sunbelt Title Agency, Inc.
7. Sunbelt Title Agency of Central Florida, Inc.

6-MOS  
DEC-31-1998  
JAN-01-1998  
JUN-30-1998  
69,570  
121,522  
56,346  
0  
12,854  
27,876  
1,243,154  
(348,198)  
1,609,211  
63,648  
0  
0  
13,054  
921,116  
1,609,211  
47,553  
172,124  
33,756  
145,236  
0  
0  
(143)  
34,412  
18,882  
15,530  
0  
0  
0  
15,530  
0.17  
0.17

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE FINANCIAL STATEMENTS OF ST. JOE CORPORATION FOR THE 6 MONTHS ENDED JUNE 30, 1997 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

6-MOS	DEC-31-1997	
	JAN-01-1997	
	JUN-30-1997	
		172,111
		28,437
		44,548
		0
		13,101
		26,257
		1,168,329
		(322,280)
		1,549,364
	47,492	0
	0	0
		13,054
		910,947
1,549,364		68,518
	182,481	57,908
		156,352
		0
		0
		(241)
		48,671
		21,549
	19,224	0
		0
		0
		19,224
		.21
		.20

The St Joe Company

Supplemental Calculation of Selected Consolidated Financial data  
(Dollars in thousands)

The following table calculates EBDDT (Gross), EBDDT (Net) and EBITDA (Gross) and EBITDA (Net)

	06/30/98	06/30/97
Net income	15,530	19,224
Plus:		
Depreciation and amortization	17,476	14,689
Deferred taxes	5,717	7,095
Less:		
Gain on sales of other assets	(532)	(3,098)
EBDDT - Gross	38,191	37,910
Less minority interest % of FECI		
Depreciation	(6,191)	(5,464)
Deferred taxes	(278)	(70)
Gain on sales of other assets	219	612
EBDDT - Net	31,941	32,988
Income from continuing operations before income taxes and minority interest	43,177	48,670
Add back:		
Depreciation and amortization	17,476	14,689
Interest expense	143	241
Less:		
Gain on sales of other assets	(532)	(3,098)
EBITDA - Gross	60,264	60,502
Less minority interest % of FECI		
Income before income taxes	(14,155)	(12,671)
Depreciation and amortization	(6,191)	(5,464)
Interest expense	(66)	(111)
Gain on sales of other assets	219	612
EBITDA - Net	40,071	42,868