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STOCK PURCHASE AND SALE AGREEMENT

AND

AGREEMENT AND PLAN OF CORPORATION SEPARATION

MARCH 19, 1996

BY AND AMONG

THE TRUSTEES TO THE HOBE SOUND TRUST

JUPITER ISLAND CLUB, INC.

THE HOBE SOUND COMPANY

per Order PSC-98-0039-CFO-
WU

DOCUMENT NUMBER-DATE

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FPSC-RECORDS/REPORTING

STOCK PURCHASE AND SALE AGREEMENT

AND

AGREEMENT AND PLAN OF CORPORATE SEPARATION

AGREEMENT, dated as of March 19, 1996, by and among Adrian P. Reed, Nathaniel P. Reed, Samuel P. Reed and Joseph V. Reed, Jr., as trustees under the Hobe Sound Trust Agreement hereinafter referred to and not individually (the "Trustees"), Jupiter Island Club, Inc., a Florida corporation ("JIC") and The Hobe Sound Company, a Delaware corporation (the "Company").

WITNESSETH:

WHEREAS, since 1944 the Company has been actively engaged in the business of operating under the name "Jupiter Island Club" certain facilities on Jupiter Island, Florida, including golf, croquet, bathing, tennis, boating, marina, dining and lodging facilities (such business being hereinafter referred to as the "Club Operations"); and

WHEREAS, since 1969 the Company, through its wholly-owned subsidiary, Hobe Sound Water Company, a Florida corporation (the "Water Company"), has been actively engaged in the business of operating a water distribution utility serving parts of Martin County, Florida under a certificate of authority issued by the Florida Public Service Commission; and

WHEREAS, the Company has outstanding 6,500 shares of common stock, \$10 par value (the "Common Stock"), of which 3,956 (the "Shares") are owned by the Trustees; and

WHEREAS, the holders of the Common Stock other than the Trustees (the "Minority Shareholders") include in their number a substantial majority of the club members for whom the Club Operations are conducted and upon whose patronage the success of the Club Operations depends; and

WHEREAS, the parties believe that a change in the control of the management of the Club Operations from the Trustees to the Minority Shareholders and other club members will significantly benefit the Club Operations; and

WHEREAS, the parties desire to restructure the Company so that in the future the Trustees will control and manage the Water Company and certain other assets of the Company, and the Minority Shareholders will control and manage (along with other club members) the Club Operations; and

WHEREAS, JIC has been incorporated as the vehicle through which a majority of the Minority Shareholders and other Club members will hold their controlling interest in the Club Operations; and

WHEREAS, the Trustees desire to exchange a portion of the Shares for the capital stock of the Water Company, to acquire the real property owned by the Company not related to the Club Operations in exchange for a portion of the Shares, and to sell the balance of the Shares to JIC, all on the terms and subject to the conditions hereinafter set forth; and

WHEREAS, on the terms and subject to the conditions hereinafter set forth, the Company and JIC each desire to acquire Shares from the Trustees.

NOW, THEREFORE, in consideration of the premises and of the covenants and agreements hereinafter set forth, the parties do hereby agree as follows:

Section 1. Definitions.

The following terms used herein shall have the following meanings:

(a) "Agreement" shall mean this Stock Purchase and Sale Agreement and Agreement and Plan of Corporate Separation and the Schedules and Exhibits referred to herein.

(b) "Bubble House Lots" shall mean the real property designated as such in Schedule 3.12 hereof.

(c) "Closing" shall have the meaning set forth in Section 8 hereof.

(d) "Closing Date" shall mean July 1, 1996 or such other date as the parties shall agree upon in writing.

(e) "Club Operations" shall have the meaning set forth in the first WHEREAS clause in this Agreement.

(f) "Company" shall mean The Hobe Sound Company, a Delaware corporation.

(g) "Common Stock" shall mean the common stock of the Company, \$10 par value.

(h) "Hobe Sound Trust Agreement" shall mean the agreement, dated December 16, 1964, between Joseph Verner Reed, as settlor, and Pernelia Pryor Reed, Adrian P. Reed and Nathaniel P. Reed, as trustees.

- (i) "Island Club" shall mean The Island Club, Incorporated, a Florida corporation.
- (j) "JIC" shall mean Jupiter Island Club, Inc., a Florida corporation.
- (k) "Minority Shareholders" shall mean holders of Common Stock other than the Trustees.
- (l) "Minority Trustees" shall mean the trustees under the Voting Trust Agreement.
- (m) "Non-Club Real Estate" shall mean the real property described in Schedule 3.12 hereto, including the Bubble House Lots and Riverview Cottage, and any reversionary interest of the Company in real property not located in the Town of Jupiter Island heretofore donated by the Company to any non-profit or governmental entity.
- (n) "Restriction" shall mean the agreement of the Trustees with the Property Owning Stockholders Committee which is set forth on the stock certificates representing the Shares.
- (o) "Riverview Cottage" shall mean the real property designated as such in Schedule 3.12 hereto.
- (p) "Shares" shall mean the 3,956 shares of Common Stock owned by the Trustees.
- (q) "Subsidiaries" shall mean the Island Club and the Water Company.
- (r) "Task Force" shall mean that certain Task Force appointed by the President of the Island Club to work on the possible acquisition of the Company by the members of the Island Club.

(s) "Trustees" shall mean the trustees under the Hobe Sound Trust Agreement in their capacities as such and not individually.

(t) "Voting Trust Agreement" shall mean the voting trust agreement made November 1, 1992 by H. Lawrence Bogert, Nelson Doubleday, David S. Henkel and E. Carroll Stollenwerck and certain stockholders of the Company.

(u) "Voting Trust Certificate" shall mean a voting trust certificate issued pursuant to the Voting Trust Agreement in respect of shares of Common Stock deposited under the Voting Trust Agreement.

(v) "Water Company" shall mean Hobe Sound Water Company, a Florida corporation.

Section 2. Transactions.

Upon the terms and subject to the conditions set forth in this Agreement, the parties agree that the following transactions will be consummated on the Closing Date:

(a) The Trustees shall transfer, assign and surrender to the Company 829 of the Shares in exchange for all of the 100 outstanding shares of common stock, no par value, of the Water Company.

(b) The Trustees shall transfer, assign and surrender to the Company 586 of the Shares in exchange for the Non-Club Real Estate.

(c) The Trustees shall sell, assign, convey, transfer and deliver 2,541 of the Shares to JIC, and JIC shall purchase said Shares from the Trustees, for the price of \$23,000,000, payable in cash on the Closing Date.

Section 3. Representations and Warranties of the Company.

The Company represents and warrants to the Trustees and JIC that:

3.1 Authorization: No Conflict.

(a) Directors Meeting. At a duly called and noticed meeting of the Board of Directors of the Company this Agreement and the transactions contemplated hereby have been approved by the favorable vote of at least eight Directors, including all of the Minority Trustees; and this Agreement has been duly executed and delivered by the Company and constitutes a valid and binding agreement of the Company in accordance with its terms.

(b) No Conflict. Neither the execution and delivery of this Agreement nor the consummation and performance of the transactions contemplated hereby will contravene, conflict with or result in a violation of the certificate of incorporation or bylaws of the Company or either Subsidiary or any material agreement or other instrument to which any of them is a party or by which any of them is bound, or, to the best of the knowledge of the Company, any law or governmental regulation or administrative or judicial order or decree to which the Company or either Subsidiary is subject.

3.2 Shareholders Meeting. A meeting of the shareholders of the Company to consider approval of the transactions contemplated by this Agreement has been or will be duly called by the President of the Company to take place on or before June 5, 1996.

3.3 Organization. The Company is a corporation duly organized, validly existing and in good standing under the laws of the state of Delaware, with full corporate power to own its assets and to conduct the business in which it is now engaged. Annexed

hereto as Schedule 3.3 are copies of the Certificate of Incorporation and Bylaws of the Company as now in effect.

3.4 Capitalization. The aggregate number of shares which the Company is authorized to issue is 8,500, consisting of 2,000 shares of preferred stock, \$100 par value, and 6,500 shares of Common Stock. None of said shares of preferred stock has been issued, and all of said shares of Common Stock, including the Shares, have been duly and validly issued and are outstanding and fully paid and nonassessable. The Company has no outstanding subscriptions, contracts, options, warrants, or other obligations to issue, sell, or otherwise dispose of, or to purchase, redeem or otherwise acquire, any shares of its preferred stock or Common Stock.

3.5 Subsidiaries. The Company owns all of the outstanding capital stock of the Water Company and Island Club, each of which is a Florida corporation, duly organized, validly existing and in good standing under the laws of Florida. The authorized capital stock of the Water Company consists of 100 shares of common stock, no par value, all of which have been duly and validly issued and are fully paid and non-assessable. The Company does not own any class of equity securities or any instrument exchangeable for or convertible into the equity securities of any other corporation. The Company is not a general or limited partner in any partnership or engaged in a joint venture or any similar relationship with any person or entity.

3.6 Foreign Qualifications. The Company is duly qualified to conduct business in Florida as a foreign corporation, and neither the nature of its assets nor the

business it transacts requires either the Company or either of the Subsidiaries to be qualified to conduct business as a foreign corporation in any state or jurisdiction other than Florida.

3.7 Licenses and Permits. The Company and each of the Subsidiaries, respectively, has all material permits, licenses and authorizations required to vest in it full power and authority to conduct its operations; each such permit, license, and authorization is in full force and effect; and there are no pending or threatened claims, investigations, actions, suits or proceedings (administrative or judicial) seeking to revoke, suspend or rescind any such permit, license or authorization except as set forth in Schedule 3.7 attached hereto. Said Schedule 3.7 is a true and complete schedule setting forth as of the date hereof (a) the name or designation of each material permit, license or other authorization required by the Company and each of the Subsidiaries, respectively, in the conduct of its business (b) the date thereof, (c) the expiration date thereof, (d) the kind or kinds of business authorized to be conducted thereunder and (e) the name of each person or entity authorized therein to conduct such business.

3.8 Financial Statements. The Company has delivered to JIC and the Trustees copies of the following financial statements of the Company and the Subsidiaries:

(a) Consolidated balance sheet as of June 30, 1994, the related consolidated statements of income, retained earnings and cash flows for the ten months then ended, and the notes to such consolidated financial statements, accompanied by the report of Moore, Caler, Donten & Levine, P.A., dated August 26, 1994;

(b) Supplementary information consisting of a consolidating balance sheet as of June 30, 1994 and a consolidating statement of income for the ten months then

ended, accompanied by the report thereon of Moore, Caler, Donten & Levine, P.A., dated August 26, 1994.

(c) Consolidated balance sheet as of June 30, 1995, the related consolidated statements of income, retained earnings and cash flows for the year then ended, and the notes to such consolidated financial statements, accompanied by the report of Moore, Caler, Donten & Levine, P.A., dated August 18, 1995;

(d) Supplementary information consisting of a consolidating balance sheet as of June 30, 1995 and a consolidating statement of income for the year then ended, accompanied by the report thereon of Moore, Caler, Donten & Levine, P.A., dated August 18, 1995.

(e) Balance sheets of the Company and the Water Company dated February 29, 1996 and related statements of income of the Company and the Water Company for the eight months then ended prepared by the staff of the Company and included in the Reports for Management delivered to the Directors of the Company and the Water Company.

To the best of the knowledge of the Company the financial statements referred to in this Section 3.8 are true and correct and present fairly, in all material respects, the financial position, results of operation and other information of the Company and the Subsidiaries as of the dates and for the periods indicated.

3.9 Contracts and Agreements. Schedule 3.9 hereto sets forth true and complete list (unless included in any other Schedule hereto) containing a brief and accurate description of all contracts, agreements, leases, and undertakings (whether written or oral) and

instruments, involving an aggregate consideration, commitment or liability of \$25,000 or more to which Company or either of the Subsidiaries is a party or by which any of them is bound.

3.10 Insurance. Schedule 3.10 hereto sets forth a list of all policies of insurance covering the business and assets of the Company and the Subsidiaries. All such policies are in full force and effect (without regard to any grace periods) on the date hereof.

3.11 Club Facilities.

(a) Personal Property. Schedule 3.11(a) hereto sets forth an inventory of each item of personal property owned or leased by the Company which is used as part of the Club Operations and which had an original cost (in the case of owned property) of at least \$1,000 or which has an annual rental cost (in the case of leased property) of at least \$1,000.

(b) Real Property. Schedule 3.11(b) hereto contains a legal description of each parcel of real property owned by the Company which is used as part of the Club Operations. Such real property is held subject to zoning, restrictions, prohibitions and other requirements imposed by governmental authority; public utility easements and other rights, recorded and unrecorded; other easements and matters of record; taxes for 1995 and subsequent years; and other matters set forth or referred to in Schedule 3.11(b).

(c) Disclaimer. NO REPRESENTATION OR WARRANTY IS MADE AS TO THE CONDITION OF ANY IMPROVEMENT LOCATED ON ANY OF THE REAL PROPERTY REFERRED TO IN SECTION 3.11(b) HEREOF OR AS TO THE CONDITION, MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OF

ANY PERSONAL PROPERTY INCLUDED IN THE "CLUB FACILITIES" AS HEREIN DEFINED.

3.12 Non-Club Real Estate.

(a) Real Property. Schedule 3.12 hereto contains a legal description of (i) each parcel of unimproved real property owned by the Company which is not used as part of the Club Operations and (ii) the parcels of improved real property designated as the Bubble House Lots and Riverview Cottage. Such real property is held subject to: zoning, restrictions, prohibitions and other requirements imposed by governmental authority; public utility easements and other rights, recorded and unrecorded; other easements and matters of record; taxes for 1995 and subsequent years; and other matters set forth or referred to in Schedule 3.12. Prior to the Closing Date the Company will deliver to the Trustees and JIC a copy of the deed or other instrument creating each reversionary interest owned by the Company in real property not in the Town of Jupiter Island heretofore donated by the Company to any non-profit or governmental entity.

(b) Disclaimer. NO REPRESENTATION OR WARRANTY IS MADE AS TO THE CONDITION OF ANY IMPROVEMENT LOCATED ON ANY OF THE REAL PROPERTY REFERRED TO IN SECTION 3.12(a) HEREOF OR AS TO THE CONDITION, MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OF ANY PERSONAL PROPERTY INCLUDED IN THE "NON-CLUB REAL ESTATE" AS HEREIN DEFINED.

3.13 Water Company Real Property.

(a) Real Property. Schedule 3.13 hereto contains a legal description of each parcel of real property owned by the Water Company, including all easements, rights of way and other interests in real property owned by the Water Company and used in connection with its business. Such real property is held subject to: zoning, restrictions, prohibitions and other requirements imposed by governmental authority; public utility easements and other rights, recorded and unrecorded; other easements and matters of record, taxes for 1995 and subsequent years; and other matters set forth or referred to in Schedule 3.13.

(b) Disclaimer. NO REPRESENTATION OR WARRANTY IS MADE OR SHALL BE IMPLIED AS TO THE CONDITION OF ANY IMPROVEMENT LOCATED ON ANY OF THE REAL PROPERTY REFERRED TO IN SECTION 3.13 HEREOF.

3.14 Employee Matters.

(a) Employees. Schedule 3.14 hereto contains a complete and accurate list showing the name, job title and current compensation of each employee of the Company and the Water Company. Schedule 3.14 also contains accurate copies of two employment agreements with employees and an accurate summary of the terms of the agreements of certain independent contractors whose employment arrangements have not been reduced to writing. These are the only employment agreements to which the Company or either Subsidiary is a party.

(b) Employee Benefit Plans. Neither the Company nor either of the Subsidiaries has any bonus, incentive, profit sharing, medical, dental, pension, retirement, deferred compensation, or other employee welfare plan or program or employee benefit plan except the Company's 401 K and Retirement Income Plan and its life, accident and health insurance program, a copy of each of which is included in Schedule 3.14 hereto.

(c) Labor Relations. Neither the Company nor either Subsidiary has been or is a party to any collective bargaining agreement. To the best of the knowledge of the Company, the Company and each Subsidiary has complied with all applicable laws and governmental regulations relating to employment, equal employment opportunity, nondiscrimination, immigration, wages and hours, collective bargaining and the payment of social security and similar taxes.

3.15 Taxes. All federal, state and local income, profits, franchise, sales and use tax returns required to be filed by or on behalf of the Company or one of the Subsidiaries for all periods ended on or prior to the date hereof have been timely and properly filed; no assessments or notices of deficiency have been issued with respect to any such tax or any such return; no amendments or applications for refund have been filed or are planned with respect to any such tax or return for any such period; and no audit, inquiry, or examination has commenced for any tax return filed by or on behalf of Seller or either of the Subsidiaries with respect to any tax payable by it nor has any consent been given to waiving any statute of limitations with respect to any such return or tax.

3.16 Litigation. Except as set forth in Schedule 3.16 hereto there are no actions, suits, proceedings (administrative or otherwise), claims, arbitrations or investigations

pending or threatened against, or affecting, the Company or either of the Subsidiaries in any court or before any governmental agency or instrumentality.

3.17 Compliance with Laws. To the best of the knowledge of the Company, the Company and each of the Subsidiaries has complied and is in compliance with all material laws, ordinances, requirements, regulations, decrees and orders applicable in any material respect to its business and assets, including without limitation those relating to the environment, and has not received any notice of noncompliance.

3.18 Certain Changes. Except as disclosed in the Reports for Management referred to in Section 3.8 hereof or in Schedule 3.18 hereto, since February 29, 1996 neither the Company nor either of the Subsidiaries has:

(a) entered into any transaction or contract, commitment or agreement other than in the ordinary course of business and of a nature and in an amount consistent with the experience of recent years and not in violation of any of the other representations, warranties or covenants contained in this Agreement;

(b) sold, transferred, assigned, conveyed, mortgaged or pledged, or entered into any agreement to sell, transfer, assign, convey mortgage or pledge, any of its material tangible assets other than in the ordinary course of business and of a nature and in an amount consistent with the experience of recent years and not in violation of any of the other representations, warranties or covenants contained in this Agreement;

(c) incurred any material liability or obligation (absolute or contingent) other than (i) current liabilities incurred in the ordinary course of business and of a nature and in an amount consistent with the experience of recent years and not in violation of

any of the other representations, warranties or covenants contained in this Agreement, and (ii) liabilities or obligations covered by the indemnities of the Trustees set forth in Section 11 hereof:

(d) committed, suffered, permitted or incurred any default in any material obligation, contract, agreement, lease, undertaking or instrument;

(e) made any change adverse to it in the terms of any material obligation, contract, agreement, lease, undertaking or instrument;

(f) waived, canceled, sold or otherwise disposed of, for less than the fair market value thereof, any material claim, right or privilege;

(g) made any change adverse to it in the terms of any insurance policy for the protection of its assets or business; canceled, failed to renew or allowed to lapse any such insurance policy or coverage thereunder; or renewed any such insurance policy or replaced the coverage thereunder at a rate or under terms less favorable to it than those in the policy being renewed or the coverage being replaced;

(h) declared, agreed to pay or make, or paid or made any dividend, distribution or other payment in cash, stock or otherwise to its shareholders;

(i) issued any shares of any class of stock, or directly or indirectly redeemed, purchased or otherwise acquired any of its shares, or made any change whatsoever in its capital structure;

(j) granted any substantial increase in the rate of pay or compensation in any form of any officer, director or employee over the rate paid in the six months ended December 31, 1995; or granted substantial increases in the annual rates of pay

or compensation of officers, directors and employees in the aggregate; or paid, or committed itself to pay, any bonus, additional salary, or compensation to, or made any loan, secured or unsecured, to or guaranty for, any officer, director or employee;

(k) changed any accounting method or practice previously followed by it; or

(l) authorized the entering into of any material transaction or agreement which is not in the ordinary course of business and consistent with the experience of recent years or the taking of any action of the nature described in this Section 3.18.

3.19 Agent for Protective Committee. The Company has been advised that the Voting Trustees are the "agent for the Property Owning Stockholders Committee" referred to in the Restriction.

3.20 Relationship With Related Persons. Except as is to be set forth in the list provided for in Sections 9.8 and 10.10 hereof, neither Adrian P. Reed, Nathaniel P. Reed, Samuel P. Reed nor Joseph V. Reed, Jr., nor any of their spouses or children has, or since September 1, 1993 has had, any interest in any property used in or pertaining to the businesses of the Company and the Subsidiaries. No person referred to in the preceding sentence has, or since September 1, 1993 has had an equity or profit-sharing interest in any corporation, partnership or other entity that has business dealings or a material financial interest in any transaction with the Company or either Subsidiary, except as set forth in Schedule 3.20 hereto.

3.21 No Omissions or Misrepresentations. None of the statements, representations or warranties made by the Company in this Agreement, or in any Schedule attached hereto, or in any certificate or document delivered to JIC or the Trustees pursuant to

this Agreement by or on behalf of the Company, contains any untrue statement of any material fact or omits to state any material fact necessary to be stated in order to make the statements, representations or warranties contained herein or therein not misleading.

Section 4. Representations and Warranties of Trustees.

The Trustees represent and warrant to the Company and JIC that:

4.1 Trustees. Adrian P. Reed, Nathaniel P. Reed, Samuel P. Reed and Joseph V. Reed, Jr. are the duly acting trustees under the Hobe Sound Trust Agreement and are the only trustees thereunder. A complete and accurate copy of the Hobe Sound Trust Agreement and the related appointment and resignation documents is included in Schedule 4.1 hereto.

4.2 Agreement. This Agreement has been duly authorized, executed and delivered by the Trustees; and this Agreement, including, without limitation, the covenants and indemnities of the Trustees set forth in Section 11 hereof, constitutes a valid and binding obligation of the Trustees in accordance with their terms; and neither the execution and delivery of this Agreement by the Trustees nor the performance by the Trustees of said covenants and indemnities will conflict with or violate the Hobe Sound Trust Agreement or any agreement, undertaking or commitment to which the Trustees are a party or by which the Trustees are bound.

4.3 Share Ownership. The Shares are owned by the Trustees free and clear of any encumbrance other than the Restriction, the text of which is set forth in Schedule 4.2 hereto; and, subject to the satisfaction of the conditions set forth in this Agreement, the

Trustees have full right, power and authority to sell, transfer and exchange the Shares as provided in this Agreement.

4.4 Investment. The 100 shares of common stock, no par value, of the Water Company to be acquired by the Trustees hereunder are being acquired for the account of the Trustees for investment and not with a view to resale.

Section 5. Representations and Warranties of JIC.

JIC hereby represents and warrants to the Company and the Trustees that:

5.1 Organization and Standing. JIC is a corporation duly organized, validly existing and in good standing under the laws of the State of Florida with full corporate power to enter into this Agreement and to perform its covenants and agreements hereunder.

5.2 Authorization. This Agreement has been approved by the Board of Directors of JIC and the execution and delivery of this Agreement and the performance of its covenants and agreements under this Agreement, the Note and the Pledge Agreement have been duly authorized by all necessary corporate action. This Agreement has been duly executed and delivered by and constitutes a valid and binding obligation of JIC in accordance with its terms, and, when executed and delivered, will constitute a valid and binding obligation of JIC in accordance with its terms, subject to bankruptcy, insolvency, and other similar laws affecting the enforcement of creditors' rights generally; JIC is not a party to any contract, agreement, undertaking or commitment or subject to any charter or other corporate restriction which would prevent it from executing and delivering this Agreement, and neither the execution and delivery of this Agreement nor the consummation of the transactions

contemplated hereby will result in any default under or breach of any material contract, agreement, undertaking or commitment to which JIC is a party or by which it is bound.

5.3 Ownership of Common Stock. On the date hereof JIC does not own and has no agreement to acquire any shares of Common Stock or Voting Trust Certificates.

5.4 Certain Documents. Schedule 5.4 hereto consists of a copy of the Voting Trust Agreement, which to the best of the knowledge of JIC is now in effect with respect to 2,425 shares of Common Stock of the Company, and copies of the Articles of Incorporation and Bylaws of JIC as now in effect.

5.5 Investment. JIC is purchasing the Shares of the Company to be purchased by it hereunder for its own account for investment and not with a view to the resale thereof.

Section 6. Further Covenants of the Parties.

6.1 Covenants and Agreements of the Company. In addition to its agreements elsewhere set forth herein, the Company covenants and agrees that from and after the date hereof until the Closing Date, except as otherwise consented to in writing by JIC and the Trustees, the Company shall use good faith efforts to cause the Company and each of the Subsidiaries to

(a) carry on its business, conduct its operations in all material respects in the same manner as heretofore conducted, and make no purchase or sale except in the ordinary course of business and in a manner consistent with the experience of recent years and not in violation of any of the representations, warranties or covenants contained in this Agreement, or except as contemplated by the provisions of this Agreement;

(b) comply with all applicable laws and regulations; obtain and renew, if required, all material governmental permits, licenses, or authorization required for the conduct or use of any part of its business;

(c) not incur any material obligation or liability (absolute or contingent) other than (i) current liabilities incurred in the ordinary course of business and of a nature and in an amount consistent with the experience of recent years and not in violation of any of the other representations, warranties or covenants contained in this Agreement, or (ii) as contemplated by the provisions of this Agreement;

(d) not sell, transfer, assign, convey, mortgage or pledge, or enter into any agreement to sell, transfer, assign, convey, mortgage or pledge, any of its assets other than in the ordinary course of business and of a nature and in an amount consistent with the experience of recent years and not in violation of any of the other representations, warranties or covenants contained in this Agreement;

(g) use its good faith efforts to continue its present insurance policies in full force and effect;

(h) not enter into any material agreement or contract, except in the ordinary course of business and of a nature and in an amount consistent with the experience of recent years and not in violation of any of the other representations, warranties or covenants contained in this Agreement or except as contemplated by this Agreement;

(i) not amend, repeal or otherwise alter its Certificate of Incorporation or Bylaws as constituted on the date hereof, except as provided in Section 10.8

hereof and except that the shareholders of the Company may adopt such other amendments to the Company's Certificate of Incorporation, to take effect after the Closing Date:

(j) not grant any increase in the annual rate of pay or compensation in any form of any officer, director or employee; grant any increase in the rate of annual compensation or pay of any officer, director or employee; or pay or commit to pay any bonuses (except bonuses to employees in accordance with the experience of recent years) or make any loans, secured or unsecured, to or any guarantees for any officer, director or employee; or enter into or authorize any employment agreement;

(k) permit JIC and the Trustees and their respective authorized representatives, upon reasonable notice during normal business hours and without disrupting the normal business activities of the Company or the Subsidiaries, to have full access to all of the properties, facilities, books, records, files, and documents relating to the business and assets of the Company and the Subsidiaries, make copies of such records and documents, and furnish to JIC and the Trustees such financial, legal and other information with respect to such business and assets as either of them or their authorized representatives may from time to time request;

(l) cause the intercompany account between the Company and the Water Company to be settled prior to the Closing Date; cause the Company to be relieved prior to the Closing Date of any and all obligations it may have as surety or guarantor with respect to obligations of the Water Company, including, without limitation, obligations as guarantor of bank debt of the Water Company; and cause all arrangements for the sharing of personnel, equipment, insurance, services of independent contractors or other services, or for

the purchase or lease of equipment, goods or services (other than the provision of water service to the Company at promulgated rates) between the Water Company and the Company to be reviewed and terminated on or prior to the Closing Date, except as provided in this Agreement or in the Office Lease and Facilities Agreement, in the form of Exhibit A hereto, or the Tax Allocation Agreement, in the form of Exhibit B hereto, each of which will be entered into by the Company and the Water Company on the Closing Date; and

(m) obtain from the appropriate governmental authorities all consents and approvals required in order to maintain in full force and effect after consummation of the transactions contemplated by this Agreement all licenses, permits and authorizations held by the Company or the Water Company in connection with the operation of their respective businesses.

6.2 Covenants and Agreements of the Trustees. In addition to their agreements set forth elsewhere herein, the Trustees covenant and agree as follows:

(a) The Trustees will use good faith efforts to obtain the approval of the transactions contemplated hereby by the Surrogate's Court of New York County, New York;

(b) The Trustees will vote the Shares in favor of the transactions contemplated hereby at the shareholders meeting referred to in Section 3.2 hereof; and

(c) The Trustees will use good faith efforts to cause Adrian P. Reed, Nathaniel P. Reed, Samuel P. Reed and Joseph V. Reed, Jr., to identify and list in a writing agreed to by JIC prior to the Closing all items of personal property owned by members of the

Reed family and located on or within premises to be retained by the Company after the Closing.

6.3 Covenants and Agreements of JIC. In addition to its agreements elsewhere set forth herein, JIC covenants and agrees as follows:

(a) JIC will use good faith efforts to sell shares of its Class A Stock (including related equity memberships) for an amount not less than \$18,000,000 to persons who on February 8, 1996 were Minority Shareholders or members or associates of the Island Club.

(b) Prior to the Closing Date JIC will acquire the Voting Trust Certificates owned by the persons who purchase shares of Class A Stock pursuant to JIC's efforts under Section 6.3(a) above, and JIC will use its good faith efforts to cause the shares of Common Stock underlying such Voting Trust Certificates to be distributed to and owned by JIC free from the terms and conditions of the Voting Trust Agreement effective not later than the Closing.

(c) JIC will use good faith efforts to cause each of the Minority Trustees and the members of the Task Force to support the transactions contemplated hereby, to vote in favor of such transactions at all meetings of directors and shareholders of the Company called for that purpose, to buy shares of Class A Stock and an equity membership and to urge other members of the Island Club to do so.

(d) JIC will offer shares of its Class A Stock and related equity memberships to Adrian P. Reed, Nathaniel P. Reed, Samuel P. Reed, Joseph V. Reed, Jr.,

and Robert A. Hemmes at the same price and terms, as applicable, at which they are offered to resident and associate members of the Island Club.

(e) JIC will use good faith efforts to agree upon the writing referred to in Section 6.2(c) hereof.

Section 7. Termination. The obligations of the parties under this Agreement are subject to the condition that at the shareholders meeting referred to in Section 3.2 hereof this Agreement and the transactions contemplated hereby shall be approved by the affirmative vote of the holders of at least 5,200 shares of the Common Stock of the Company, including at least 2,000 shares held by the Voting Trustees which shall have been voted by the Voting Trustees in accordance with specific instructions received by the Voting Trustees from the holders of the Voting Trust Certificates issued in respect of such shares. If such affirmative vote is not received, or if the Closing does not take place on or before July 31, 1996, this Agreement shall terminate and the parties shall have no further obligations hereunder.

Section 8. The Closing. If the conditions precedent to the respective obligations of the parties set forth herein have been satisfied on or prior to the Closing date, the closing of the transactions contemplated herein (the "Closing") shall be held at the offices of Gunster, Yoakley, Valdes-Fauli & Stewart, P.A., West Palm Beach, Florida, or such other place as the parties may in writing agree, at 10:00 a.m. local time, on the Closing Date. The following deliveries will be considered to have taken place simultaneously as part of a single transaction and no delivery will be considered to have been completed unless all are completed.

8.1 Deliveries between Trustees and Company. At the Closing, in addition to any other items required to be delivered by them hereunder, (a) the Trustees shall deliver to

the Company the stock certificates representing the Shares to be transferred, assigned and surrendered to the Company in accordance with Section 2(a) hereof, accompanied by stock powers duly executed by the Trustees in favor of the Company, against delivery by the Company to the Trustees or their designee of a certificate registered in the name of the Trustees representing all 100 shares of common stock, no par value, of the Water Company, and (b) the Trustees shall deliver to the Company the stock certificates representing the Shares to be transferred, assigned and surrendered to the Company in accordance with Section 2(b) hereof, accompanied by stock powers duly executed by the Trustees in favor of the Company against delivery by the Company to the Trustees of a warranty deed of the Company with covenant against grantor's acts covering the Non-Club Real Estate, subject to the matters set forth herein and in Schedule 3.12(b) hereto. The documentary stamp taxes on the deeds conveying the Non-Club Real Estate will be paid by the Trustees. The cost of any title insurance or title report obtained by the Trustees on the Non-Club Real Estate will be borne by the Trustees. Real property taxes on the Non-Club Real Estate will be prorated between the Company and the Trustees as of the Closing Date. A closing adjustment in the amount of \$112,890 will be paid to the Company by the Trustees representing the estimated amount of federal and Florida income taxes payable with respect to the transfer of Riverview Cottage and the Bubble House Lots.

8.2 Deliveries between the Trustees and JIC. At the Closing in addition to any other items required to be delivered to them hereunder, the Trustees shall deliver to JIC a certificate, registered in the name of JIC, representing the Shares to be sold and delivered to JIC pursuant to Section 2(c) hereof against delivery by JIC to the Trustees of \$23,000,000 in

immediately available funds by wire transfer to a bank account of the Trustees in New York City.

Section 9. Conditions Precedent to the Obligations of JIC.

The obligations of JIC hereunder are subject to the conditions (any one or more of which may be waived, in whole or in part, by JIC) that on the Closing Date:

9.1 Representations and Warranties. The representations and warranties of the Company and the Trustees contained in this Agreement shall be true and correct on and as of the Closing Date as though all such representations and warranties were made or confirmed at the Closing and as of the Closing Date.

9.2 Actions to Be Performed. All of the agreements and conditions required by this Agreement to be complied with, performed or satisfied by the Company and the Trustees on or before the Closing Date shall have been complied with, performed, or satisfied.

9.3 Financing. JIC shall have received at least \$18,000,000 from the sale of shares of its Class A Stock and equity memberships to persons who were members or associates of the Island Club on February 8, 1996.

9.5 Officers Certificate. The Company shall have furnished to JIC a certificate executed by the President or Vice President and Secretary of the Company, dated the Closing Date, and certifying to the fulfillment of the conditions specified in Sections 9.1 and 9.2 hereof on the part of the Company.

9.6 Trustees Certificate. The Trustees shall have furnished to JIC a certificate executed on behalf of the Trustees, dated the Closing Date, and certifying to the

fulfillment of the conditions specified in Sections 9.1 and 9.2 hereof on the part of the Trustees.

9.7 Water Company Obligations. The bank loan agreements between Suntrust Bank and the Water Company shall have been amended to relieve the Company of any and all obligations to Suntrust Bank, as guarantor, surety or otherwise, with respect to obligations of the Water Company, and the Company shall have no other liability for obligations of the Water Company.

9.8 Consents. The Company shall have obtained from the appropriate governmental authorities all consents and approvals required in order to maintain in full force and effect after the Closing all licenses, permits and authorizations held by the Company in connection with the operation of its business.

9.9 Due Diligence Investigation: Certain Actions. The investigation by representatives of JIC contemplated by Section 6.1(k) hereof shall have been permitted to continue through the Closing Date, and the results of such investigation shall be satisfactory to JIC in its sole discretion. All submerged land leases necessary for the leasehold ownership and operation of the Company's marina operations shall be renewed with expiration dates subsequent to the Closing.

9.10 Resignations. Adrian P. Reed, Nathaniel P. Reed, Samuel P. Reed and Joseph V. Reed, Jr., shall have submitted their resignations as directors and officers of the Company and the Island Club, effective immediately after the Closing.

9.11 Proceedings and Documents. All corporate and other proceedings in connection with the transactions contemplated hereby shall have been satisfactory in all

respects to Gunster, Yoakley, Valdes-Fauli & Stewart, P.A., counsel for JIC, and JIC and such counsel shall have received such closing documents from the Company and the Trustees as shall have been reasonably requested by such counsel.

Section 10. Conditions Precedent to Trustees' Obligations. The obligations of the Trustees hereunder are subject to the conditions (any one or more of which may be waived, in whole or in part, by the Trustees) that on the Closing Date:

10.1 Representations and Warranties True At Closing. The representations and warranties of JIC contained in this Agreement shall be true and correct on and as of the Closing Date as though all such representations and warranties were made or confirmed at the Closing and as of the Closing Date, except as affected by the transactions contemplated hereby.

10.2 Performance by JIC. JIC shall have performed, complied with or satisfied all agreements and conditions required by this Agreement to be performed, complied with or satisfied by JIC prior to or at the Closing.

10.3 Certain Shareholdings. On the Closing Date, after giving effect to the transactions being consummated at the Closing, (a) more than 50% of the Class A Stock and Class B Stock of JIC shall be owned of record and beneficially by persons who were Minority Shareholders; (b) at least 2,543 shares of Common Stock will be shares which are either owned by shareholders of the Company other than JIC or have been acquired by JIC from Minority Shareholders as part of the consideration for the issuance of shares of Class A Stock of JIC and are owned by JIC on the Closing Date; (c) except for such shares owned by JIC on the Closing Date, since the date of this Agreement neither the Company nor JIC will have

acquired or agreed to acquire any shares of Common Stock other than from the Trustees pursuant to this Agreement; and (d) more than 4,000 shares of Common Stock of the Company will be owned of record and beneficially by JIC free from the terms and conditions of the Restriction and the Voting Trust Agreement and free from any other lien or encumbrance.

10.4 Officers Certificate. JIC shall have furnished to the Trustees a certificate executed by the President or Vice President and Secretary of JIC, dated the Closing Date, and certifying to the fulfillment of the conditions specified in Sections 10.1, 10.2 and 10.3 hereof.

10.5 Stockholders Committee Consent. The designated agent of the Property Owning Stockholders Committee shall have delivered to the Trustees an instrument consenting to the transactions contemplated by this Agreement and waiving any and all rights such Committee may have under the Restriction to purchase the Shares.

10.6 Surrogate's Court Approval. The Surrogate's Court of New York County, New York shall have issued an order approving the transactions contemplated hereby pursuant to a petition of the Trustees, and such order shall be in form and substance satisfactory to counsel for the Trustees.

10.7 Opinion of Counsel. The Trustees shall have received an opinion of Lane & Mittendorf, LLP., counsel to the Trustees, dated the Closing Date, restating on and as of the Closing Date their opinion delivered to the Trustees at the time of their execution of this Agreement to the effect that the transaction referred to in Section 2(a) hereof will qualify for treatment as a non-taxable transaction under Section 355 of the Internal Revenue Code of 1986, as amended, and no gain or loss will be recognized by the Trustees or the Company

with respect thereto for Federal or Florida income tax purposes. The failure of such counsel to give such opinion shall not be a condition to the Trustees obligations unless such failure is based upon a change in the facts or circumstances contemplated by this Agreement or by the opinion of such counsel delivered at the time of execution hereof or a change in law applicable to said Section 355 after the date hereof.

10.8 Water Company Agreements. The agreements between the Company and the Water Company in the forms of Exhibits A and B hereto shall have been executed by the parties thereto.

10.9 Consents. The Water Company shall have obtained from the appropriate governmental authorities all consents and approvals required in order to maintain in full force and effect after the Closing all licenses, permits and authorizations held by the Water Company in connection with the operation of its business.

10.10 Proceedings and Documents. All corporate and other proceedings in connection with the transactions contemplated hereby shall have been satisfactory in all respects to counsel for the Trustees, and the Trustees and such counsel shall have received such closing documents from the Company and the Trustees as shall have been reasonably requested by such counsel.

Section 11. Continuing Obligations. The parties agree that the following covenants will survive the Closing:

11.1 Reverter Rights. The Company owns reversionary interests in lots 82 and 83 on Jupiter Island heretofore donated by it for green space, as set forth in the respective deed, a copy of which is included in Schedule 11.1 hereto. If all or any part of such real

property reverts to the Company, and any profit after taxes and expenses shall accrue to the Company from the sale or lease of all or part of such property, then, in such event, such profit shall be divided equally between JIC and the Trustees.

11.2 Minority Claims.

(a) JIC and the Company, jointly and severally, covenant and agree to indemnify and hold harmless the Trustees and Adrian P. Reed, Nathaniel P. Reed, Samuel P. Reed and Joseph V. Reed, Jr., individually, from and against any loss, damage, cost or expense (including reasonable attorney's fees and disbursements) resulting from any claim asserted by any Minority Shareholder as a current holder of any of those certain 2,500 shares of Common Stock sold by Joseph Verner Reed in May 1952, or by any current member of the Island Club, based on the transactions contemplated hereby.

(b) The Company and JIC, jointly and severally, will bear and pay for 40%, and the Trustees will bear and pay for 60%, of any and all loss, damage, cost or expense (including reasonable attorney's fees and disbursements) to any of the Company, JIC and the Trustees resulting from any claim asserted by any Minority Shareholder as a current holder of shares of Common Stock other than the 2,500 shares referred to in Section 11.2(a) based on the transactions contemplated hereby.

11.3 Trust Beneficiary Claims. The Trustees covenant and agree to indemnify and hold harmless JIC and the Company from and against any loss, damage, cost or expense (including reasonable attorney's fees and disbursements) resulting from any claim asserted by any beneficiary under the Hobe Sound Trust Agreement based on the transactions contemplated hereby.

11.4 Environmental Indemnity. The Trustees covenant and agree to indemnify and hold harmless JIC and the Company from and against any loss, damage, cost or expense (including reasonable attorney's fees and disbursements) resulting from any use, handling, storage, transportation or disposal of hazardous or toxic materials during the period prior to the Closing on any real property owned by the Company prior to the Closing (whether or not any of the Company, JIC, Voting Trustees or members of the Task Force had actual knowledge of any condition existing prior to Closing), except for hazardous or toxic materials incorporated, in the course of construction or maintenance, within and which have become a part of the improvements on the real property retained by the Company after Closing.

11.5 Water Company Indemnity. The Trustees covenant and agree to indemnify and hold harmless JIC and the Company from and against any and all actions, obligations and liabilities of the Water Company arising prior to or subsequent to the Closing, including any loss, damage, cost or expense (including reasonable attorney's fees and disbursements) resulting from any such action, obligation or liability (whether or not any of the Company, JIC, Voting Trustees or members of the Task Force had actual knowledge of any condition existing prior to Closing).

11.6 Non-Club Real Estate Indemnity. The Trustees covenant and agree to indemnify and hold harmless JIC and the Company from and against any loss, damage, cost or expense (including reasonable attorney's fees and disbursements) with respect to the Company's ownership of the Non-Club Real Estate prior to the Closing, or the ownership, development or sale thereof by the Trustees or their designee after the Closing (whether or not any of the Company, JIC, Voting Trustees or members of the Task Force had actual

knowledge of any condition existing prior to Closing); provided that the foregoing shall not be construed as an indemnity against property taxes for periods prior to the Closing Date or income taxes on any gain realized by the Company with respect to the Non-Club Real Estate as a result of the transactions contemplated hereby.

11.7 Undisclosed Matters. The Trustees will indemnify and hold harmless the Company and JIC from and against any and all loss, cost, damage and expense (including reasonable attorney's fees and disbursements) incurred by the Company resulting from events, actions or occurrences (regardless of whether or not the subject of representations and warranties set forth in Sections 3 or 4) prior to the Closing Date other than (a) events disclosed in or pursuant to this Agreement or of which the Task Force or the Voting Trustees had actual knowledge, including, without limitation, all matters except environmental matters disclosed in the report, dated May 25, 1994, of Gee and Jenson, (b) matters relating to title to or encumbrances on real property or the condition of any improvements thereon, including, without limitation, compliance with any zoning, building or other administrative law, code or regulation, (c) the condition of any personal property, (d) loss, cost, damage or expense reimbursed or paid by the insurance policies of the Company now in force (which the Company and JIC shall keep in force for at least the present coverage) and (e) claims of which the Trustees are not given notice prior to the third anniversary of the Closing Date (except with respect to tax matters involving income, profits, franchise, sales and use taxes for which this indemnification obligation shall continue through the end of the applicable statute of limitation with respect to such tax matters), and (f) the first \$100,000 of loss, cost, damage and expense which would otherwise be covered by this Section 11.7. Except as herein or

elsewhere in this Agreement specifically provided the Trustees will have no obligation to the Company or JIC with respect to claims resulting from events, actions or occurrences prior to the Closing Date.

11.8 Tax Indemnity. The Trustees covenant and agree to indemnify and hold harmless JIC and the Company from and against any federal or Florida income tax, and any loss, damage, cost or expense (including reasonable attorney's fees and disbursements), resulting from any gain required to be recognized by the Company with respect to the transaction referred to in Section 2(a) hereof.

11.9 Riverview Cottage and Bubble House Lots. The agreed valuation of the Non-Club Real Estate at \$5,300,000, as reflected in the allocation of Shares in Section 2(b) hereof, includes an agreed value of \$300,000 for Riverview Cottage and the Bubble House Lots. If upon audit by the Internal Revenue Service the value of Riverview Cottage and the Bubble House Lots is finally determined to be in excess of such amount the Trustees will pay to the Company, as an adjustment to the purchase price for those properties, an amount equal to the additional federal and Florida income tax attributable to such excess value.

11.10 Notice to Indemnifying Party. The parties agree that upon receipt of notice of any claim, tax audit or other proceeding, or the discovery of an undisclosed event, in respect of which indemnity may be sought under one of Sections 11.2 through 11.9 hereof, the party or parties who may seek such indemnity shall give prompt notice thereof to the party from which indemnification may be sought and such indemnifying party shall be entitled to participate in (and, to the extent it shall wish, to direct) the defense of such claim or the conduct of such audit or other proceeding at the expense of such indemnifying party.

11.11 Retirement Plan. Prior to and after the Closing Date the Company and the Water Company shall take all necessary and reasonable action to adopt a 401(k) plan for employees of the Water Company which will have substantially the same terms as the Company's existing 401(k) and Retirement Income Plan in which such employees are now participants and shall have transferred to such Water Company plan, effective as of the Closing, the assets held for the benefit of such employees under the Company's plan.

11.12 Change of Name. JIC covenants and agrees that within six months after the Closing Date it will cause the Certificate of Incorporation of the Company to be duly amended to change its name; and at the time of such amendment the Company shall execute and deliver to the Trustees an assignment, in form reasonably satisfactory to counsel for the Trustees, assigning to the Trustees or their designee all of the rights of the Company in and to the name "The Hobe Sound Company".

11.13 Further Assurances. The Company agrees that at any time hereafter upon request of the Trustees the Company will without further consideration execute and deliver any further documents and instruments and take all such further action as the Trustees may reasonably request to more effectively vest the Trustees or their designee with full and complete title to the Non-Club Real Estate, the capital stock of the Water Company and the name of The Hobe Sound Company and to more effectively carry out the terms and purposes of this Agreement.

11.14 Certain Trust Funds. The Trustees agree that until the third anniversary of the Closing Date the Trustees will maintain in a custody account with Chase Manhattan Bank, N.A., through Barrett & Associates or with another bank, trust company or member

firm of the New York Stock Exchange located in New York, NY reasonably satisfactory to JIC, marketable securities having an aggregate market value of \$3,000,000 less the aggregate amount of any payments made by the Trustees pursuant to Sections 11.2 through 11.9 hereof.

Section 12. Survival of Representations and Warranties.

The parties agree that prior to the Closing they will each make such inquiry and investigation into and concerning the matters covered by this Agreement as will satisfy each of them as to the sufficiency and accuracy of the respective representations and warranties of the other party set forth herein and as to the compliance by the parties with their respective covenants and agreements set forth in Section 6 hereof; and the parties agree that none of the representations and warranties contained in Sections 3, 4 or 5 hereof or in the certificates delivered pursuant to Sections 9.5, 9.6 and 10.4 hereof, and none of the covenants and agreements set forth in Section 6 hereof, shall survive the Closing, with the exception of Section 4.3, which shall survive the Closing. All other provisions of this Agreement shall survive the Closing.

Section 13. Expenses.

Each party will be responsible for the separate compensation of such party's own legal, financial and other advisors in connection with the transactions contemplated hereby.

Section 14. Notices.

All notices, requests, instructions or documents hereunder shall be in writing and delivered personally or sent by registered or certified mail, postage prepaid.

(1) if to JIC, to:

Jupiter Island Club, Inc.
c/o Paul W. A. Courtneil, Jr.
Gunster, Yoakley, Valdes-Fauli & Stewart, P.A.
777 South Flagler Drive
West Palm Beach, FL 33401

(2) if to the Trustees, to:

Reed Family Trustees
c/o Edward G. Beimfohr
Lane & Mittendorf, LLP.
320 Park Avenue
New York, NY 10022

(3) if to the Company, to:

The Hobe Sound Company
P.O. Box 68
Hobe Sound, FL 33455
Attention: General Manager

Any party may change the address to which notices are to be sent to it by giving 10 days' written notice of such change of address to the other party in the manner above provided for giving notice. Notices will be considered delivered on the date of personal delivery or on the date of deposit in the United States mail in the manner above provided for giving notice by mail.

Section 15. Complete Agreement.

This Agreement contains the entire agreement of the parties with respect to the transactions contemplated herein and supersedes all prior negotiations and writings, including the Letter of Intent dated February 8, 1996. This Agreement may be amended, modified and

supplemented only by a written instrument duly signed by the party against which such amendment, modification or supplement is sought to be enforced.

Section 16. Governing Law.

This Agreement shall be construed in accordance with the laws of the State of Florida, applicable to agreements performed wholly within such state.

Section 17. Enforcement Costs.

If any legal proceeding is brought for the enforcement of this Agreement, or with respect to an alleged dispute, breach or default in connection with any provision of this Agreement, the successful or prevailing party or parties shall be entitled to recover reasonable attorney's fees and disbursements incurred in that legal proceeding, in addition to any other relief to which such party or parties may be entitled.

Section 18. Jurisdiction and Venue.

The parties acknowledge that a substantial portion of the negotiation of this Agreement has occurred in Palm Beach County, Florida. Any legal proceeding arising out of or relating to this Agreement shall be brought in the courts of record of the State of Florida in Palm Beach County or the United States District Court, Southern District of Florida, West Palm Beach Division. Each party consents to the jurisdiction of such court in any such legal proceeding and waives any objection to the laying of venue of any legal proceeding in such court.

Section 19. Successors and Assigns.

This agreement may not be assigned without the written consent of all parties hereto. This Agreement shall be binding upon and shall inure to the benefit of the parties' respective successors and permitted assigns.

Section 20. Counterparts.

This Agreement may be executed in counterparts, each of which shall be deemed an original, which shall be deemed to constitute one and the same instrument.

Section 21. Headings.

The subject headings of the Sections of this Agreement are included for purposes of convenience only and shall not affect the construction or interpretation of any term or provision hereof.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their officers thereunto duly authorized as of the date first above written.

JUPITER ISLAND CLUB, INC.

By _____

THE HOBE SOUND COMPANY

By *Adrian P. Reed*

TRUSTEES UNDER THE HOBE SOUND TRUST AGREEMENT:

Adrian P. Reed
Adrian P. Reed, as Trustee

Nathaniel P. Reed
Nathaniel P. Reed, as Trustee

Samuel P. Reed
Samuel P. Reed, as Trustee

Joseph V. Reed, Jr.
Joseph V. Reed, Jr., as Trustee

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their officers thereunto duly authorized as of the date first above written.

JUPITER ISLAND CLUB, INC.

By: William H. Reed

THE HOBE SOUND COMPANY

By: _____

TRUSTEES UNDER THE HOBE SOUND TRUST AGREEMENT:

Adrian P. Reed, as Trustee

Nathaniel P. Reed, as Trustee

Samuel P. Reed, as Trustee

Joseph V. Reed, Jr., as Trustee

[Faint handwritten notes]

AMENDMENT TO
STOCK PURCHASE AND SALE AGREEMENT
AND
AGREEMENT AND PLAN OF CORPORATE SEPARATION

AMENDMENT, dated as of June 30, 1996, to AGREEMENT, dated as of March 19, 1996, by and among Adrian P. Reed, Nathaniel P. Reed, Samuel P. Reed and Joseph V. Reed, Jr., as trustees under the Hobe Sound Trust Agreement and not individually, Jupiter Island Club, Inc., a Florida corporation, and The Hobe Sound Company, a Delaware corporation.

W I T N E S S E T H :

In consideration of the premises and of the covenants and agreements hereinafter set forth, the parties do hereby agree as follows:

1. Agreement. The Agreement referred to above is hereby amended as set forth herein, and the capitalized terms used herein which are defined in said Agreement shall have the same meanings as are set forth therein except as herein provided.

2. Non-Club Real Estate.

(a) The definition of "Non-Club Real Estate" in Section 1(m) of the Agreement is amended by adding to the end thereof the following:

and any rights of the Company under restrictions or reservations set forth in Schedule 1(m) hereto.

(b) The Agreement is amended by adding thereto a Schedule

1(m) in the form annexed hereto as Exhibit A.

(c) Section 11.13 of the Agreement is amended by adding at the end thereof the following sentence:

For the purposes of this Section 11.13 the term "Non-Club Real Estate" shall include, in addition to the real property referred to in Section 1(m) as amended, all rights of the Company under restrictions or reservations set forth in any instrument heretofore executed by the Company which conveys or creates an interest in real property not located in the Town of Jupiter Island, provided such restrictions or reservations were not originally imposed for the direct protection of the property or residents of Jupiter Island. The restrictions and reservations set forth in the deed recorded at O. R. Book 389, page 1372, of the Official Records of Martin County are not included in the definition of "Non-Club Real Estate."

(d) Notwithstanding the provisions of Section 8.1 of the Agreement, deeds for the Non-Club Real Estate shall be delivered to Hobe Sound Land Company, Ltd., a Florida limited partnership.

(e) Schedule 3.12 to the Agreement is amended by deleting in their entirety items numbered 5, 19 and 32 and by deleting Lot 278 from item 53.

3. Agreements Relating to the Water Company.

(a) Notwithstanding the provisions of Sections 6.1(1) and 10.8 of the Agreement, the Company and the Water Company shall not enter into the Office Lease and Facilities Agreement.

(b) The form of the Tax Allocation Agreement, Exhibit B to the Agreement, is revised to read as set forth in the form annexed hereto as Exhibit B.

(c) On the Closing Date the Company and the Water Company will execute and deliver a Water Supply Agreement and Covenant in the form of Exhibit C hereto and the Company will execute and deliver a Release in the form therein provided.

(d) The Company covenants and agrees that it will release to the Trustees, or their designee, the Company's rights under those certain restrictions set forth in that certain deed from the Company to the Water Company recorded at O.R. Book 389, page 1372, Official Records of Martin County (the "Well Field Restrictions") at such time as:

(i) the South Florida Water Management District ("WMD") issues a consumptive use water permit renewal ("Water Use Permit Renewal") to the Water Company or the Water Company has secured water service for the Company through an alternate water source not requiring a WMD permit ("Alternate Source") in compliance with the Consent Agreement dated June 15, 1995, under which the Water Company and the WMD are now operating, provided that a reputable expert in water utilities reasonably acceptable to the Company certifies to the Company that the Water Company has, at the time the Water Use Renewal is issued by the WMD or the Alternate Source is secured, the capacity to provide the Jupiter Island sub-area of the Water Company's service area with gallons-per-day per unit ("GPDU") value of not less than 2,700; or

(ii) the Town of Jupiter Island acquires the capital stock or the business and assets of the Water Company, including the land then owned by the Water Company which is subject to the Well Field Restrictions, either by purchase or eminent domain.

4. Riverview and Bunker Hill Cottages.

(a) Notwithstanding the provisions of Section 8.1 of the Agreement, the conveyance of Riverview Cottage to the Trustees or their designee shall be deferred until April 30, 1997 or such earlier date as shall be designated by the Trustees by notice to the Company and JIC so that the Trustees may attempt to obtain such zoning changes and variances and such building and other permits as the Trustees in their discretion deem desirable in order to permit the reconstruction and/or use of Riverview Cottage for residential purposes by the Trustees or their designees.

(b) If the Trustees shall not have received such desired changes, variances and permits prior to April 15, 1997, the Trustees' right to receive the conveyance of Riverview Cottage shall cease, but in lieu thereof the Trustees shall have the right and option, exercisable by notice to the Company and JIC prior to April 30, 1997, to require the Company to convey to the Trustees, in substitution for Riverview Cottage, the property designated as Bunker Hill Cottage in Schedule 3.11(b) to the Agreement.

(c) Until the earlier of the conveyance of Riverview

Cottage pursuant to paragraph (a) above or the exercise of the option of the Trustees under paragraph (b) above, the Trustees or their designee shall have the right to occupy Riverview Cottage without payment to the Company of rent or other occupancy charges. Charges for services used by any occupant, such as maid service or room service, shall be charged to and paid by the occupant.

(d) The closing adjustment provided for in the last sentence of Section 8.1 of the Agreement shall be payable as follows: \$18,815 on the Closing Date in respect of the transfer of the Bubble House Lots, and \$94,075 on the date of conveyance of Riverview Cottage or Bunker Hill Cottage, as the case may be, in respect of the property then being transferred.

(e) If Bunker Hill Cottage is conveyed to the Trustees in lieu of Riverview Cottage as above provided, the references to Riverview Cottage in Sections 1(m) and 11.9 of the Agreement shall thereafter be deemed to refer to Bunker Hill Cottage.

5. Custody Account. Section 11.14 of the Agreement is amended to read as follows:

11.14 Certain Trust Funds. The Trustees agree that until January 1, 1999 the Trustees will maintain in a custody account with Chase Manhattan Bank, N.A. through Barrett & Associates or with another bank, trust company or member firm of the New York Stock Exchange located in New York, NY reasonably satisfactory to JIC, marketable securities having an aggregate market value as follows:

until June 30, 1997 - \$3,000,000; /

thereafter, until

June 30, 1998 - \$2,000,000; and /

thereafter, until

January 1, 1999 - \$1,000,000, /

less, in each case, the aggregate amount of any payments made by the Trustees pursuant to Sections 11.2 through 11.9 hereof. Nothing herein shall prevent the division of the assets held by the Trustees under the Hobe Sound Trust Agreement among successor trustees for the benefit of each of the branches of the Reed family under the Hobe Sound Trust Agreement provided all successor trustees acknowledge to JIC in writing the obligation of the Trustees under this Section 11.14. It is agreed that the obligation of the Trustees hereunder may be satisfied by aggregating the several proportionate accounts maintained by such successor trustees to satisfy such obligation.

6. Typographical Corrections.

(a) Section 6.3(d) is amended by adding ",Jr.," after the name "Robert A. Hemmes."

(b) Section 11.14 is amended by changing "Barrett & Associates" to "Barrett Associates, Inc."

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IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their officers thereunto duly authorized as of the date first above written.

JUPITER ISLAND CLUB, INC.

By _____

THE HOBE SOUND COMPANY

By _____

TRUSTEES UNDER THE HOBE SOUND TRUST AGREEMENT:

Adrian P. Reed, as Trustee

Nathaniel P. Reed, as Trustee

Samuel P. Reed, as Trustee

Joseph V. Reed, Jr., as Trustee

SCHEDULE 1(m)

The Non-Club Real Estate to be conveyed by The Hobe Sound Company shall include the rights of The Hobe Sound Company under reservations or restrictions set forth in the following instruments executed by The Hobe Sound Company:

1. Deed to C.C.C. Associates, a Florida general partnership, recorded at O.R. Book 706, Page 2500, official records of Martin County.
2. Deed to William S. Shanks and Betty A. Shanks, Husband and wife, recorded at O.R. Book 511, Page 2487, official records of Martin County.
3. Deed to William S. Shanks recorded at O.R. Book 634, Page 1675, official records of Martin County.

TAX ALLOCATION AGREEMENT

Agreement, dated July 1, 1996, between The Hobe Sound Company, a Delaware corporation ("HSC"), and Hobe Sound Water Company, a Florida corporation ("HSCW").

WHEREAS, prior to the date hereof the parties have been members of an "affiliated group" as defined in Section 1504(a) of the Internal Revenue Code of 1986, as amended (the "Code") and are required to file a consolidated federal income tax return for the 10-month fiscal period ended June 30, 1996 (the "1996 Return");

WHEREAS, the parties are no longer affiliated and wish to provide for the preparation and filing of the 1996 Return, the payment of any tax shown due thereon and the allocation of the cost thereof between them, and

WHEREAS, it is the intention of the parties that if HSC benefits from losses or tax credits of HSCW, then HSCW should be compensated for the value of the losses or tax credits utilized.

NOW, THEREFORE, in consideration of the mutual covenants herein contained, the parties agree as follows:

1. The 1996 Return shall be prepared by Moore, Caler, Donten & Levine, P.A. and their charges therefor will be borne and paid for equally by the parties.

2. HSC will pay any tax shown due and owing on the 1996 Return, and HSCW will promptly reimburse HSC for any unpaid portion of HSCW's share of the consolidated tax liability shown on the 1996 Return, or HSC will promptly pay to HSCW any amount owed to HSCW, determined as hereinafter set forth.

3. HSCW's share of the consolidated tax liability for 1996 will be an amount equal to the tax liability which would be shown on a separate return of HSCW for the 10-month period ended June 30, 1996 on a non-consolidated basis (the "HSCW Separate Return").

4. If the HSCW Separate Return would show a loss or unused tax credits, HSC will pay to HSCW an amount equal to the difference between the consolidated tax liability shown on the 1996 Return and the amount of such tax liability without giving effect to such loss and unused tax credits of HSCW. To the extent the benefit from such losses and tax credits can only be realized by carrybacks or carryovers to other tax years, HSC will cooperate in attempting to realize them, and HSC will pay to HSCW an amount equal to the benefit received as and when such losses and credits are utilized.

5. The 1996 Return shall be prepared on a basis consistent with prior years, and no election required or permitted under the Code shall be made without the concurrence of each of the parties

hereto; provided, however, that earnings and profits shall be allocated on a separate return basis and the parties will make an election to permit HSWC to calculate its tax liability on the HSWC Separate Return by using 5/6ths of the HSWC actual tax liability for its fiscal year ending August 31, 1996 rather than by closing its books on June 30, 1996 to make a separate calculation for the 10-month period.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

The Hobe Sound Company

By: _____

Hobe Sound Water Company

By: _____