SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

* ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 1996

OR

* TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the Transition Period From .... to ....

Commission file number 0-19989

FM Properties Inc.
(Exact name of Registrant as specified in Charter)

DELAWARE	72-1211572
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1615 Poydras Street New Orleans, Louisiana	70112
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (504) 582-4000

Securities registered pursuant to Section 12(b) of the Act:

None

Securities registered pursuant to Section 12(g) of the Act:

Common Stock Par Value $0.01 per Share
Preferred Stock Purchase Rights

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

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

The aggregate market value of the voting stock held by non-affiliates of the registrant was approximately $44,148,000 on March 14, 1997.

On March 14, 1997, there were issued and outstanding 14,285,770 shares of Common Stock, par value $0.01 per share of the registrant.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Proxy Statement dated March 27, 1996, to be submitted to the registrant's stockholders in connection with its 1997 Annual Meeting to be held on May 8, 1996 are incorporated by reference into Part III of this Report.

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PART I

Items 1. and 2. Business and Properties.

OVERVIEW

FM Properties Inc., a Delaware corporation ("FMPO" or the "Company"), was organized in March 1992 and operates through its 99.8% general partnership interest in FM Properties Operating Co., a Delaware general partnership (the "Partnership"). The remaining 0.2% general partnership interest is held by Freeport-McMoRan Inc., a Delaware corporation listed on the New York Stock Exchange, which also serves as the Partnership's managing general partner ("FTX" or the "Managing General Partner"). The Partnership was formed to hold, operate and develop substantially all domestic oil and gas properties of, and substantially all domestic real estate then held for

development by, FTX and certain of its subsidiaries. The Partnership also assumed substantially all of the liabilities related to such assets, including approximately $500 million of indebtedness, substantially all of which was guaranteed by FTX.

Since the formation of the Company, the primary objective of managing, developing and operating the Partnership's assets has been the retirement of its indebtedness and the elimination of the debt guarantees, establishing the Company as a stand-alone entity. The Partnership sold virtually all of its producing oil and gas properties in 1993 and currently is engaged in the development and marketing of real estate in the Austin, Dallas, Houston and San Antonio, Texas areas. During 1996, the Partnership was able to capitalize on enhanced sales opportunities at its properties in the Austin area brought about by several positive legislative and judicial developments that occurred during 1995. As a result, the Partnership generated significantly higher operating cash flows which enabled it to reduce its debt by $63 million to $58.3 million at December 31, 1996.

The ability of the Partnership to make future payments of principal and interest, and to comply with the covenants relating to its debt, is largely dependent upon the Partnership's future performance, which will be subject to numerous economic and other factors, including factors beyond its control. The Company has incurred operating losses in each year since inception from the real estate activities conducted by the Partnership. The Partnership's future performance and the financial viability of the Company are dependent on the future cash flows from the Partnership's assets. These cash flows will be significantly affected by future real estate values and future interest rate levels. There can be no assurance that the Partnership will generate cash flow or obtain funds sufficient to make required interest and principal payments. Considering the anticipated cash flows of the Partnership and the maturities of its debt, the Partnership will be required, not later than February 1998, to refinance its debt or sell assets in order to generate cash then required for principal payments.

RECENT DEVELOPMENTS

Revenues for 1996 totaled $79.2 million, consisting of $44 million from the sale of developed properties and $35.2 million from the sale of undeveloped properties. Sales of developed properties include $25 million from the sale of the Barton Creek Country Club and Conference Resort and $19 million from the sale of 393 single-family home sites in the Austin, Houston and San Antonio areas. Revenues from undeveloped property sales include two tracts within the Barton Creek development totaling 105 acres for an aggregate $4.8 million, the first sales under the Water Quality Protection Zone legislation enacted in 1995, the sale of commercial and multi-family tracts in the Dallas area totaling 79 acres for an aggregate $12.6 million, and the sale of 535 acres in the Austin, Dallas and San Antonio areas for an aggregate $17.8 million.

During 1996 the Partnership generated operating cash flow of $68.7 million, which after funding capital additions, enabled FMPO to reduce the debt of the Partnership and Circle C Land Corp., its consolidated affiliate ("Circle C"), by $63 million, from $121.3 million on December 31, 1995 to $58.3 million on December 31, 1996.

In the fourth quarter of 1996, the Partnership amended its credit agreements extending all maturities until February 1998, reducing interest rates, lowering available borrowing capacity under the revolving credit agreement to $10 million, and eliminating the guarantee of Freeport-McMoRan Copper & Gold Inc. ("FCX"). All of the Partnership's and Circle C's bank debt is now guaranteed only by FTX. FTX has liens on the Partnership's assets that may be subordinated to its lenders under certain conditions.

While such debt is currently guaranteed by FTX, there is no commitment by FTX to guarantee any such debt after February 1998, and there can be no assurance that any such further guarantee will be provided. FMPO will continue to seek to reduce its need for financing through the sale of assets,

and will also seek new financing alternatives, which may involve issuing new debt or common or preferred equity, with a view to eliminating the FTX guarantee. Management believes that the ongoing reduction of the Partnership's debt will significantly improve its financing alternatives. If the FTX guarantee is eliminated, FMPO would have the ability to remove FTX as Managing General Partner and dissolve the Partnership, thereby enabling FMPO to manage its business without the restrictions currently imposed by its relationship with FTX. While FMPO believes a new financial structure will be beneficial to the long-term interests of its shareholders, an elimination of the FTX guarantee may increase near-term financing costs significantly. FMPO will seek to establish a long-term base of capitalization that will enable it to pursue its business plan of developing and selling real estate.

During September 1996 the Partnership entered into an agreement to sell the remaining assets of Circle C for $34 million; however, in January 1997 the agreement expired and the Partnership retained the prospective purchaser's $1 million performance deposit.

REAL ESTATE

As a result of the transactions closed in 1996 and described under "Recent Developments," above, the Partnership's principal real estate holdings in the Austin, Texas area currently consist of approximately 2,900 acres of undeveloped residential, multi-family and commercial property within the Barton Creek development, approximately 1,000 acres of undeveloped commercial and multi-family property within the Circle C Ranch development in the City of Austin owned by Circle C, and approximately 500 acres of undeveloped residential, multi-family and commercial property known as the Lantana tract, south of and adjacent to the Barton Creek development in the City of Austin.

The Partnership also owns or has interests in approximately 308 developed lots, 262 acres of additional undeveloped residential property and 208 acres of additional undeveloped commercial and multi-family property located in Dallas, Houston and San Antonio, Texas that are being actively marketed. These real estate interests are managed by professional real estate developers who have been retained to provide master planning, zoning, permitting, development, construction and marketing services for the properties. Under the terms of these agreements, operating expenses and development costs, net of revenues, are funded by the Partnership, and the developers are entitled to a management fee and a 25% interest in the net profits, after recovery by the Partnership of its investments and a stated return, resulting from the sale of properties under their management.

Pursuant to a joint venture agreement between FMPO and IMC-Agrico Company ("IMC-Agrico"), a joint venture between Freeport-McMoRan Resource Partners, Limited Partnership, an affiliate of FTX, and IMC Global Inc., the Company may also participate in the development of up to approximately 171,000 acres of land in Florida owned by IMC-Agrico that has been or will be reclaimed following completion of IMC-Agrico's mining activities on the properties. No significant development activity is expected in Florida in the near future.

Real estate markets have historically been subject to strong periodic cycles driven by numerous factors beyond the control of market participants, such as general economic conditions, changes in interest rates, inflation rates and the cost and availability of borrowing. In addition, the business of real estate development is subject to numerous inherent risks such as local and national real estate market conditions, changing environmental, zoning and other governmental regulation, overbuilding and the level of real estate taxes and other carrying costs. The timing and nature of future development and sale of the Partnership's real estate assets will depend on various factors beyond its control, including continuing improvement in market conditions, supply and demand of the particular types of properties owned by the Company, the level of competition, and zoning and other governmental regulation.

COMPETITION

The Company's business is highly competitive. A large number of companies and individuals are engaged in the real estate business, and many of them possess financial resources greater than those of FMPO. In every real estate market in which the Company competes, it does so not only against local developers who are committed primarily to particular markets, but also against national developers who acquire properties throughout the United States.

REGULATION AND ENVIRONMENTAL MATTERS

FMPO's real estate investments are subject to applicable local, city, county and state rules and regulations regarding permitting, zoning, subdivision, utilities and water quality as well as federal rules and regulations regarding air and water quality and protection of endangered species and their habitats. Such regulation has and may continue to delay development of the Company's properties and result in higher developmental and administrative costs. See Item 3. Legal Proceedings.

The Company is making, and will continue to make, expenditures with respect to its real estate development for the protection of the environment. Increasing emphasis on environmental matters may result in additional costs in the future. Upon analysis of its operations in relation to current and presently anticipated environmental requirements, the Company does not anticipate that these costs will have a significant adverse impact on its future operations or financial condition.

EMPLOYEES

Since January 1, 1996, FM Services Company, a Delaware corporation 50% owned by each of FTX and FCX ("FMS"), has provided executive, accounting, legal, financial, tax, insurance, personnel and management information and similar services pursuant to a services agreement between the Company and FMS (the "Services Agreement"). The Services Agreement is terminable by FMPO at any time upon 90 days' notice. Prior to 1996, FTX provided similar services. Since July 1995, these services have been provided by FTX and FMS for an annual fee of $500,000, subject to annual cost of living increases beginning in the first quarter of 1997. Prior to July 1995, the cost of such services was determined and allocated by FTX.

At December 31, 1996, the Company had a total of 10 employees, who coordinate the Company's operations and the functions of FMS personnel under the Services Agreement.

RELATIONSHIP WITH FTX

FMPO's sole asset is its 99.8% general partnership interest in the Partnership. Pursuant to the Partnership Agreement, the Company is prohibited from transferring its interest in the Partnership without the consent of the Managing General Partner. The Company has no source of funds other than distributions from the Partnership. Under the Partnership Agreement, the Managing General Partner has the right to make distributions in its sole discretion, except that, to the extent net cash flow of the Partnership is available, the Managing General Partner is required to make distributions to the Company to cover taxes and administrative expenses. So long as any debt of the Partnership or its affiliates is owed to, or guaranteed by, FTX or any of its affiliates, Partnership net cash flow will be applied to repay such debt and no distributions will be made, other than as described above.

The Partnership was created with substantial financial leverage, assuming approximately $500 million of FTX indebtedness, including approximately $375 million under a credit agreement between FTX, the

Partnership and a group of banks led by Chemical Bank. In 1995 and again in 1996 Partnership debt maturities were extended (see "Recent Developments") and as of December 31, 1996 total Partnership long-term debt had been reduced to $58.3 million. All such debt is guaranteed by FTX, which currently has first priority liens on certain real estate assets as security for its guaranty. Under the terms of the Partnership's new credit agreement, however, the lenders can impose a lien on the Company's assets under certain circumstances that would subordinate the FTX liens. The guaranty agreement between FTX and the Partnership contains covenants that would become effective upon the termination of FTX as Managing General Partner or upon payment pursuant to the guarantee. These covenants prohibit distributions to holders of interests in the Partnership and severely restrict the disposition of assets, affiliate transactions, the incurrence of debt and transactions outside the ordinary course of business.

Under the Partnership Agreement, FTX, as the Managing General Partner, is generally responsible for managing the affairs of the Partnership, subject to specified review and approval by a Partnership Committee consisting of a representative from each of FTX and the Company. Such review and approval by the Partnership Committee include, among other things, matters such as the dissolution of the Partnership, the approval of the annual budget of the Partnership, and the approval of a merger of the Partnership or acquisitions or dispositions of assets having a fair market value greater than $10 million. However, no Partnership Committee approval is required for the disposition of any asset, or for the making of any capital expenditure, if FTX as the Managing General Partner determines in its discretion that such disposition or expenditure is reasonable and prudent, in view of the probable insufficiency of cash flows from operations available to the Partnership, in order to enable the Partnership to pay when due any of its indebtedness. As a result, if net cash flow from operations is insufficient to satisfy such obligations, the Partnership may dispose of assets before it would otherwise have done so, and at lower prices than it might otherwise obtain.

FTX is permitted under the terms of the Partnership Agreement to compete with the Partnership and to engage in transactions with the Partnership or with others that conflict, or potentially conflict, with the interests of the Company and the Partnership, including the sales of property to and the purchase of property from the Partnership and possible loans and provision of services to the Partnership.

As a general partner of the Partnership, the Company is liable without limitation to third parties for all obligations of the Partnership. However, pursuant to the Partnership Agreement, FTX is liable for any Partnership losses in excess of the positive capital account balances of FTX and the Company as described below. Under the Partnership Agreement, the Partnership will indemnify each of FTX and the Company as general partners for any liabilities or expenses arising from any action or omission on behalf of the Partnership, except for any such liabilities or expenses primarily attributable to such person's gross negligence or willful misconduct.

The Partnership maintains capital accounts of the partners which are adjusted for income, gains, losses and deductions of the Partnership, which are generally allocated 99.8% to the Company and 0.2% to FTX. However, so long as the outstanding balance of all Partnership liabilities guaranteed by or owed to FTX exceeds the deficit balance, if any, in the capital account of FTX, the Company will be allocated losses until its capital account is reduced to zero, and all additional losses will be allocated entirely to FTX until the deficit balance in FTX's capital account equals the outstanding balance of all Partnership liabilities guaranteed by or owed to FTX. After such point, all losses will be allocated 99.8% to the Company and 0.2% to FTX. Subsequent income will be similarly allocated to the extent of any losses so allocated after such point and then will be allocated entirely to FTX until FTX has recouped losses allocated entirely to it.

CAUTIONARY STATEMENT

This report includes "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities

Exchange Act of 1934. All statements other than statements of historical fact included in this report, including, without limitation, the statements under the headings "Business and Properties," "Market for Registrant's Common Equity and Related Stockholder Matters," and "Management's Discussion and Analysis of Financial Condition and Results of Operations" regarding FMPO's financial position and liquidity, payment of dividends, strategic plans, future financing plans, development and capital expenditures, business strategies, and other plans and objectives of management of the Company for future operations and activities, are forward-looking statements.

Although FMPO believes that the expectations reflected in such forward-looking statements are reasonable, it can give no assurance that such expectations will prove to have been correct. Important factors that could cause actual results to differ materially from FMPO's expectations are disclosed in this report including, without limitation, in conjunction with the forward-looking statements included in this report. These statements are based on certain assumptions and analyses made by the Company in light of its experience and its perception of historical trends, current conditions, expected future developments and other factors it believes are appropriate under the circumstances. Such statements are subject to a number of assumptions, risks and uncertainties, including the risk factors discussed below, and in the Company's other filings with the Securities and Exchange Commission (the "Commission"), general economic and business conditions, the business opportunities that may be presented to and pursued by the Company, changes in laws or regulations and other factors, many of which are beyond the control of the Company. Readers are cautioned that any such statements are not guarantees of future performance and the actual results or developments may differ materially from those projected in the forward-looking statements. All subsequent written and oral forward-looking statements attributable to FMPO or persons acting on its behalf are expressly qualified in their entirety by these cautionary statements.

Performance of the Real Estate Industry

The real estate activities of the Company are subject to numerous factors outside of the control of management, including local real estate market conditions (both where its properties are located and in areas where its potential customers reside), substantial existing and potential competition, the cyclical nature of the real estate business, general national economic conditions, fluctuations in interest rates and mortgage availability and changes in demographic conditions. Real estate markets have historically been subject to strong periodic cycles driven by numerous factors beyond the control of market participants.

Real estate investments are relatively illiquid and market values may be adversely affected by these economic circumstances, market fundamentals, competition and demographic conditions. Because of the effect of these factors on real estate values, it is difficult to predict with certainty the level of future sales or sales prices that will be realized for individual assets.

Financing and Leverage

Although substantial reductions in the Partnership's and Circle C's debt have been made during 1996, the Company remains highly leveraged. The Company's future performance and financial viability are dependent on future cash flows from the Partnership's assets, and there can be no assurance that the Partnership will generate cash flow or otherwise obtain funds sufficient to make required interest and principal payments. Considering the anticipated cash flows of the Partnership and the maturities of its debt, the Partnership will be required, not later than February 1998, to refinance its debt or sell additional assets to generate cash then required for principal payments. The Company's ability to refinance debt at that time could be adversely effected by a tightening of the credit markets.

Although all of the Company's outstanding bank debt is currently guaranteed by FTX, which also serves as the Partnership's managing general partner, there is no commitment by FTX to guarantee any such debt after

February 1998, and there can be no assurance that any such further guarantee will be provided.

The Company's real estate operations are also dependent upon the availability and cost of mortgage financing for potential customers, to the extent they finance their purchases, and for buyers of the potential customers' existing residences.

Recent Operating Results

The Company has incurred operating losses in each year since inception from the real estate activities conducted by the Partnership. The Company's current business strategy includes the sale of larger undeveloped tracts of land. These transactions by their nature can cause significant period to period variations in the Partnership's revenues, operating income and cash flow. Although the Partnership has recently generated positive operating income and cash flow as a result of this strategy, there can be no assurance that this trend will continue.

Regulatory Approval

Before the Company can develop a property, it must obtain a variety of approvals from local and state governments with respect to such matters as zoning, density, parking, subdivision, architectural design and environmental issues. Because of the discretionary nature of these approvals and the concerns often raised by various government agencies and special interest groups during the approval and development processes, the Company's ability to develop properties and realize future income from its projects could be delayed, reduced or prevented.

The City of Austin has long opposed certain of the Partnership's plans in the Austin area. In 1995 the City's "Save Our Springs" ordinance was invalidated by a District Court and Texas state legislation was enacted that removed much of the Partnership's Austin area properties from the City's jurisdiction. The City appealed the District Court's ruling and received a favorable ruling during 1996 (see Item 3. Legal Proceedings). The City has also sought court intervention to declare certain of the legislation unconstitutional. These court proceedings are being actively opposed by the Partnership and other interested parties. Moreover, management does not believe unfavorable rulings will have an adverse affect upon the Partnership's property holdings; however, because of the regulatory environment that continues to exist in the Austin area, there can be no assurance that such expectations will prove to have been correct. A more complete discussion of these matters is set forth elsewhere in this Form 10-K.

Environmental Regulation

Real estate development is subject to state and federal regulations and to possible interruption or termination on account of environmental considerations, including, without limitation, air and water quality and protection of endangered species and their habitats. Certain of the Barton Creek Project property includes nesting territories for the Golden Cheek Warbler, a federally listed endangered species. In February 1995 the Company received a permit from the U.S. Wildlife Service pursuant to the Endangered Species Act (the "ESA"), which to date has allowed the development of the Barton Creek Project, free of restrictions under the ESA related to the maintenance of habitat for the Golden Cheek Warbler.

The Company is making, and will continue to make, expenditures with respect to its real estate development for the protection of the environment. Increasing emphasis on environmental matters may result in additional costs in the future.

Effect of Competition

The Company's business is highly competitive. A large number of companies and individuals are engaged in the real estate business, and many

of them possess financial resources greater than those of the Company. In each of the Company's markets it competes against local developers who are committed primarily to particular markets and also against national developers who acquire properties throughout the United States.

Geographic Concentration and Dependence on the Texas Economy

The Company's real estate activities are located entirely in the Austin, Dallas, Houston and San Antonio, Texas areas. Because of the Company's geographic concentration and limited number of projects, its operations are more vulnerable to local economic downturns and adverse project-specific risks than those of larger, more diversified companies.

The performance of the Texas economy affects sales of the Partnership's properties and consequently has an impact on the income derived from the Partnership's real estate activities and the underlying values of property owned by the Partnership. While the Texas economy has remained healthy in recent years, there can be no assurance that this trend will continue.

Natural Risks

The Company's performance may be adversely affected by weather conditions that delay development or damage property.

Item 3. Legal Proceedings.

During 1996, the State Court of Appeals overturned the favorable 1995 District Court ruling which invalidated the City of Austin "SOS" ordinance; however, the appeals court upheld the lower court's favorable ruling with respect to the interpretation of certain grandfathered rights for previously platted land. A significant portion of the Partnership's Austin area properties was previously platted and is expected to benefit from these grandfathered rights. An application for Writ of Error was filed with the Texas Supreme Court in January 1997. An unfavorable final judgment is not expected to adversely affect the Partnership's property holdings because of its grandfathered rights and because the Partnership's property was removed from the jurisdiction of the City pursuant to the water quality protection zone at Barton Creek and the Southwest Travis County Water District (the "District") at Circle C, both of which were authorized by Texas state legislation enacted in 1995.

In October 1996, the City filed a petition for declaratory judgment asserting that the legislation that created the District is unconstitutional. The District has indicated that it intends to defend itself against the City's claim. Approximately 1,000 acres owned by Circle C are included in the District. None of the Partnership's other properties are in the District.

During February 1997, FMPO filed a petition for declaratory judgment against Phoenix Holdings, Ltd. in order to secure its ownership of certain Municipal Utility District receivables that pertain to existing infrastructure which serves the Circle C development. A favorable outcome would result in significant refunds of prior capital expenditures to the Partnership over the next several years.

Although the Company may be from time to time involved in various other legal proceedings of a character normally incident to the ordinary course of its businesses, the Company believes that potential liability in any such pending or threatened proceedings would not have a material adverse effect on the financial condition or results of operation of the Company. The Company maintains liability insurance to cover some, but not all, potential liabilities normally incident to the ordinary course of its businesses as well as other insurance coverage customary in its business, with such coverage limits as management deems prudent.

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

Not applicable.

Executive Officers of the Registrant.

Certain information, as of March 11, 1997, regarding the executive officers of the Company is set forth in the following table and accompanying text.

Name	Age	Position or Office
Richard C. Adkerson	50	Chairman of the Board and Chief Executive Officer
W. H. Armstrong, III	32	President, Chief Operating Officer and Chief Financial Officer
John G. Amato	53	General Counsel

Mr. Adkerson is also Vice Chairman of the Board of FTX and has held that position since August 1995. Mr. Adkerson also serves as Executive Vice President of FCX and Co-Chairman of the Board and Chief Executive Officer of McMoRan Oil & Gas Co. ("MOXY"). From 1992 to August 1995, Mr. Adkerson was a Senior Vice President of FTX and a Vice President of FTX prior to 1992.

Mr. Armstrong has been employed by FMPO since its inception in 1992. Previously, Mr. Armstrong was a member of the Finance and Business Development Group of FTX with responsibility for real estate activities. Prior to joining FTX, Mr. Armstrong spent five years with Sonnenblick-Goldman Corp., a national real estate investment banking and advisory firm, where he last served as vice president.

Mr. Amato is also General Counsel of MOXY. Prior to August 1995, Mr. Amato served as General Counsel of FTX and FCX. Mr. Amato currently provides legal and business advisory services to FTX and FCX under a consulting arrangement.

PART II

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters.

The Company's common stock trades on The Nasdaq Stock Market (National Market System) under the symbol FMPO. The following table sets forth, for the periods indicated, the range of high and low sales prices, as reported by Nasdaq.

	1996		1995	
	High	Low	High	Low
First Quarter	$ 2 7/8	$ 1 1/2	$ 3 3/4	$ 2 1/2
Second Quarter	2 5/8	2 1/16	3	2
Third Quarter	3 1/16	2 1/8	2 3/4	1 13/16
Fourth Quarter	3 5/16	2 3/4	2 1/8	1 1/2

The Company has not in the past and does not anticipate in the foreseeable future paying cash dividends on its common stock. While the decision whether or not to pay dividends and in what amounts is generally within the discretion of the Company's board of directors, the Company's sole source of funds is its interest in the Partnership. Distributions of cash or other property from the Partnership are generally determined in the discretion of the Managing General Partner; however, so long as the Company's existing credit arrangements remain in effect, no distributions will be made by the Partnership to the Company except, to the extent of available net cash flow, to cover certain administrative expenses and taxes.

As of March 14, 1997 there were 11,386 record holders of the Company common stock.

Item 6. Selected Financial Data.(1)

	1996	1995	1994	1993	1992
	(In Thousands, Except Per Share Amounts)				
Years Ended December31:					
Loss from the Partnership	$(346)	$(571)	$(118,741)	$(24,057)	$(16,747)
Operating loss	(566)	(2,367)	(122,869)	(27,526)	(18,170)
Net income (loss)	76	153	(86,290)	(18,814)	(12,144)
Net income (loss) per share	.01	.01	(6.04)	(1.32)	(.85)
Average shares outstanding	14,383	14,286	14,286	14,286	14,286
At December 31:					
Investment in the Partnership	56,055	56,401	56,972	193,415	217,472
Total assets	60,985	60,897	60,903	193,637	217,719
Stockholders' equity	59,599	59,523	59,370	145,660	164,474

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(1) Reflects the Company's investment in the Partnership under the equity basis of accounting. See Note 1 to the financial statements.

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

OVERVIEW

FMPO operates through its 99.8 percent interest in the Partnership, with 0.2 percent owned by the Managing General Partner, FTX. The Partnership's most significant investments include approximately 3,400 acres of primarily undeveloped land in and around the Barton Creek Community located near Austin, Texas, and approximately 1,000 acres of undeveloped commercial and multi-family property in the Circle C development located in Austin, Texas. The Partnership is also engaged in the development and marketing of real estate in the Dallas, Houston and San Antonio, Texas areas.

FTX has certain rights regarding the Partnership's operations as long as it guarantees any of the Partnership's debt. However, once the FTX guarantee is eliminated, FMPO will have the authority to remove FTX as the Managing General Partner and such rights would be eliminated. During 1996, following discussions with the staff of the Securities and Exchange Commission, FMPO determined that, because of FTX's rights, it would be more appropriate to reflect its investment in the Partnership on the equity basis of accounting (prior year consolidated financial information has been restated to reflect this presentation). FMPO has no significant operations or sources of funds other than its interest in the Partnership.

RESULTS OF OPERATIONS

	1996	1995	1994
	(In Thousands)		
Loss from the Partnership	$ (346)	$ (571)	$(118,741)
Operating loss	(566)	(2,367)	(122,869)
Net income (loss) a	76	153	(86,290)

a. Includes tax benefit of $0.5 million in 1996, $2.7 million in 1995 and $36.8 million in 1994 (Note 3).

As noted above, FMPO operates through the Partnership. Accordingly, the following discussion and analysis addresses the results of operations and the capital resources and liquidity of the Partnership.

During 1996, the Partnership was able to capitalize on enhanced sales opportunities at its properties in the Austin area brought about by several positive legislative and judicial developments that occurred during 1995. Prior to late 1995, development of the Partnership's Austin area properties had been delayed principally because of disagreements with the City of Austin (the City) over ordinances governing development activities in the Barton

Creek and Circle C areas. The Partnership's summary operating results follow:

	1996	1995	1994
		(In Thousands)	
Revenues			
Developed properties	$44,016	$35,024	$27,268
Undeveloped properties and other	35,161	13,146	13,167
Total revenues	79,177	48,170	40,435
Operating income (loss)	3,534	(2,308)	(119,611)b
Net loss	(346)	(571)a	(118,979)b

a. Includes a $2.6 million gain from a bankruptcy settlement with a customer.

b. Includes a $115.0 million charge for the write-down of real estate assets.

Revenues from developed properties during 1996 included the sale of the Barton Creek Country Club and Conference Resort for $25.0 million and the sale of 393 single-family homesites located in the Austin, Houston and San Antonio areas for $19.0 million. Revenues from undeveloped properties during 1996 included two separate sales of undeveloped tracts within the Barton Creek development totaling 105 acres for $4.8 million, the first sales under the Water Quality Protection Zone legislation enacted in late 1995; the sale of several undeveloped, commercial and multi-family tracts in the Dallas area totaling 79 acres for $12.6 million; and the sale of 535 other undeveloped acres in the Austin, Dallas and San Antonio areas for $17.8 million. These sales of undeveloped tracts to sub-developers are an integral part of FMPO's business strategy as they provide funds to reduce debt, lower future carrying and development costs and establish values for the Partnership's remaining properties.

Revenues from developed properties for 1995 consisted of $15.8 million from the sale of the Circle C residential properties and $19.2 million from the sale of 393 single-family homesites. Revenues from developed properties in 1994 represented the sale of 628 single-family homesites and 4 houses. Revenues from undeveloped properties for 1995 and 1994 represented the sale of 340 and 620 undeveloped acres, respectively.

General and administrative expenses of the Partnership, combined with those incurred by FMPO, were reduced to $2.5 million in 1996, compared with $4.2 million in 1995 and $6.2 million in 1994. The reduction in 1996 reflects the benefit of steps taken in the third quarter of 1995 to reduce costs. These actions, which included reducing personnel, legal and consulting costs, and the costs of certain management services (Note 4), were taken, to a significant extent, in response to the reduced permitting, engineering and administrative burden resulting from the favorable legislative and judicial developments during 1995.

Interest expense incurred by the Partnership during 1996 increased because of reduced capitalized interest, partially offset by lower average debt levels and interest rates.

During 1996, FMPO agreed to sell the remaining assets of Circle C for $34.0 million. The Partnership received a $1.0 million non-refundable cash deposit, with the balance of the purchase price due in January 1997. However, the investor group was unable to complete the sale and the agreement expired. The Partnership has no further obligation to the investor group and is proceeding with developing and marketing the Circle C commercial and multi-family properties.

FMPO's business strategy includes the sale of larger undeveloped tracts of land. These transactions by their nature can cause significant variations in operating results between accounting periods, which may create future operating losses. Additionally, the Partnership is evaluating the development of income producing properties on certain of its tracts and continues to consider opportunities to enter into significant transactions involving its properties. Consequently, past operating results are not necessarily indicative of future trends in profitability.

CAPITAL RESOURCES AND LIQUIDITY

The Partnership's increased sales activity during 1996 generated significantly higher operating cash flows which enabled it to reduce its debt by $63.0 million. Additionally, FMPO amended the Partnership's existing credit agreements to extend all maturities until February 1998 and reduce its interest rates. The Partnership's debt was previously guaranteed by FTX and FCX. In connection with the Partnership's debt amendment, the FCX guarantee was eliminated resulting in FTX becoming the guarantor of all remaining outstanding debt. The future performance and the financial viability of FMPO are dependent on future cash flows from the Partnership's assets. These cash flows will be significantly affected by future real estate values and future interest rate levels. There can be no assurance that the Partnership will generate cash flow or obtain funds sufficient to make required interest and principal payments.

FMPO continues to seek a permanent financial restructuring, which may include obtaining a new bank credit facility or issuing new debt or equity instruments, and believes that the ongoing reduction of the Partnership's debt will significantly improve its alternatives. An objective in arranging new financing will be to eliminate FTX's guarantee of the Partnership's debt. If the FTX guarantee is eliminated, FMPO would have the authority to remove FTX as Managing General Partner of the Partnership and dissolve the Partnership, thereby enabling FMPO to manage its business without the current restrictions imposed by its contractual relationships with FTX. A new financing that would allow FMPO to establish itself as a stand-alone company by eliminating the FTX guarantee may increase FMPO's financing costs significantly. The extent of any refinancing, including any need to sell properties in connection therewith, will determine the future net cash flow available to FMPO to recover its investment in the Partnership.

Net cash provided by the Partnership's operating activities totaled $68.7 million in 1996, $47.5 million in 1995 and $11.8 million in 1994. The 1996 period included $25.0 million from the sale of the Barton Creek County Club and Conference Resort while 1995 benefited from the sale of Circle C's single-family residential real estate properties and related amenities for $15.8 million. Net cash provided by (used in) the Partnership's investing activities totaled $(5.9) million in 1996, $(35.2) million in 1995 and $29.0 million in 1994. Real estate capital expenditures were $5.9 million in 1996 versus $25.5 million in 1995 and $54.8 million in 1994. The decrease in expenditures resulted from reduced development requirements brought about by the positive legislative and judicial events which occurred during 1995 and the Partnership's success in marketing and selling undeveloped tracts to sub-developers. The Partnership's investing cash flows during 1994 benefited from the receipt of the final proceeds from the 1993 oil and gas property sales. These proceeds were partially offset by payments to working and royalty interest owners for a natural gas contract settlement, the final $9.7 million payment of which was made in 1995. Financing activities of the Partnership consisted of a net reduction in borrowings totaling $63.0 million in 1996 compared with $11.2 million in 1995 and $42.1 million in 1994. As of February 28, 1997, $9.0 million of additional borrowings were available under the Partnership's credit facility.

During 1996, the State Court of Appeals overturned the favorable 1995 District Court ruling which invalidated the City of Austin "SOS" ordinance; however, the appeals court upheld the lower court's favorable ruling with respect to the interpretation of certain grandfathered rights for previously platted land. A significant portion of the Partnership's Austin area properties was previously platted and is expected to benefit from these grandfathered rights. An application for Writ of Error was filed with the Texas Supreme Court in January 1997. An unfavorable final judgment is not expected to adversely affect the Partnership's property holdings because of its grandfathered rights and because the Partnership's property was removed from the jurisdiction of the City pursuant to the water quality protection zone at Barton Creek and the Southwest Travis County Water District (the "District") at Circle C, both of which were authorized by Texas state legislation enacted in 1995.

In October 1996, the City filed a petition for declaratory judgment asserting that the legislation that created the District is unconstitutional. The District has indicated that it intends to defend itself against the City's claim. Approximately 1,000 acres owned by Circle C are included in the District. None of the Partnership's other properties are in the District.

During February 1997, FMPO filed a petition for declaratory judgment against Phoenix Holdings, Ltd. in order to secure its ownership of certain Municipal Utility District receivables that pertain to existing infrastructure which serves the Circle C development. A favorable outcome would result in significant refunds of prior capital expenditures to the Partnership over the next several years.

ENVIRONMENTAL

Increasing emphasis on environmental matters is likely to result in additional costs, which will be charged against the Partnership's operations in future periods when such costs can be estimated. Present and future environmental laws and regulations applicable to the Partnership's operations may require substantial capital expenditures, could adversely affect the development of its real estate interests, or may affect its operations in other ways that cannot be accurately predicted at this time.

CAUTIONARY STATEMENT

Management's discussion and analysis contains certain forward-looking statements. Important factors that might cause future results to differ from these projections are described in more detail under Items 1 and 2 above.

The results of operations reported and summarized above are not necessarily indicative of future operating results.

REPORT OF MANAGEMENT

FMPO is responsible for the preparation of the financial statements and all other information contained in this Annual Report. The financial statements have been prepared in conformity with generally accepted accounting principles and include amounts that are based on management's informed judgments and estimates.

FMPO maintains a system of internal accounting controls designed to provide reasonable assurance at reasonable costs that assets are safeguarded against loss or unauthorized use, that transactions are executed in accordance with management's authorization and that transactions are recorded and summarized properly. The system is tested and evaluated on a regular basis by FMPO's internal auditors, Price Waterhouse LLP. In accordance with generally accepted auditing standards, FMPO's independent public accountants, Arthur Andersen LLP, have developed an overall understanding of our accounting and financial controls and have conducted other tests as they consider necessary to support their opinion on the financial statements.

The Board of Directors, through its Audit Committee composed solely of non-employee directors, is responsible for overseeing the integrity and reliability of FMPO's accounting and financial reporting practices and the effectiveness of its system of internal controls. Arthur Andersen LLP and Price Waterhouse LLP meet regularly with, and have access to, this committee, with and without management present, to discuss the results of their audit work.

Richard C. Adkerson Chairman of the Board and Chief Executive Officer	William H. Armstrong, III President and Chief Financial Officer

Item 8. Financial Statements and Supplementary Data.

FM PROPERTIES INC.
BALANCE SHEETS

	December 31, 1996	December 31, 1995
	(In Thousands)	
ASSETS		
Current assets:		
Accounts receivable and other	$ 56	$ 298
Income tax receivable	503	2,693
Amounts receivable from the Partnership	4,371	1,505
Total current assets	4,930	4,496
Investment in the Partnership (Note 2)	56,055	56,401
Total assets	$ 60,985	$ 60,897
LIABILITIES AND STOCKHOLDERS' EQUITY		
Other liabilities	$ 1,386	$ 1,374
Stockholders' equity:		
Preferred stock, par value $0.01, 50,000,000 shares authorized and unissued	-	-
Common stock, par value $0.01, 150,000,000 shares authorized, 14,285,770 issued and outstanding	143	143
Capital in excess of par value of common stock	176,445	176,445
Accumulated deficit	(116,989)	(117,065)
	59,599	59,523
Total liabilities and stockholders' equity	$ 60,985	$ 60,897

STATEMENTS OF OPERATIONS

	Years Ended December 31, 1996	1995	1994
	(In Thousands, Except Per Share Amounts)		
Loss from the Partnership	$ (346)	$ (571)	$ (118,741)
General and administrative expenses	(220)	(1,796)	(4,128)
Operating loss	(566)	(2,367)	(122,869)
Other income (expense), net	116	(173)	(202)
Loss before income tax benefit	(450)	(2,540)	(123,071)
Income tax benefit	526	2,693	36,781
Net income (loss)	$ 76	$ 153	$ (86,290)

Net income (loss) per share	$.01	$.01	$(6.04)
Average shares outstanding	14,383	14,286	14,286

The accompanying notes, including financial statements of the Partnership, are an integral part of these finacial statements.

FM PROPERTIES INC.
STATEMENTS OF CASH FLOW

	Years Ended December 31,		
	1996	1995	1994
	(In Thousands)		
Cash flow from operating activities:			
Net income (loss)	$ 76	$ 153	$ (86,290)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Deferred income taxes	-	-	(30,173)
Excess of equity in losses of the Partnership over distributions received	346	571	136,443
(Increase) decrease in working capital:			
Accounts receivable and other	(2,624)	(1,780)	201
Accounts payable and accrued liabilities	12	16	(8,361)
Accrued income and other taxes	2,190	1,215	(11,645)
Net cash provided by operating activities	-	175	175
Cash flow from investing activities:			
Net cash provided by investing activities	-	-	-
Cash flow from financing activities:			
Repayment of debt	-	(175)	(175)
Net cash used in financing activities	-	(175)	(175)
Net increase in cash and cash equivalents	-	-	-
Cash and cash equivalents at beginning of year	-	-	-
Cash and cash equivalents at end of year	$ -	$ -	$ -
Interest paid	$ -	$ -	$ -
Income taxes paid	$ -	$ -	$ 5,036

The accompanying notes, including financial statements of the Partnership, are an integral part of these finacial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting. The operations of FM Properties Inc. (FMPO) are conducted through its investment in FM Properties Operating Co. (the Partnership). At December 31, 1996, FMPO owned a 99.8 percent general partnership interest in the Partnership and Freeport-McMoRan Inc. (FTX), FMPO's former parent, owned a 0.2 percent general partnership interest and served as Managing General Partner. FTX has certain rights regarding the Partnership's operations as long as it guarantees any of the Partnership's debt (Note 2). However, once the FTX guarantee is eliminated, FMPO will have the authority to remove FTX as the Managing General Partner and such rights would be eliminated.

During 1996, following discussions with the staff of the Securities and Exchange Commission, FMPO determined that, because of FTX's rights, it would be more appropriate to reflect its investment in the Partnership on the equity basis of accounting (prior year consolidated financial information has been restated to reflect this presentation).

Use of Estimates. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. FM PROPERTIES OPERATING CO.

FMPO has no significant operations or sources of funds other than its interest in the Partnership. Therefore, the accompanying financial statements of the Partnership should be read in conjunction with FMPO's financial statements.

3. INCOME TAXES

Income taxes are recorded pursuant to SFAS 109. FMPO has provided a valuation allowance equal to its deferred tax assets because of the expectation of incurring tax losses for the near future. The components of deferred taxes follow:

	December 31,	
	1996	1995
Deferred tax asset:	(In Thousands)	
Alternative minimum tax credits	$ 529	$ 1,000
Future deductible items	8,756	8,116
Valuation allowance	(9,285)	(9,116)
	$ -	$ -

FMPO recognized tax benefits of $0.5 million in 1996 and $2.7 million in 1995, for the carryback of each year's tax loss to recoup taxes paid in previous years. Income taxes credited to income follow:

	1996	1995	1994
Current income taxes		(In Thousands)	
Federal	$ 526	$ 2,693	$ 4,724
State	-	-	1,885

	526	2,693	6,609
Deferred federal income taxes	-	-	30,172
	$ 526	$ 2,693	$ 36,781

Reconciliations of the differences between the income tax benefits computed at the federal statutory tax rate and the income tax benefits recorded follow:

	1996		1995		1994	
	Amount	Percent	Amount	Percent	Amount	Percent
	(Dollars In Thousands)					
Income tax benefit computed at the federal statutory income tax rate	$ 158	35%	$ 889	35%	$43,158	35%
Increase (decrease) attributable to:						
Change in valuation allowance	(169)	(37)	1,209	48	(10,325)	(8)
State taxes and other	537	119	595	23	3,948	3
Income tax benefit	$ 526	117%	$ 2,693	106%	$36,781	30%

The Partnership maintains capital accounts of FMPO and FTX which are adjusted for income, gains, losses and deductions of the Partnership, which are generally allocated 99.8 percent to FMPO and 0.2 percent to FTX. However, so long as the outstanding balance of all Partnership liabilities guaranteed by or owed to FTX exceeds the deficit balance, if any, in the capital account of FTX, FMPO will be allocated losses until its capital account is reduced to zero and all additional losses will be allocated entirely to FTX until the deficit balance in FTX's capital account equals the outstanding balance of all Partnership liabilities guaranteed by or owed to FTX. After such point, all losses will be allocated 99.8 percent to FMPO and 0.2 percent to FTX. Subsequent income will be similarly allocated to the extent of any losses so allocated after such point and then will be allocated entirely to FTX until it has recouped losses allocated entirely to it.

4. TRANSACTIONS WITH FMS AND EMPLOYEE BENEFITS

Management Services. FMPO has a limited number of employees. Since January 1996, pursuant to a Services Agreement between FMPO and FM Services Company (FMS), 50 percent owned by each of FTX and FCX, FMS has provided services necessary for the business and operations of FMPO and the Partnership. Since July 1995, these services have been provided for a fixed annual fee of $0.5 million, subject to annual cost of living increases beginning in the first quarter of 1997. Prior to 1996, substantially the same services were provided by FTX at a cost of $1.7 million in 1995 and $3.4 million in 1994. The Services Agreement is terminable by FMPO at any time upon 90 days notice.

Stock Options. FMPO's stock option plan provides for the issuance of up to 850,000 stock options and stock appreciation rights (SARs) at no

less than market value at time of grant. Generally, stock options are exercisable in 25 percent annual increments beginning one year from the date of grant and expire 10 years after the date of grant. A summary of stock options outstanding, including 200,000 SARs, follows:

	1996		1995	
	Number of Options	Average Option Price	Number of Options	Average Option Price
Beginning of year	535,000	$3.23	425,000	$3.60
Granted	305,000	1.79	110,000	1.81
Expired/Forfeited	(50,000)	1.81	-	-
End of year	790,000	2.77	535,000	3.23

At December 31, 1996, options for 300,000 shares were available for new grants. Summary information of fixed stock options outstanding at December 31, 1996 follows:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number of Options	Weighted Average Remaining Life	Price	Number of Options	Weighted Average Option Price
$1.50 to $1.81	290,000	9.0 years	$1.56	15,000	$1.81
$2.63 to $2.75	75,000	9.5 years	2.69	-	-
$5.25	225,000	6.5 years	5.25	225,000	5.25
	590,000			240,000	

FMPO has adopted the disclosure-only provisions of SFAS 123 and continues to apply APB Opinion No. 25 and related interpretations in accounting for its stock-based compensation plans. Accordingly, no compensation cost has been recognized for FMPO's fixed stock option grants. FMPO's 1996 and 1995 results would not have been materially impacted had compensation cost for FMPO's fixed stock option grants been determined based on the fair value at the grant dates for awards under those plans consistent with SFAS 123. For the pro forma computations, the fair values of the fixed option grants were estimated on the dates of grant using the Black-Scholes option pricing model. These values totaled $1.46 per option in 1996 and $1.45 per option in 1995. The weighted average assumptions used include a risk-free interest rate of 6.4 percent, expected lives of 10 years and expected volatility of 70 percent. The pro forma effects on net income for 1996 and 1995 are not representative for future years because they do not take into consideration grants made prior to 1995. No other discounts or restrictions related to vesting or the likelihood of vesting of fixed stock options were applied.

5. QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

	Income (Loss) From The Partnership	Operating Income (Loss)	Net Income (Loss)	Net Income (Loss) Per Share
	(In Thousands, Except Per Share Amounts)			
1996				
1st Quarter	$ (865)	$ (894)	$ (894)	$ (.06)
2nd Quarter	559	500	500	.03
3rd Quarter	1,011	934	1,460a	.10a

4th Quarter	(1,051)	(1,106)	(990)	(.07)
	$ (346)	$ (566)	$ 76	.01
1995				
1st Quarter	$ (2,131)	$ (2,841)	$ (2,840)	$ (.20)
2nd Quarter	(127)	(911)	(888)	(.06)
3rd Quarter	(1,019)	(1,065)	(1,205)	(.08)
4th Quarter	2,706b	2,450b	5,086b,c	.36
	$ (571)	$ (2,367)	$ 153	.01

a. Includes a $0.5 million tax benefit ($0.04 per share).

b. Includes a $2.6 million gain ($0.18 per share) from the Partnership's bankruptcy settlement with a customer.

c. Includes a $2.7 million tax benefit ($0.19 per share).

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

TO THE STOCKHOLDERS AND BOARD OF DIRECTORS OF FM PROPERTIES INC.:

We have audited the accompanying balance sheets of FM Properties Inc. (a Delaware Corporation) as of December 31, 1996 and 1995 (as restated, see Note 1), and the related statements of operations and cash flow for each of the three years in the period ended December 31, 1996. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of FM Properties Inc. as of December 31, 1996 and 1995 and the results of its operations and its cash flow for each of the three years in the period ended December 31, 1996 in conformity with generally accepted accounting principles.

Arthur Andersen LLP

New Orleans, Louisiana,

January 21, 1997

FM PROPERTIES OPERATING CO.
BALANCE SHEETS

	December 31, 1996	December 31, 1995
	(In Thousands)	

ASSETS		
Current assets:		
Cash and cash equivalents	$ 2,108	$ 2,282
Accounts receivable and other	4,133	4,318
Total current assets	6,241	6,600
Real estate and facilities, net	118,029	180,040
Other assets	5,922	5,165
Total assets	$ 130,192	$ 191,805
LIABILITIES AND PARTNERS' CAPITAL		
Current liabilities:		
Accounts payable and accrued liabilities	$ 5,754	$ 8,100
Amounts due to FMPO	4,371	1,505
Total current liabilities	10,125	9,605
Long-term debt	58,325	121,294
Other liabilities	5,574	4,392
Partners' capital	56,168	56,514
Total liabilities and partners' capital	$ 130,192	$ 191,805

FM PROPERTIES OPERATING CO.
STATEMENTS OF OPERATIONS

	Years Ended December 31,		
	1996	1995	1994
	(In Thousands)		
Revenues	$ 79,177	$ 48,170	$ 40,435
Costs and expenses:			
Cost of sales	73,347	48,099	42,947
Write-down of investment in real estate assets	-	-	115,000
General and administrative expenses	2,296	2,379	2,099
Total costs and expenses	75,643	50,478	160,046
Operating income (loss)	3,534	(2,308)	(119,611)
Interest expense, net	(3,896)	(1,061)	(628)
Other income, net	16	2,798	1,260
Net loss	$ (346)	$ (571)	$ (118,979)

The accompanying notes are an integral part of these financial statements.

FM PROPERTIES OPERATING CO.
STATEMENTS OF CASH FLOW

	Years Ended December 31,		
	1996	1995	1994
	(In Thousands)		
Cash flow from operating activities:			
Net loss	$ (346)	$ (571)	$ (118,979)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Depreciation and amortization	1,484	2,472	2,254
Cost of real estate sales	66,466	41,756	25,308
Write-down of investment in real			

estate assets	-	-	115,000
(Increase) decrease in working capital:			
Accounts receivable and other	(568)	1,298	(9,689)
Accounts payable and accrued liabilities	1,702	2,281	(2,101)
Other	-	244	-
Net cash provided by operating activities	68,738	47,480	11,793
Cash flow from investing activities:			
Real estate and facilities	(5,943)	(25,509)	(54,765)
Proceeds from sale of oil and gas properties	-	-	95,600
Natural gas contract settlement proceeds paid to working and royalty interests	-	(9,733)	(11,816)
Net cash provided by (used in) investing activities	(5,943)	(35,242)	29,019
Cash flow from financing activities:			
Proceeds from debt	1,000	16,000	25,000
Repayment of debt	(63,969)	(27,156)	(67,095)
Net cash used in financing activities	(62,969)	(11,156)	(42,095)
Net increase (decrease) in cash and cash equivalents	(174)	1,082	(1,283)
Cash and cash equivalents at beginning of year	2,282	1,200	2,483
Cash and cash equivalents at end of year	$ 2,108	$ 2,282	$ 1,200
Interest paid	$ 10,481	$ 9,768	$ 11,189

The accompanying notes are an integral part of these financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and Cash Equivalents. Highly liquid investments purchased with a maturity of three months or less are considered cash equivalents.

Financial Instruments. The carrying amounts of the Partnership's trade and notes receivable, other current assets, accounts payable and long-term borrowings reported in the balance sheet approximate fair value.

2. LONG-TERM DEBT

During 1996, the Partnership amended its credit agreements and extended all debt maturities until February 1998. The amendment also lowered the borrowing availability under the Partnership's revolving bank credit agreement to $10 million and reduced the interest rates on its debt agreements. In addition, the debt guarantee of Freeport-McMoRan Copper & Gold Inc. (FCX) was eliminated and all debt is now guaranteed by FTX. The following table sets forth the outstanding balances under its credit facilities as of December 31, 1995 and 1996.

December 31,

	1996	1995
	(In Thousands)	
Revolving bank credit facility, average rate 7.1% in 1996 and 7.3% in 1995	$ -	$ 24,000
Bank loan, average rate 6.9% in 1996 and 12% in 1995	31,000	68,000
Circle C bank loan, average rate 6.8% in 1996 and 7.3% in 1995	27,325	29,294
	$ 58,325	$ 121,294

The Partnership's Bank loan agreement requires that 50% of the net proceeds of any asset sale for which the Partnership receives in excess of $100,000 be applied to the Bank loan. The Partnership's credit facility contains covenants restricting asset sales, mergers and distributions by the Partnership, the creation of liens and certain other matters. However, certain restrictions under the revolving credit facility were amended in 1996 to give the Partnership the flexibility to establish certain separate debt facilities.

FTX has liens on the Partnership's real estate assets and as the Managing General Partner of the Partnership, has the right to make distributions in its sole discretion, except that, to the extent net cash flow is available, FTX is required to make distributions to FMPO to cover taxes and administrative expenses. As long as any debt of the Partnership is owed to or guaranteed by FTX, the net cash flow of the Partnership will be applied to repay such debt and no distributions will be made, other than those described above.

Capitalized interest totaled $3.1 million in 1996, $11.7 million in 1995 and $12.3 million in 1994.

3. INVESTMENT IN REAL ESTATE

Real estate assets include acreage, development, construction and carrying costs, and other related costs through the development stage. Capitalized costs are assigned to individual components of a project, as practicable, whereas interest and other common costs are allocated based on the relative fair value of individual land parcels. Carrying costs are capitalized on properties currently under active development. Revenues are recognized when the risks and rewards of ownership are transferred to the buyer and the consideration received can be reasonably determined.

In 1995, the Financial Accounting Standards Board issued Statement No. 121 (SFAS 121) which requires a reduction of the carrying amount of long-lived assets to fair value when events indicate that the carrying amount may not be recoverable. Measurement of the impairment loss is based on the fair value of the asset. Generally, the Partnership determines fair value using valuation techniques such as the expected future sales proceeds from properties. The Partnership adopted SFAS 121 effective January 1, 1995, and since that time no impairment losses have been recognized.

	December 31,	
	1996	1995
	(In Thousands)	
Land held for development or sale:		
Austin, Texas area, net of accumulated depreciation of $76 for 1996 and $67 for 1995	$ 85,059	$ 96,910
Other areas of Texas	31,270	57,360

Operating properties, net of accumulated depreciation of $647 for 1996 and $9,202 for 1995	1,700	25,770
	$ 118,029	$ 180,040

The Partnership's investment in real estate includes approximately 4,800 acres of land located in Austin, Dallas, Houston and San Antonio. Most significant among these are the Barton Creek Community, located near Austin, Texas, which includes approximately 3,300 acres of primarily undeveloped land adjacent to the Barton Creek Resort, and the approximately 1,000 acres of undeveloped commercial and multi-family property, which is located within the Circle C development in Austin, Texas. Development of the Partnership's Austin area properties had been delayed for several years, principally because of disagreements between FMPO and the City of Austin (the City) over ordinances governing development activities in the Barton Creek and Circle C areas. In 1995, the U.S. District Court ruled in favor of FMPO, declaring that the restrictive 1992 water quality ordinance enacted by public initiative was void and that the Partnership was entitled to develop its project based on ordinances that were in effect at the time of its initial applications. The Austin City Council appealed this decision and during 1996, the State Court of Appeals overturned the favorable District Court ruling which invalidated the "SOS" ordinance in Austin; however, the appeals court upheld the lower court's favorable ruling with respect to the interpretation of certain grandfathered rights for previously platted land. A significant portion of the Barton Creek and Circle C properties was previously platted and is expected to benefit from these grandfathered rights. An application for Writ of Error was filed with the Texas Supreme Court in January 1997. An unfavorable final judgment is not expected to adversely affect any of the Partnership's property holdings because of these grandfathered rights and because the Partnership's property was removed from the jurisdiction of the city pursuant to the water quality protection zone at Barton Creek and the Southwest Travis County Water District (the "District") at Circle C, both of which were authorized by certain Texas state legislation enacted in 1995.

In October 1996, the City filed a petition for declaratory judgment asserting that the legislation that created the District is unconstitutional. The District has indicated that it intends to defend itself against the City's claim. Approximately 1,000 acres owned by Circle C are included in the District. None of the Partnership's other properties are in the District.

The real estate interests of the Partnership in Dallas, Houston and San Antonio, Texas are managed by professional real estate developers. Under the terms of these agreements, the operating expenses and development costs, net of revenues, are funded by the Partnership. The developers are entitled to a management fee and a 25 percent interest in the net profits, after recovery by the Partnership of its investments and a stated return, resulting from the sale of the managed properties.

In September 1995, Circle C sold its single-family residential real estate properties and related amenities for $15.8 million. During 1996, FMPO agreed to sell the remaining assets of Circle C for $34.0 million. The Partnership received a $1.0 million non-refundable cash deposit, with the balance of the purchase price due in January 1997. However, the investor group was unable to complete the sale and the agreement expired. The Partnership has no further obligation to the investor group and is proceeding with developing and marketing the Circle C commercial and multi-family properties.

During February 1997, FMPO filed a petition for declaratory judgment against Phoenix Holdings, Ltd. in order to secure its

ownership of certain Municipal Utility District receivables that pertain to existing infrastructure which serves the Circle C development. A favorable outcome would result in significant refunds of prior capital expenditures o the Partnership over the next several years.

The Barton Creek Resort, which included a conference center, a 147-room hotel and related facilities and three golf courses, was sold during 1996 for $25.0 million. The Partnership realized no gain or loss on the transaction and proceeds were used to reduce debt.

Concurrent with certain yearend 1994 debt negotiations, the Partnership analyzed the carrying amount in its financial statements of its investment in real estate assets, using generally accepted accounting principles, and recorded a $115.0 million pretax, noncash write-down. The actual amounts that will be realized depend on future market conditions and may be more or less than the amounts recorded in the Partnership's financial statements.

4. COMMITMENTS AND CONTINGENCIES

The Partnership has made, and will continue to make, expenditures at its operations for protection of the environment. Increasing emphasis on environmental matters can be expected to result in additional costs, which will be charged against the Partnership's operations in future periods. Present and future environmental laws and regulations applicable to the Partnership's operations may require substantial capital expenditures, could adversely affect the development of its real estate interests or may affect its operations in other ways that cannot be accurately predicted at this time.

In connection with the sale of one of its oil and gas properties in 1993, the Partnership indemnified the purchaser for any future abandonment costs in excess of net revenues received by the purchaser. The Partnership has accrued $3.0 million relating to this contingent liability which it believes to be adequate.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

TO THE PARTNERSHIP COMMITTEE OF FM PROPERTIES OPERATING CO.:

We have audited the accompanying balance sheets of FM Properties Operating Co.(a Delaware general partnership) as of December 31, 1996 and 1995, and the related statements of operations and cash flow for each of the three years in the period ended December 31, 1996. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of FM Properties Operating Co. as of December 31, 1996 and 1995 and the results of its operations and its cash flow for each of the three years in the period ended December 31, 1996 in conformity with generally accepted

accounting principles.

Arthur Andersen LLP

New Orleans, Louisiana,
January 21, 1997

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

Not applicable.

PART III

Item 10. Directors and Executive Officers of the Registrant.

The information set forth under the caption "Information About Nominees and Directors" of the Proxy Statement submitted to the stockholders of the registrant in connection with its 1997 annual meeting to be held on May 8, 1997 is incorporated herein by reference.

Item 11. Executive Compensation.

The information set forth under the captions "Director Compensation" and "Executive Officer Compensation" of the Proxy Statement submitted to the stockholders of the registrant in connection with its 1997 annual meeting to be held on May 8, 1997 is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management.

The information set forth under the captions "Common Stock Ownership of Certain Beneficial Owners" and "Common Stock Ownership of Directors and Executive Officer" of the Proxy Statement submitted to the stockholders of the registrant in connection with its 1997 annual meeting to be held on May 8, 1997 is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions.

The information set forth under the caption "Certain Transactions" of the Proxy Statement submitted to the stockholders of the registrant in connection with its 1997 annual meeting to be held on May 8, 1997 is incorporated herein by reference.

PART IV

Item 14. Exhibits, Financial Statement Schedules, and Reports on Form 8-K.

(a)(1) Financial Statements. Reference is made to the Financial Statements beginning on page 13 hereof.

(a)(2) Financial Statement Schedules.	Page
Schedule III Real Estate and Accumulated Depreciation	F-1

Other schedules have not been included because they are not required, not applicable or the information required has been included elsewhere herein.

(a)(3) Exhibits. Reference is made to the Exhibit Index beginning on page E-1 hereof.

(b) Reports on Form 8-K. The Company filed one Report on Form 8-K during the fourth quarter of 1996, which was dated December 24, 1996 and reported one matter under Item 5.

SIGNATURES

Pursuant to the requirements of Section 13 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, on March 26, 1997.

FM PROPERTIES INC.

By: /s/ Richard C. Adkerson

Richard C. Adkerson
Chairman of the Board and
Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated, on March 26, 1997.

/s/ Richard C. Adkerson Richard C. Adkerson	Chairman of the Board, Chief Executive Officer (principal executive officer) and Director
* W. H. Armstrong, III	President, Chief Operating Officer and Chief Financial Officer (principal financial officer)
* William J. Blackwell	Controller (principal accounting officer)
* James C. Leslie	Director
* Michael D. Madden	Director

*By: /s/ Richard C. Adkerson
Richard C. Adkerson
Attorney-in-Fact

FM Properties Inc.

REAL ESTATE AND ACCUMULATED DEPRECIATION

December 31, 1996

(In Thousands)

SCHEDULE III

Initial Cost		Cost Capitalized Subsequent to Acquisitions	
Land	Buildings and Improvements	Land	Buildings and Improvements

Developed Lots				
Hunter's Glen, Plano, TX	$ 145	$ -	$ 240	$ -
Camino Real, San Antonio, TX	311	-	702	-
Bent Tree Marsh, Dallas, TX	770	-	1,699	-
Preston Springs, Plano, TX	54	-	10	-
Willow Bend, Plano, TX	2,076	-	1,257	-
Copper Lakes, Houston, TX	662	-	1,466	-
Barton Creek (North), Austin, TX	145	-	246	-
Undeveloped Acreage				
Hunter's Glen, Plano, TX	168	-	14	-
Camino Real, San Antonio, TX	968	-	257	-
Willow Bend, Plano, TX	4,725	-	3,865	-
Copper Lakes, Houston, TX	2,869	-	1,914	-
Bent Tree Addison, Dallas, TX	364	-	-	-
Bent Tree Apt. /Retail, Dallas, TX	2,845	-	96	-
Tree Farm, Plano, TX	2,967	-	3	-
Keller Springs, Dallas, TX	823	-	-	-
Barton Creek (North), Austin, TX	12,068	-	6,022	-
Barton Creek (South), Austin, TX	20,898	-	14,915	-
Lantana, Austin, TX	3,934	-	1,429	-
Longhorn Properties, Austin, TX	15,793	-	9,611	-
Operating Properties				

Barton Creek Utilities, Austin ,TX	-	2,421	-	-
	$ 72,585	$ 2,421	$ 43,746	-

FM Properties Inc.
REAL ESTATE AND ACCUMULATED DEPRECIATION
December 31, 1996
(In Thousands)

SCHEDULE III

	Gross Amounts At December 31, 1996				
	Land	Buildings and Improvements	Total	Accumulated Depreciation	Year Acquired
Developed Lots					
Hunter's Glen, Plano, TX	$ 385	$ -	$ 385	$ -	1990
Camino Real, San Antonio, TX	1,013	-	1,013	-	1990
Bent Tree Marsh, Dallas, TX	2,469	-	2,469	-	1991
Preston Springs, Plano, TX	64	-	64	-	1991
Willow Bend, Plano, TX	3,333	-	3,333	-	1991
Copper Lakes, Houston, TX	2,128	-	2,128	-	1991
Barton Creek (North), Austin, TX	391	-	391	-	1988
Undeveloped Acreage					
Hunter's Glen, Plano, TX	182	-	182	-	1990
Camino Real,					

San Antonio TX	1,225	-	1,225	-	1990
Willow Bend, Plano, TX	8,590	-	8,590	-	1991
Copper Lakes, Houston, TX	4,783	-	4,783	-	1991
Bent Tree Addison, Dallas, TX	364	-	364	-	1991
Bent Tree Apt /Retail, Dallas, TX	2,941	-	2,941	-	1990
Tree Farm, Plano, TX	2,970	-	2,970	-	1991
Keller Springs, Dallas, TX	823	-	823	-	1991
Barton Creek (North), Austin, TX	18,090	-	18,090	-	1988
Barton Creek (South), Austin, TX	35,813	-	35,813	-	1988
Lantana, Austin, TX	5,363	-	5,363	-	1994
Longhorn Properties, Austin, TX	25,404	-	25,404	-	1992
Operating Properties					
Barton Creek Utilities, Austin, TX	-	2,421	2,421	723	1988
	$ 116,331	$ 2,421	$ 118,752	$ 723	

FM Properties Inc.
Notes to Schedule III

(In Thousands)

(1) Reconciliation of Real Estate Properties:

The changes in real estate assets for the years ended December 31, 1996 and 1995 are as follows:

	1996	1995

Balance, beginning of year	$ 189,309	$ 205,610
Acquisitions	-	-
Improvements	5,939	19,749
Cost of real estate sold	(76,496)	(36,050)
Balance, end of year	$ 118,752	$ 189,309

The aggregate net book value for federal income tax purposes as of December 31, 1996 was $126,759.

(2) Reconciliation of Accumulated Depreciation:

The changes in accumulated depreciation for the years ended December 31, 1996 and 1995 are as follows:

	1996	1995
Balance, beginning of year	$ 9,269	$ 7,157
Depreciation expense	1,484	2,472
Real estate sold	(10,030)	(360)
Balance, end of year	$ 723	$ 9,269

Depreciation of the Partnership's buildings and improvements reflected in the statements of operations is calculated over estimated lives of 30 years.

(3) Freeport-McMoRan Inc., as managing general partner of the Partnership and as the sole guarantor of all of the Partnership's debt, has liens on all of the Partnership's real estate assets.

(4) Concurrent with certain yearend 1994 debt negotiations, the Partnership analyzed the carrying amount of its real estate assets, using generally accepted accounting principals, and recorded a $115 million pretax, non-cash write-down. The actual amounts that will be realized depend on future market conditions and may be more or less than the amounts recorded in the Partnership's financial statements.

FM PROPERTIES INC.

EXHIBIT INDEX

Exhibit Number	
2.1	Distribution Agreement dated as of June 10, 1992 among FTX, the Company and the Partnership. Incorporated by reference to Exhibit 2.1 to the Annual Report on Form 10-K of the Company for the fiscal year ended December 31, 1992 (the "1992 Form 10-K").
3.1	Amended and Restated Certificate of Incorporation of the Company. Incorporated by reference to Exhibit 3.1 to the 1992 Form 10-K.

3.2	By-laws of the Company, as amended. Incorporated by reference to Exhibit 3.2 to the 1992 Form 10-K.
4.1	The Company's Certificate of Designations of Series A Participating Cumulative Preferred Stock. Incorporated by reference to Exhibit 4.1 to the 1992 Form 10-K.
4.2	Rights Agreement dated as of May 28, 1992 between the Company and Mellon Securities Trust Company, as Rights Agent. Incorporated by reference to Exhibit 4.2 to the 1992 Form 10-K.
4.3	Amended and Restated Credit Agreement dated as of December 20, 1996 (the "Credit Agreement") among FTX, the Partnership, certain banks, and The Chase Manhattan Bank, as Administrative Agent, FTX Collateral Agent and Documentation Agent.
4.4	Second Amended and Restated Note Agreement dated as of June 30, 1995, among FTX, FCX, the Partnership, Chemical Bank, and Hibernia National Bank, individually and as agent. Incorporated by reference to Exhibit 4.4 to the Quarterly Report on Form 10-Q of FTX for the quarter ended September 30, 1995.
4.5	First Amendment to Second Amended and Restated Note Agreement dated as of December 31, 1995, among FTX, FCX, the Partnership, Chemical Bank and Hibernia National Bank, individually and as agent. Incorporated by reference to Exhibit 10.18 to the Annual Report on Form 10-K of FCX for the fiscal year ended December 31, 1995.
4.6	Second Amendment to Second Amended and Restated Note Agreement dated as of December 20, 1996, among FTX, the Partnership, The Chase Manhattan Bank and Hibernia National Bank, individually and as agent.
4.7	Credit Agreement dated as of December 20, 1996, between FTX and the Partnership.
4.8	Amended and Restated Credit Agreement dated as of December 20, 1996 between Circle C Land Corp. ("Circle C") and Texas Commerce Bank National Association ("TCB").
10.1	Amended and Restated Agreement of General Partnership of the Partnership, dated June 11, 1992, among the Company, FTX and FMOP Sub Inc. Incorporated by reference to Exhibit 10.1 to the 1992 Form 10-K.
10.2	Amendment No. 1 to Amended and Restated Agreement of General Partnership of the Partnership dated December 21, 1993, among the Company, FTX and FM Properties Senior Holding Inc. Incorporated by reference to Exhibit 10.2 to the Annual Report on Form 10-K of the Company for the fiscal year ended December 31, 1993 (the "1993 Form 10-K").
10.3	Amended and Restated Services Agreement, dated as of January 1, 1997 between FMS and the Company.
10.4	Joint Venture Agreement between Freeport-McMoRan Resource Partners, Limited Partnership and the Partnership, dated June 11, 1992. Incorporated by reference to Exhibit 10.3 to the 1992 Form 10-K.

10.5	Guaranty Agreement effective as of February 6, 1992 and related loan obligations in connection with the purchase of real property in Texas to be assumed by the Partnership. Incorporated by reference to Exhibit 10.8 to the Form 10 as filed with the Commission on March 25, 1992 (the "Form 10").
10.6	Assignment dated June 11, 1992 of the Precept Properties Agreement by and among FTX, (successor by merger to FMI Credit Corporation, as successor by merger to Longhorn Development Company), the Partnership and Precept Properties, Inc. Incorporated by reference to Exhibit 10.9 to the 1992 Form 10-K.
	Executive Compensation Plans and Arrangements (Exhibits 10.7 and 10.8)
10.7	The Company's Performance Incentive Awards Program, as amended. Incorporated by reference to Exhibit 10.21 to the Annual Report on Form 10-K of the Company for the fiscal year ended December 31, 1994 (the "1994 Form 10-K").
10.8	The Company's Stock Option Plan, as amended.
21.1	List of Subsidiaries. Incorporated by reference to Exhibit 21.1 to the Annual Report on Form 10-K of the Company for the fiscal year ended December 31, 1995.
23.1	Consent of Arthur Andersen LLP dated March 24, 1997.
24.1	Certified Resolution of the Board of Directors of FMPO authorizing this report to be signed on behalf of any officer or director pursuant to a Power of Attorney.
24.2	Powers of Attorney pursuant to which this report has been signed on behalf of certain officers and directors of the Company.

Exhibit 4.3

AMENDED AND RESTATED CREDIT AGREEMENT dated as of December 20, 1996, among FM PROPERTIES OPERATING CO., a Delaware general partnership (the "Partnership" or the "Borrower"), FREEPORT-McMoRan INC., a Delaware corporation ("FTX" or the "Guarantor"), the undersigned banks (collectively, the "Banks") and THE CHASE MANHATTAN BANK (successor by merger to Chemical Bank and The Chase Manhattan Bank (National Association)), a New York banking corporation ("Chase"), as administrative agent for the Banks (in such capacity, the "Administrative Agent"), as FTX Collateral Agent (as herein defined) and as Documentation Agent for the Banks (in such capacity, the "Documentation Agent"; the Administrative Agent, the FTX Collateral Agent and the Documentation Agent being, collectively, the "Agents").

A. FTX has a 0.2% general partnership interest in and serves as managing general partner of the Partnership, and the Company (as herein defined) directly and indirectly has the remaining 99.8% general partnership interest in the Partnership.

B. FTX and the Partnership have requested the Banks to extend credit, subject to the terms and conditions of this Agreement, including a guaranty by FTX of such extensions of credit to the Partnership, in order to enable the Partnership to borrow on a revolving basis, at any time and from time to time prior to the Maturity Date (as herein defined), an aggregate principal amount at any time outstanding not in excess of $10,000,000. The proceeds of such borrowings are to be used to refinance certain existing borrowings and for general partnership purposes, subject to certain limitations provided herein. The Banks are willing to extend such credit to the Partnership on the terms and subject to the conditions herein set forth.

C. FTX is party to the FTX Credit Agreement (as herein defined). Certain terms and provisions used or set forth in the FTX Credit Agreement are incorporated by reference herein, as specified below, and wherever so incorporated shall be deemed to be a part hereof as though fully set forth herein. Wherever any provisions of the FTX Credit Agreement are incorporated by reference herein, such provisions shall be deemed to be so incorporated with the same effect as though fully set forth herein, it being understood that any reference in such provisions to "this Agreement" shall be deemed to be a reference to this Agreement, as appropriate.

Accordingly, FTX, the Partnership, the Banks and the Agents agree as follows:

ARTICLE I.

Definitions

SECTION 1.11834 Definitions. As used in this Agreement, the following terms have the meanings indicated (any term defined in this Article I or elsewhere in this Agreement in the singular and used in this Agreement in the plural shall include the plural, and vice versa):

"Administrative Questionnaire" means an Administrative Questionnaire in the form of Exhibit C hereto.

"Administrative Services Agreement" means the Administrative Services Agreement dated as of June 11, 1992, between FTX and the Company, in the form provided prior to the Closing Date by FTX to the Banks, as amended and in effect from time to time.

"Affiliate" means, when used with respect to a specified Person, another Person that directly, or indirectly through one or more intermediaries, Controls or is Controlled by or is under common Control with the Person specified.

"Alternate Base Rate" means, for any day, a rate per annum (rounded upwards, if not already a whole multiple of 1/100 of 1%, to the next higher 1/100 of 1%) equal to the greatest of (a) the Prime Rate in effect on such day, (b) the Base CD Rate in effect on such day plus 1% and (c) the Federal Funds Effective Rate in effect for such day plus 1/2 of 1%. For purposes hereof, the term "Prime Rate" means the rate of interest per annum publicly announced from time to time by Chase as its prime rate in effect at its principal office in the City of New York; each change in the Prime Rate shall be effective on the date such change is publicly announced as being effective. "Base CD Rate" means the sum of (x) the product of (i) the Three-Month Secondary CD Rate and (ii) Statutory Reserves and (y) the Assessment Rate. "Three-Month Secondary CD Rate" means, for any day, the secondary market rate for three-month certificates of deposit reported as being in effect on such day (or, if such day shall not be a Business Day, the next preceding Business Day) by the Board through the public information telephone line of the Federal Reserve Bank of New York (which rate will, under the current practices of the Board, be published in Federal Reserve Statistical Release H.15(519) during the week following such day), or, if such rate shall not be so reported on such day or such next preceding Business Day, the average of the secondary market quotations for three-month certificates of deposit of major money center banks in New York City received at approximately 10:00 a.m., New York City time, on such day (or, if such day shall not be a Business Day, on the next preceding Business Day) by the Administrative Agent from three New York City negotiable certificate of deposit dealers of recognized standing selected by it. "Federal Funds Effective Rate" means, for any day, the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published on the next succeeding Business Day by the Federal Reserve Bank of New York, or, if such rate is not so published for any day which is a Business Day, the average of the quotations for the day of such transactions received by the Administrative Agent from three Federal funds brokers of recognized standing selected by it. If for any reason the Administrative Agent shall have determined (which determination shall be conclusive absent manifest error) that it is unable to ascertain the Base CD Rate or the Federal Funds Effective Rate or both for any reason, including the inability or failure of the Administrative Agent to obtain sufficient quotations in accordance with the terms hereof, the Alternate Base Rate shall be determined without regard to clause (b) or (c), or both, of the first sentence of this definition, as appropriate, until the circumstances giving rise to such inability no longer exist. Any change in the Alternate Base Rate due to a change in the Prime Rate, the Three-Month Secondary CD Rate or the Federal Funds Effective Rate shall be effective on the effective date of such change in the Prime Rate, the Three-Month

Secondary CD Rate or the Federal Funds Effective Rate, respectively.

"Applicable LIBO Rate" means, on a per annum basis in respect of any LIBO Rate Loan, for each day during the Interest Period for such Loan, the sum of (i) the LIBO Rate as determined by the Administrative Agent plus (ii) the Applicable Margin.

"Applicable Margin" means, with respect to any Loan, the applicable percentage set forth on Schedule I hereto.

"Applicable Percentage" of any Bank means the percentage set opposite such Bank's name on Schedule II hereto, as modified from time to time as provided hereby.

"Applicable Reference Rate" means, on a per annum basis in respect of any Reference Rate Loan, for any day, the sum of the Alternate Base Rate plus the Applicable Margin.

"Assessment Rate" means, with respect to each day during an Interest Period, the annual rate (rounded upwards, if not already a whole multiple of 1/100 of 1%, to the next highest whole multiple of 1/100 of 1%) most recently estimated by the Administrative Agent as the then current net annual assessment rate that will be employed in determining amounts payable by Chase to the Federal Deposit Insurance Corporation or any successor ("FDIC") for the FDIC's insuring time deposits made in Dollars at offices of Chase in the United States.

"Bank" means each bank signatory hereto and its successors and permitted assigns under Section 9.3.

"Board" means the Board of Governors of the Federal Reserve System of the United States.

"Borrowing" means a group of Loans of a single type made by the Banks on a single date and as to which a single Interest Period is in effect.

"Borrowing Date" means, with respect to any Loan, the date on which such Loan is disbursed.

"Burke Parties" means, collectively, Burke Oil Co. (formerly Pel-Tex Oil Company, Inc.), Chenier Oil Company, Inc., Burke and Pel-Tex Oil Company, Inc., doing business as Burmont Company, Earl P. Burke, Jr. and Fay Stouder Burke, as assignors of the Pel-Tex Agreements to the Pel-Tex Lenders.

"Business Day" means any day other than a Saturday, Sunday or a day on which banks in New York City are authorized or required by law to close; provided, however, that when used in connection with a LIBO Rate Loan, the term "Business Day" shall also exclude any day on which banks are not open for dealings in Dollar deposits in the London interbank market.

"Capitalized Lease Obligation" means the obligation of any Person to pay rent or other amounts under a lease of (or other agreement conveying the right to use) real and/or personal property which obligation is, or in accordance with GAAP (including Statement of Financial Accounting Standards No. 13 of the Financial Accounting Standards Board) is required to be, classified and accounted

for as a capital lease on a balance sheet of such Person under GAAP, and for purposes of this Agreement the amount of such obligation shall be the capitalized amount thereof determined in accordance with GAAP.

A "Change in Control" shall be deemed to have occurred if FTX shall for any reason cease to be the sole managing general partner of the Partnership or the functions of FTX as the managing general partner of the Partnership shall generally be carried out for any reason by any person other than FTX; provided that no Change in Control shall be deemed to have occurred if any subsidiary of FTX designated by FTX to discharge the duties of FTX as the managing general partner of the Partnership shall carry out the functions of FTX as managing general partner of the Partnership.

"Circle C Property" means the assets of the TCB Borrower referred to as the "Property" in the Option Agreement dated as of February 6, 1992, between the TCB Borrower and David B. Armbrust, as Trustee.

"Circle C Entity" means any entity which purchases the Circle C Property pursuant to the Option Agreement dated as of February 6, 1992, between the TCB Borrower and David B. Armbrust, as Trustee.

"City of Austin Receivable" means all obligations of the City of Austin, Texas to the Partnership, whether now existing or hereafter created, incurred in connection with the infrastructure development work being conducted on the property of the Partnership located on the Lantana property in Travis County, Texas.

"Closing Date" means June 30, 1995.

"Code" means the Internal Revenue Code of 1986, as amended from time to time.

"Commitment" means, with respect to each Bank, the Commitment of such Bank hereunder to make revolving loans as set forth on Schedule II hereto, or in the Commitment Transfer Supplement pursuant to which such Bank assumed its Commitment, as the same may be permanently terminated or reduced from time to time pursuant to Section 2.7 and pursuant to assignments by such Bank pursuant to Section 9.3. The Commitment of each Bank shall automatically and permanently terminate on the Maturity Date.

"Commitment Fee" has the meaning assigned to such term in Section 2.6(a).

"Commitment Termination Date" has the meaning assigned to such term in Section 2.6(a).

"Commitment Transfer Supplement" means a Commitment Transfer Supplement entered into by a Bank and an assignee, and accepted by the Administrative Agent, in the form of Exhibit D hereto or such other form as shall be approved by the Administrative Agent.

"Company" means FM Properties Inc., a Delaware corporation, which holds directly and indirectly a 99.8% general partnership interest in the Partnership.

"Control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the

ownership of voting securities, by contract or otherwise, and "Controlling" and "Controlled" shall have meanings correlative thereto.

"Default" means any event or condition which upon the giving of notice or lapse of time or both would become an Event of Default.

"Distribution Agreement" means the Distribution Agreement dated as of June 10, 1992, among FTX, the Company and the Partnership, in the form provided prior to the Closing Date by FTX to the Banks, as amended and in effect from time to time.

"Dollars" or "$" means United States Dollars.

"Domestic Office" means, for any Bank, the Domestic Office set forth for such Bank on the signature pages hereof, unless such Bank shall designate a different Domestic Office by notice in writing to the Administrative Agent and the Borrower.

"environment" means ambient air, surface water and groundwater (including potable water, navigable water and wetlands), the land surface or subsurface strata or as otherwise defined in any Environmental Law.

"Environmental Claim" means any written notice of violation, claim, demand, order, directive, cost recovery action or other cause of action by, or on behalf of, any Governmental Authority or any Person for damages, injunctive or equitable relief, personal injury (including sickness, disease or death), Remedial Action costs, tangible or intangible property damage, natural resource damages, nuisance, pollution, any adverse effect on the environment caused by any Hazardous Material, or for fines, penalties or restrictions, resulting from or based upon: (a) the existence, or the continuation of the existence, of a Release (including sudden or non-sudden, accidental or non-accidental Releases); (b) exposure to any Hazardous Material; (c) the presence, use, handling, transportation, storage, treatment or disposal of any Hazardous Material; or (d) the violation of any Environmental Law or Environmental Permit.

"Environmental Law" means any and all applicable treaties, laws, rules, regulations, codes, ordinances, orders, decrees, judgments, injunctions, notices or binding agreements issued, promulgated or entered into by any Governmental Authority, relating in any way to the environment, preservation or reclamation of natural resources, the management, Release or threatened Release of any Hazardous Material or to health and safety matters, including the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended by the Superfund Amendments and Reauthorization Act of 1986, 42 U.S.C. Sections 9601 et seq. (collectively "CERCLA"), the Solid Waste Disposal Act, as amended by the Resource Conservation and Recovery Act of 1976 and Hazardous and Solid Amendments of 1984, 42 U.S.C. Sections 6901 et seq., the Federal Water Pollution Control Act, as amended by the Clean Water Act of 1977, 33 U.S.C. Sections 1251 et seq., the Clean Air Act of 1970, as amended, 42 U.S.C. Sections 7401 et seq., the Toxic Substances Control Act of 1976, 15 U.S.C. Sections 2601 et seq., the Occupational Safety and Health Act of 1970, as amended, 29 U.S.C. Sections 651 et seq., the Emergency Planning and Community Right-to-Know Act of 1986, 42 U.S.C. Sections 11001 et seq., the Safe Drinking Water Act of 1974, as amended,

42 U.S.C. Sections 300(f) et seq., the Hazardous Materials Transportation Act, 49 U.S.C. Sections 1801 et seq., and any similar or implementing state or local law, and all amendments or regulations promulgated thereunder.

"Environmental Permit" means any permit, approval, authorization, certificate, license, variance, filing or permission required by or from any Governmental Authority pursuant to any Environmental Law.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time.

"ERISA Affiliate" means any trade or business (whether or not incorporated), that together with the Borrower, is treated as a single employer under Section 414(b) or (c) of the Code or, solely for purposes of Section 302 of ERISA and Section 412 of the Code, is treated as a single employer under Section 414 of the Code.

"ERISA Event" means (i) any "reportable event", as defined in Section 4043 of ERISA or the regulations issued thereunder, with respect to a Plan; (ii) the adoption of any amendment to a Plan that would require the provision of security pursuant to Section 401(a)(29) of the Code; (iii) the existence with respect to any Plan of an "accumulated funding deficiency" (as defined in Section 412 of the Code), whether or not waived; (iv) the incurrence of any liability under Title IV of ERISA with respect to any Plan or Multiemployer Plan, other than any liability for contributions not yet due or payment of premiums not yet due; (v) the receipt by the Borrower or any ERISA Affiliate from the PBGC of any notice relating to the intention of the PBGC to terminate any Plan or Plans or to appoint a trustee to administer any Plan; (vi) the receipt by the Borrower or any ERISA Affiliate of any notice concerning the imposition of Withdrawal Liability or a determination that a Multiemployer Plan is, or is expected to be, insolvent or in reorganization, within the meaning of Title IV of ERISA; and (vii) any other similar event or condition with respect to a Plan or Multiemployer Plan that could reasonably result in liability of the Borrower.

"Event of Default" means any Event of Default defined in Article VI.

"Existing FM Credit Agreement" has the meaning assigned such term in Section 5.1(c).

"FCX" means Freeport-McMoRan Copper & Gold Inc., a Delaware corporation.

"FCX Credit Agreement" means the $200,000,000 Credit Agreement dated as of June 30, 1995, among FCX, FI, certain banks, Chemical Bank, as Administrative Agent and FCX Collateral Agent, The Chase Manhattan Bank (National Association), as Documentary Agent, and First Trust of New York, National Association, as FI Trustee, as such agreement may be amended or restated and in effect from time to time.

"FCX Guaranty" means the FCX Guaranty Agreement dated as of July 17, 1995, by FCX of the Loans, the Pel-Tex Debt and the loans under the TCB Credit Agreement, substantially in the form of Exhibit L hereto, as such agreement may be amended and in effect from time to time.

"FCX Intercreditor Agreement" means the Inter-creditor Agreement in the form of Exhibit H to the FCX

Credit Agreement, as such Agreement may be amended and in effect from time to time.

"Financial Officer" of any entity means the principal financial officer, principal accounting officer, treasurer, assistant treasurer or controller of such entity; provided that the Financial Officers of FTX, as managing general partner of the Partnership, shall be deemed to be Financial Officers of the Partnership.

"FI" means P.T. Freeport Indonesia Company, a limited liability company organized under the laws of Indonesia and domesticated in Delaware.

"Florida Joint Venture Agreement" means the Joint Venture Agreement dated as of June 11, 1992, between IMC-Agrico and the Partnership, in the form provided prior to the Closing Date by FTX to the Banks, as amended and in effect from time to time.

"FM Florida Properties Co." means FM Florida Properties Co., a Delaware general partnership between the Partnership and IMC-Agrico, formed pursuant to the Florida Joint Venture Agreement.

"FM Intercreditor Agreement" means the Intercreditor Agreement among FTX, the Administrative Agent and the Pel-Tex Agent in the form of Exhibit I hereto, as such Agreement may be amended and in effect from time to time.

"FMPO Deed of Trust" means the Deed of Trust granted by the Partnership in favor of FTX in order to secure the Partnership's obligations under the Reimbursement Agreement.

"FRP" means Freeport-McMoRan Resource Partners, Limited Partnership, a Delaware limited partnership.

"FTX Collateral Agent" means Chase in its capacity as FTX Collateral Agent for the Lenders (as defined in the FTX Intercreditor Agreement) under the FTX Security Agreement.

"FTX Credit Agreement" means the Credit Agreement dated as of June 30, 1995, among FTX, FRP, certain banks and Chase, as Administrative Agent, FTX Collateral Agent and Documentary Agent, as such agreement may be amended or restated and in effect from time to time.

"FTX/FMPO Credit Agreement" means the Credit Agreement dated as of the Funding Date, between FTX and the Partnership, in the form of Exhibit H hereto, as such agreement may be amended as permitted hereby and in effect from time to time.

"FTX Guaranty" means the FTX Guaranty Agreement dated as of July 17, 1995, providing for the guarantee by FTX of the Loans, the Pel-Tex Debt and the loans under the TCB Credit Agreement, substantially in the form of Exhibit K hereto, as such agreement may be amended and in effect from time to time.

"FTX Intercreditor Agreement" means the Intercreditor Agreement entered into as of June 11, 1992, as amended and restated in its entirety as of June 1, 1993, and as of the Funding Date in the form attached to the FTX Credit Agreement as Exhibit G, among the Administrative

Agent on behalf of the Banks, the FTX Agent on behalf of the FTX Lenders, the Pel-Tex Agent on behalf of the Pel-Tex Lenders (each as defined therein), TCB and Chase, as FTX Collateral Agent, as such agreement may be further amended or restated and in effect from time to time.

"FTX Loan" has the meaning assigned such term in the last clause of Section 4.2(g).

"FTX Security Agreement" means the security agreement in the form of Exhibit F to the FTX Credit Agreement, executed by FTX and delivered to the FTX Collateral Agent, as such agreement may be amended and in effect from time to time.

"Funding Date" means July 17, 1995.

"GAAP" has the meaning assigned to such term in Section 1.2.

"Governmental Authority" means any Federal, state, local or foreign court or governmental agency, authority, instrumentality or regulatory body.

"Guarantee" means, with respect to any Person, any obligation, contingent or otherwise, of such Person guaranteeing or having the economic effect of guaranteeing any Indebtedness or obligation of any other Person in any manner, whether directly or indirectly, and including, without limitation, any agreement or obligation (i) to pay dividends or other distributions upon the stock of such other Person, or any obligation of such other Person, direct or indirect, (ii) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or obligation or to purchase (or advance or supply funds for the purchase of) any security for the payment of such Indebtedness, obligation, dividend or distribution, (iii) to purchase or lease property, securities or services for the purpose of assuring the owner of such Indebtedness or obligation or the holder of such stock of the payment of such Indebtedness, obligation, dividend or distribution, including, without limitation, any take-or-pay contract or agreement to buy a minimum amount or quantity of production or to provide an operating subsidy which, in each case, is utilized for a third party financing, or (iv) to maintain working capital, equity capital or any other financial statement condition of the primary obligor, so as to enable the primary obligor to pay such Indebtedness, obligation, dividend or distribution; provided, however, that the term Guarantee shall not include any endorsement for collection or deposit in the ordinary course of business.

"Guaranties" shall mean the FCX Guaranty and the FTX Guaranty.

"Hazardous Materials" means all explosive or radioactive substances or wastes, hazardous or toxic substances or wastes, pollutants, solid, liquid or gaseous wastes, including petroleum or petroleum distillates, asbestos or asbestos-containing materials, polychlorinated biphenyls ("PCBs") or PCB-containing materials or equipment, radon gas, infectious or medical wastes and all other substances or wastes of any nature regulated pursuant to any Environmental Law.

"Hedge Agreement" means any interest rate, currency or commodity swap, cap, floor or collar agreement or similar hedging arrangement providing for the transfer or

mitigation of interest rate, commodity price or currency value or exchange rate risks, either generally or under specific contingencies.

"IMC-Agrico" means the general partnership formed pursuant to the IMC-Agrico Partnership Agreement.

"IMC-Agrico Partnership Agreement" means the Amended and Restated Partnership Agreement dated as of July 1, 1993, by and among Agrico LP, a Delaware limited partnership, IMC-Agrico GP Company, a Delaware corporation, and IMC-Agrico MP Inc., a Delaware corporation, as amended and in effect from time to time as permitted by Section 5.2(r) of the FTX Credit Agreement as incorporated herein by reference.

"Indebtedness" of any Person means, without duplication, (a) all obligations of such Person for borrowed money, (b) all obligations of such Person evidenced by bonds, debentures, notes or similar instruments, (c) all obligations of such Person for the unearned balance of any payment received under any contract outstanding for 180 days, (d) all obligations of such Person under conditional sale or other title retention agreements relating to property or assets purchased by such Person, (e) all obligations of such Person issued or assumed as the deferred purchase price of property or services (excluding trade accounts payable and accrued obligations incurred in the ordinary course of business so long as the same are not 180 days overdue or, if overdue, are being contested in good faith and by appropriate proceedings), (f) all Indebtedness of others secured by (or for which the holder of such Indebtedness has an existing right, contingent or otherwise, to be secured by) any Lien on property owned or acquired by such Person, whether or not the obligations secured thereby have been assumed, (g) all Guarantees by such Person of Indebtedness of others, (h) all Capitalized Lease Obligations of such Person, (i) all recourse obligations of such Person with respect to sales of accounts receivable which would be shown under GAAP on the balance sheet of such Person as a liability, (j) all obligations of such Person as an account party (including reimbursement obligations to the issuer of a letter of credit) in respect of bankers' acceptances and letters of credit Guaranteeing Indebtedness and (k) all non-contingent obligations of such Person as an account party (including reimbursement obligations to the issuer of a letter of credit) in respect of letters of credit other than those referred to in clause (j) above. The Indebtedness of any Person shall include the Indebtedness of any partnership in which such Person is a general partner but shall exclude obligations under leases which are characterized as Operating Leases.

"Intercreditor Documents" means the FM Intercreditor Agreement and the FTX Intercreditor Agreement.

"Interest Payment Date" means (i) as to any Reference Rate Loan, the next succeeding March 31, June 30, September 30 or December 31 (subject to Section 2.16), or if earlier, the Maturity Date, and (ii) as to any LIBO Rate Loan, the last day of the Interest Period applicable to such Loan (and, in the case of any Interest Period of more than three months' duration, the date that would be the last day of such Interest Period if such Interest Period were of three months' duration) and the date of any continuation or conversion of such Loan as or into a Loan of the same or a different type.

"Interest Period" means (i) as to any LIBO Rate Loan, the period commencing on the date of such LIBO Rate Loan or on the last day of the immediately preceding Interest Period applicable to such Loan, as the case may be, and ending on the numerically corresponding day (or, if there is no numerically corresponding day, on the last day) in the calendar month that is 1, 2, 3 or 6 months thereafter, as the Borrower may elect, and (ii) as to any Reference Rate Loan, the period commencing on the date of such Reference Rate Loan or on the last day of the immediately preceding Interest Period applicable to such Loan, as the case may be, and ending on the earliest of (x) the next succeeding March 31, June 30, September 30 or December 31, (y) the Maturity Date and (z) the date such Loan is prepaid or converted as permitted hereby; provided, however, that (1) if any Interest Period would end on a day that shall not be a Business Day, such Interest Period shall be extended to the next succeeding Business Day unless, with respect to LIBO Rate Loans only, such next succeeding Business Day would fall in the next calendar month, in which case such Interest Period shall end on the next preceding Business Day, (2) no Interest Period with respect to any Loan shall end later than the Maturity Date and (3) interest shall accrue from and including the first day of an Interest Period to but excluding the last day of such Interest Period.

"Key Assets" means the properties and assets of the Borrower shown on Schedule III hereto.

"LIBO Rate" means, with respect to any LIBO Rate Loan for any Interest Period, an interest rate per annum (rounded upwards, if not already a whole multiple of 1/100 of 1%, to the next higher 1/100 of 1%) equal to the arithmetic average of the respective rates per annum at which Dollar deposits approximately equal in principal amount to Chase's portions of such LIBO Rate Loan and for a maturity equal to the applicable Interest Period are offered in immediately available funds to the principal London offices of Chase in the London Interbank Market at approximately 11:00 a.m., London time, two Business Days prior to the commencement of such Interest Period.

"LIBO Rate Loan" means any Loan for which interest is determined, in accordance with the provisions hereof, at the Applicable LIBO Rate.

"LIBOR Office" means, for any Bank, the LIBOR Office set forth for such Bank on the signature pages hereof or as otherwise notified in writing to the Administrative Agent and the Borrower, unless such Bank shall designate a different LIBOR Office by notice in writing to the Administrative Agent and the Borrower.

"Lien" means with respect to any asset, (a) a mortgage, deed of trust, lien, pledge, encumbrance, charge or security interest in or on such asset, (b) the interest of a vendor or a lessor under any conditional sale agreement, capital lease or title retention agreement relating to such asset, (c) in the case of securities, any purchase option, call or similar right of a third party with respect to such securities and (d) other encumbrances of any kind, including, without limitation, production payment obligations.

"Loans" means the revolving loans made by the Banks to the Borrower pursuant to Section 2.1. Each Loan shall be either a LIBO Rate Loan or a Reference Rate Loan.

"Loan Documents" means this Agreement, the Promissory Notes, the FTX Guaranty, the Intercreditor Agreements, the FTX Security Agreement and all other agreements, certificates and instruments now or hereafter entered into in connection with any of the foregoing, in each case as amended and modified from time to time.

"Margin Stock" has the meaning assigned to such term in Regulation U.

"Material Adverse Effect" means (a) a materially adverse effect on the business, assets, operations, prospects or condition, financial or otherwise, of the Guarantor or the Borrower and the Subsidiaries taken as a whole, (b) material impairment of the ability of the Guarantor or the Borrower or any of the Subsidiaries to perform any of its obligations under any Loan Document to which it is or will be a party or (c) material impairment of the rights of or benefits available to the Banks under any Loan Document.

"Material Agreements" means the Distribution Agreement, the Partnership Agreement, the Administrative Services Agreement, the Florida Joint Venture Agreement, the Reimbursement Agreement and the FTX/FMPO Credit Agreement.

"Material Asset" means any single asset of the Partnership for which, upon the sale thereof, the Partnership receives in excess of $100,000 in Net Proceeds.

"Maturity Date" means February 28, 1998, or, if earlier, the date of termination of the Commitments pursuant to the terms hereof.

"MUD Proceeds" has the meaning assigned to such term in Section 4.2(g)(vi).

"Multiemployer Plan" means a multiemployer plan as defined in Section 4001(a)(3) of ERISA to which the Borrower or any ERISA Affiliate is making or accruing an obligation to make contributions, or has within any of the preceding five plan years made or accrued an obligation to make contributions.

"Net Proceeds" shall mean in connection with any permitted asset sale, the proceeds thereof (including any condemnation award and any payment or settlement of a casualty insurance claim not used to restore the related property) in the form of cash or cash equivalents (including any such proceeds received by way of deferred payment of principal pursuant to a note or installment receivable or purchase price adjustment receivable or otherwise, but only as and when received), net of the following, without duplication: (i) customary and reasonable attorneys' fees, accountants' fees, investment banking fees, brokerage commissions, all closing costs, and other customary fees and expenses actually incurred in connection therewith as transaction costs, and bona fide reserves and deposits, and (ii) any taxes paid or reasonably estimated to be payable solely in respect of such permitted asset sale as a result thereof by the owner of such asset (after taking into account any available tax credits or deductions).

"1995 FM Form 10-K" means the Annual Report on Form 10-K of the Company for the year ended December 31, 1995.

"1995 FTX Form 10-K" means the Annual Report on Form 10-K of FTX for the year ended December 31, 1995.

"Operating Lease" means any lease other than a lease giving rise to a Capitalized Lease Obligation.

"Partnership Agreement" means the Amended and Restated Agreement of General Partnership dated as of June 11, 1992, among FTX, the Company and FMOP Sub Inc., in the form provided prior to the Closing Date by FTX to the Banks, as amended and in effect from time to time.

"Partnership Obligations" means the principal and interest on each Loan and all other amounts payable by the Borrower hereunder and under the other Loan Documents, including fees, indemnities and reimbursement of costs and expenses.

"PBGC" means the Pension Benefit Guaranty Corporation referred to and defined in ERISA.

"Pel-Tex Agent" means Hibernia National Bank, as Agent for the Pel-Tex Banks.

"Pel-Tex Agreements" means the Note Agreement and related documents dated as of December 31, 1985, as amended and restated and in effect from time to time, between the Partnership (as ultimate successor to FMP Operating Company) and the Pel-Tex Banks (as successor to the Burke Parties).

"Pel-Tex Bank Agreement" means the Credit Agreement dated as of December 31, 1985, as amended and in effect from time to time, among the Burke Parties, the Pel-Tex Banks and the Pel-Tex Agent.

"Pel-Tex Banks" means, collectively, the banks which were parties to the Pel-Tex Bank Agreement and, in connection with satisfaction on the Burke Parties of the Pel-Tex Bank Agreement, became the successors to the Burke Parties under the Pel-Tex Agreements (and the successors and assigns of such banks).

"Pel-Tex Debt" means the Indebtedness permitted by Section 4.2(g)(i).

"Pel-Tex Lenders" means, collectively, the Pel-Tex Banks and the Pel-Tex Agent.

"Pel-Tex Obligations" means, without duplication, all amounts owing by, and all other obligations (including, without limitation, in respect of fees, indemnities and reimbursement of costs or expenses), whether direct or contingent, now or hereafter existing, due or to become due, monetary or otherwise, of the Partnership to the Pel-Tex Lenders in connection with the Pel-Tex Agreements.

"Permitted Investments" means:

(a) direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America, in each case maturing within 90 days from the date of acquisition thereof;

(b) investments in commercial paper maturing within 90 days from the date of acquisition thereof and having, at such date of acquisition, an A-1 credit rating from Standard & Poor's Corporation or a P-1

credit rating from Moody's Investors Service, Inc.;

(c) investments in certificates of deposit, banker's acceptances and time deposits (onshore or offshore) maturing within 90 days from the date of acquisition thereof issued or guaranteed by or placed with, and money market deposit accounts issued or offered by, any commercial bank, foreign or domestic, having a short-term deposit rating issued by Moody's Investor Service, Inc. of P-1;

(d) investments in readily marketable money market funds having assets in excess of $1,000,000,000, which assets have an average life of less than one year; and

(e) other investment instruments approved in writing by the Required Banks.

"Permitted Swap" means any Hedge Agreement between the Partnership or any Subsidiary and any Bank or its Affiliates that shall not require the payment of any up-front fee or other up-front amount or any advance payment (including such a payment in lieu of periodic payments of amounts accrued during any period).

"Person" means any natural person, corporation, partnership, joint venture, trust, incorporated or unincorporated association, joint stock company, government (or an agency or political subdivision thereof) or other entity of any kind.

"Plan" means any employee pension benefit plan (other than a Multiemployer Plan) which is subject to the provisions of Title IV of ERISA or Section 412 of the Code and in respect of which the Borrower or any ERISA Affiliate is (or, if such plan were terminated, would under Section 4069 of ERISA be deemed to be) an "employer" as defined in Section 3(5) of ERISA.

"Promissory Notes" means the promissory notes of the Borrower referred to in Section 2.4.

"Property" has the meaning assigned such term in Section 3.1(k).

"Reimbursement Agreement" means the Reimbursement Agreement between the Partnership and FTX in the form of Exhibit J hereto, as such agreement may be amended as permitted hereby and in effect from time to time.

"Reference Rate Loan" means any Loan for which interest is determined, in accordance with the provisions hereof, at the Applicable Reference Rate.

"Register" has the meaning assigned such term in Section 9.3(d).

"Regulation D" means Regulation D of the Board as from time to time in effect and all official rulings and interpretations thereunder or thereof.

"Regulation G" means Regulation G of the Board as from time to time in effect and all official rulings and interpretations thereunder or thereof.

"Regulation U" means Regulation U of the Board as from time to time in effect and all official rulings and interpretations thereunder or thereof.

"Regulation X" means Regulation X of the Board as from time to time in effect and all official rulings and interpretations thereunder or thereof.

"Release" means any spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, dumping, disposing, depositing, dispersing, emanating or migrating of any Hazardous Material in, into, onto or through the environment.

"Remedial Action" means (a) "remedial action" as such term is defined in CERCLA, 42 U.S.C. Section 9601(24), and (b) all other actions required by any Governmental Authority or voluntarily undertaken to: (i) cleanup, remove, treat, abate or in any other way address any Hazardous Material in the environment; (ii) prevent the Release or threat of Release, or minimize the further Release, of any Hazardous Material so it does not migrate or endanger or threaten to endanger public health, welfare or the environment; or (iii) perform studies and investigations in connection with, or as a precondition to, (i) or (ii) above.

"Required Banks" means, subject to Section 9.7(b), at any time Banks having Commitments representing at least 66-2/3% of the aggregate Commitments hereunder or, if the Commitments have been terminated, Banks having outstanding Loans representing at least 66-2/3% of the aggregate principal amount of the outstanding Loans.

"Responsible Officer" of any entity means any executive officer or Financial Officer of such entity and any other officer or similar official thereof responsible for the administration of the obligations of such entity in respect of this Agreement; provided that the Responsible Officers of FTX, as managing general partner of the Partnership, shall be deemed to be Responsible Officers of the Partnership.

"Restatement Agreement" means the Amendment Agreement dated as of the date hereof, among the Borrower, the Banks and the Agents.

"Restatement Closing Date" means the date upon which the Restatement Agreement becomes effective in accordance with its terms.

"Restricted Subsidiary" has the meaning assigned to such term in the FTX Credit Agreement.

"Restructuring" means the transactions between FTX and FCX (on the one hand) and RTZ, RTZ Indonesia and RTZ America (on the other hand) pursuant to the Stock Purchase Agreement and the distribution on a generally tax free basis (subject to exceptions approved by the Administrative Agent and the Documentation Agent) by FTX to its shareholders of the shares of FCX, thereby leaving FTX as a holding company for FRP and leaving FCX as the publicly held holding company for FI, together with arrangements required by or effectuated in connection with such distribution with respect to existing contractual agreements and indebtedness of FTX, FRP, FCX and FI, all on terms substantially the same as those set forth in Schedule XI to the FTX Credit Agreement or otherwise satisfactory to the Required Banks (including all tax, accounting, corporate and partnership matters).

"RTZ" means the RTZ Corporation PLC, a company organized under the laws of England.

"RTZ America" means RTZ America, Inc., a Delaware corporation and a wholly owned subsidiary of RTZ.

"RTZ Indonesia" means RTZ Indonesia Limited, a company organized under the laws of England and a wholly owned subsidiary of RTZ.

"SEC" means the Securities and Exchange Commission.

"Specified Entities" means FTX, the Company, the Restricted Subsidiaries of FTX, the Partnership and the Subsidiaries.

"Statutory Reserves" means a fraction (expressed as a decimal), the numerator of which is the number one and the denominator of which is the number one minus the aggregate of the maximum reserve percentages (including, without limitation, any marginal, special, emergency or supplemental reserves) expressed as a decimal established by the Board and any other banking authority, domestic or foreign, to which the Administrative Agent or any Bank (including any branch, Affiliate, or other funding office making or holding a Loan) is subject (a) with respect to the Base CD Rate (as such term is used in the definition of "Alternate Base Rate"), for new negotiable nonpersonal time deposits in Dollars of over $100,000 with maturities approximately equal to the applicable Interest Period, and (b) with respect to the LIBO Rate, for Eurocurrency Liabilities (as defined in Regulation D). Such reserve percentages shall include, without limitation, those imposed under Regulation D. Statutory Reserves shall be adjusted automatically on and as of the effective date of any change in any reserve percentage.

"Stock Purchase Agreement" means the Agreement dated as of May 2, 1995, by and between FTX, FCX, RTZ, RTZ Indonesia and RTZ America, as amended from time to time as permitted by the FTX Credit Agreement.

"Subordination Terms" means the form of subordination terms set forth as Exhibit E hereto.

"subsidiary" means, with respect to any Person, any corporation at least a majority of whose securities having ordinary voting power for the election of directors (other than securities having such power only by reason of the happening of a contingency) are at the time owned by such Person and/or one or more other subsidiaries of such Person and any partnership (other than joint ventures for which the intention under the applicable agreements, including operating agreements, if any, is that such joint ventures be partnerships solely for purposes of the Code) in which such person or a subsidiary of such person is a general partner.

"Subsidiary" means any subsidiary of the Partnership; provided, however, that Circle C Land Corp. and any Circle C Entity shall not be "Subsidiaries" for purposes of this Agreement unless the Partnership is liable, directly or indirectly, for the obligations under the TCB Credit Agreement (except for any liability of the Partnership pursuant to the Reimbursement Agreement).

"TCB" means Texas Commerce Bank National Associa-

tion, a national banking association (and its successors and assigns).

"TCB Borrower" means the borrower under the TCB Credit Agreement.

"TCB Borrower Properties" means the Mortgaged Property described in (and as defined in) the TCB Deed of Trust.

"TCB Collateral" means all of the TCB Borrower's properties or assets, now owned or hereafter acquired, including, without limitation, the TCB Borrower Properties.

"TCB Credit Agreement" means the Credit Agreement dated as of February 6, 1992, as amended to the date hereof and as further amended and in effect from time to time, between the TCB Borrower and TCB.

"TCB Deed of Trust" means the Deed of Trust (with security agreement and financing statement) recorded in Volume 11620, Page 1213 of the real property records of Travis County, Texas, and in the official public records of Hays County, Texas.

"Threshold Amount" means, with respect to FTX and/or its Restricted Subsidiaries, $10,000,000, and, with respect to the Partnership or any Subsidiary, $5,000,000.

"Total Commitment" means the sum of all the then effective Commitments.

"Transfer Effective Date" has the meaning assigned to such term in each Commitment Transfer Supplement.

"Transferee" means any Participant or Purchasing Bank, as such terms are defined in Section 9.3.

"Withdrawal Liability" means liability to a Multiemployer Plan as a result of a complete or partial withdrawal from such Multiemployer Plan, as such terms are defined in Part I of Subtitle E of Title IV of ERISA.

SECTION 2.11834 Accounting Terms. Except as otherwise herein specifically provided, each accounting term used herein shall have the meaning given it under United States generally accepted accounting principles in effect from time to time (with such changes thereto as are approved or concurred in from time to time by the Partnership's or FTX's independent public accountants, as applicable) applied on a basis consistent with those used in preparing the financial statements referred to in Section 5.1(a) of the FTX Credit Agreement ("GAAP"); provided, however, that each reference in Section 4.2, or in the definition of any term used in Section 4.2, to GAAP shall mean generally accepted accounting principles as in effect on the Closing Date and as applied by FTX in preparing the financial statements referred to in Section 3.1(e). In the event any change in GAAP materially affects any provision of this Agreement, the Banks and the Borrower agree that they shall negotiate in good faith in order to amend the affected provisions in such a way as will restore the parties to their respective positions prior to such change, and until such amendment becomes effective the Borrower's compliance with such provisions shall be determined on the basis of GAAP as in effect immediately before such change in GAAP became effective.

SECTION 3.11834 Section, Article, Exhibit and Schedule References, etc. Unless otherwise stated, Section, Article, Exhibit and Schedule references made herein are to Sections, Articles, Exhibits or Schedules, as the case may be, of this Agreement. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words "include", "includes" and "including" shall be deemed to be followed by the phrase "without limitation". Except as otherwise expressly provided herein, any reference in this Agreement to any Loan Document shall mean such document as amended, restated, supplemented or otherwise modified from time to time.

SECTION 4.11834 Incorporated Agreements and Definitions. Capitalized terms used and not otherwise defined herein shall have the meanings assigned to such terms in the FTX Credit Agreement, and the definitions of such terms, and of any other terms included in such definitions are hereby incorporated by reference into this Agreement (but only for the purpose of ascertaining the meanings of such incorporated definitions). For purposes of such incorporation by reference, the FTX Credit Agreement shall automatically mean such agreement in the form modified or amended from time to time, without the necessity of any further action or approval pursuant to this Agreement. If the FTX Credit Agreement shall be terminated, for purposes of this Agreement, the provisions of the terminated agreement incorporated herein shall be deemed to be those as in effect immediately prior to such termination.

ARTICLE II.

The Loans

SECTION 1.11834 Revolving Credit Facility. Upon the terms and subject to the conditions and relying upon the representations and warranties herein set forth, each Bank, severally and not jointly, agrees to make Loans to the Borrower, at any time and from time to time on or after the Funding Date, and until the earlier of the Maturity Date and the termination of the Commitment of such Bank in accordance with the terms hereof, in an aggregate principal amount not to exceed such Bank's Applicable Percentage of the then effective unused Total Commitment on the Borrowing Date for such Loan. Within the foregoing limits, the Borrower may borrow, repay and reborrow, prior to the Maturity Date, Loans subject to the terms, provisions and limitations set forth herein.

SECTION 2.11834 Loans. (1) The Loans made by the Banks to the Borrower on any one date shall be in an aggregate principal amount which is (1) an integral multiple of $1,000,000 or (2) equal to the remaining available balance of the applicable Commitments. The Loans by each Bank to the Borrower made on and after the Funding Date shall be made against an appropriate Promissory Note, payable to the order of such Bank in the amount of its Commitment, executed by the Borrower and delivered to such Bank on the Closing Date, as referred to in Section 2.4.

(2) Each Loan shall be either a Reference Rate Loan or a LIBO Rate Loan as the Borrower may request pursuant to Section 2.3. Subject to the provisions of Sections 2.3 and 2.10, Loans of more than one type may be outstanding at the same time.

(3) Each Bank shall make its portion, as

determined under Section 2.14, of each Loan hereunder on the proposed date thereof by paying the amount required to the Administrative Agent in New York, New York in immediately available funds not later than 2:00 p.m., New York City time, and the Administrative Agent shall by 3:00 p.m., New York City time, credit the amounts so received to the general deposit account of the Borrower with the Administrative Agent or, if Loans shall not be made on such date because any condition precedent to a borrowing herein specified is not met, return the amounts so received to the respective Banks. Unless the Administrative Agent shall have received notice from a Bank prior to the date of any Loan that such Bank will not make available to the Administrative Agent such Bank's portion of such Loan, the Administrative Agent may assume that such Bank has made such portion available to the Administrative Agent on the date of such Loan in accordance with this paragraph (c) and the Administrative Agent may, in reliance upon such assumption, make available to the Borrower on such date a corresponding amount. If the Administrative Agent shall have so made funds available, then to the extent that such Bank shall not have made such portion available to the Administrative Agent, such Bank and the Borrower severally agree to repay without duplication to the Administrative Agent forthwith on demand such corresponding amount together with interest thereon, for each day from the date such amount is made available to the Borrower until the date such amount is repaid to the Administrative Agent at an interest rate equal to (i) in the case of the Borrower, the interest rate applicable at the time to the Loans comprising such borrowing and (ii) in the case of such Bank, a rate determined by the Administrative Agent to represent its cost of overnight or short-term funds (which determination shall be conclusive absent manifest error). If such Bank shall repay to the Administrative Agent such corresponding amount, such amount shall constitute such Bank's Loan for purposes of this Agreement.

SECTION 3.3 Notice of Loans. (1) In order to request a Loan, the Borrower shall give the Administrative Agent irrevocable telephonic (promptly confirmed in writing), written, telecopy or telex notice in the form of Exhibit B hereto with respect to each Loan (1) in the case of a LIBO Rate Loan, not later than 10:30 a.m., New York City time, three Business Days before a proposed borrowing, and (2) in the case of a Reference Rate Loan, not later than 10:30 a.m., New York City time, on the date of a proposed borrowing. Such notice shall be irrevocable (except that in the case of a LIBO Rate Loan, the Borrower may, subject to Section 2.13, revoke such notice by giving written or telex notice thereof to the Administrative Agent not later than 10:30 a.m., New York City time, two Business Days before such proposed borrowing) and shall in each case refer to this Agreement and specify (1) whether the Loan then being requested is to be a Reference Rate Loan or LIBO Rate Loan, (2) the date of such Loan (which shall be a Business Day) and amount thereof, and (3) if such Loan is to be a LIBO Rate Loan, the Interest Period or Interest Periods (which shall not end after the Maturity Date) with respect thereto. If no election as to the type of Loan is specified in any such notice by the Borrower, such Loan shall be a Reference Rate Loan. If no Interest Period with respect to any LIBO Rate Loan is specified in any such notice by the Borrower, then the Borrower shall be deemed to have selected an Interest Period of one month's duration. The Administrative Agent shall promptly advise the other Banks of any notice given by the Borrower pursuant to this Section 2.3(a) and of each Bank's portion of the requested

Loan.

(2) The Borrower may continue or convert all or any part of any Loan as or into a Loan of the same or a different type in accordance with Section 2.10 and subject to the limitations set forth herein. If the Borrower shall not have delivered a borrowing notice in accordance with this Section 2.3 prior to the end of the Interest Period then in effect for any Loan of the Borrower requesting that such Loan be converted or continued as permitted hereby, then the Borrower shall (unless the Borrower has notified the Administrative Agent, not less than three Business Days prior to the end of such Interest Period, that such Loan is to be repaid at the end of such Interest Period) be deemed to have delivered a borrowing notice pursuant to Section 2.3 requesting that such Loan be converted into or continued as a Reference Rate Loan of equivalent amount.

(3) Notwithstanding any provision to the contrary in this Agreement, the Borrower shall not in any borrowing notice under this Section 2.3 request any LIBO Rate Loan which, if made, would result in more than 8 separate LIBO Rate Loans of any Bank. For purposes of the foregoing, Loans having different Interest Periods, regardless of whether they commence on the same date, shall be considered separate Loans.

SECTION 4.3 Promissory Notes. (1) The Loans made by each Bank to the Borrower shall be evidenced by a Promissory Note duly executed on behalf of the Borrower, dated the Closing Date, in substantially the form attached hereto as Exhibit A, payable to the order of such Bank in a principal amount equal to its Commitment. The outstanding principal balance of each Loan, as evidenced by such Promissory Note, shall be payable on the Maturity Date. Each Promissory Note shall bear interest from the date of the first borrowing hereunder on the outstanding principal balance thereof, as provided in Section 2.5.

(2) Each Bank shall maintain in accordance with its usual practice an account or accounts evidencing the indebtedness to such Bank resulting from each Loan made by such Bank from time to time, including the amounts of principal and interest payable and paid to such Bank from time to time under this Agreement. Each Bank shall, and is hereby authorized by the Borrower to, endorse on the schedule attached to the Promissory Note delivered by the Borrower to such Bank (or on a continuation of such schedule attached to such Promissory Note and made a part thereof), or otherwise record in such Bank's internal records, an appropriate notation evidencing the date and amount of each Loan from such Bank to the Borrower, as well as the date and amount of each payment and prepayment with respect thereto; provided, however, that the failure of any Bank to make such a notation or any error in such a notation shall not affect the obligation of the Borrower to repay the Loans made by such Bank in accordance with the terms of this Agreement and such Promissory Note.

(3) The Administrative Agent shall maintain accounts for (i) the type of each Loan made and the Interest Period applicable thereto, (ii) the amount of any principal or interest due and payable or to become due and payable from the Borrower to each Bank hereunder and (iii) the amount of any sum received by the Administrative Agent hereunder from the Borrower and each Bank's share thereof.

(4) The entries made in the accounts maintained

pursuant to paragraphs (b) and (c) of this Section 2.4 shall be prima facie evidence of the existence and amounts of the obligations therein recorded; provided, however, that the failure of any Bank or the Administrative Agent to maintain such accounts or any error therein shall not in any manner affect the obligations of the Borrower to repay the Loans in accordance with their terms.

SECTION 5.4 Interest on Loans. (1) Subject to the provisions of Section 2.8, each Reference Rate Loan shall bear interest at a rate per annum (computed on the basis of the actual number of days elapsed over a year of 365 or 366 days, as the case may be, when determined by reference to the Prime Rate, and over a year of 360 days at all other times), equal to the Applicable Reference Rate.

(2) Subject to the provisions of Section 2.8, each Loan which is a LIBO Rate Loan shall bear interest at a rate per annum (computed on the basis of the actual number of days elapsed over a year of 360 days) equal to the Applicable LIBO Rate for the Interest Period in effect for such Loan.

(3) Interest on each Loan shall be payable on each applicable Interest Payment Date. The Applicable Reference Rate and the Applicable LIBO Rate shall be determined by the Administrative Agent, and such determination shall be conclusive absent manifest error. The Administrative Agent shall promptly advise the Borrower and each Bank of such determination.

SECTION 6.3 Fees. (1) The Borrower shall pay each Bank, through the Administrative Agent, on the last Business Day of each March, June, September and December, and on the date on which the Commitment of such Lender shall be terminated as provided herein (the "Commitment Termination Date"), in immediately available funds, a commitment fee (a "Commitment Fee") from and including the Closing Date through and including the Commitment Termination Date on the average daily amount of such Bank's Applicable Percentage of the unused Total Commitment during the quarter (or shorter period commencing with the earlier of June 30, 1995, and the Funding Date or ending with the Commitment Termination Date) ending on such date equal to the applicable Commitment Fee percentage set forth in Schedule I hereto.

(2) All Commitment Fees under this Section 2.6 shall be computed on the basis of the actual number of days elapsed in a year of 365 or 366 days, as the case may be. The Commitment Fees due to each Bank shall cease to accrue on the earlier of the Maturity Date and the termination of the Commitment of such Bank pursuant to Section 2.7.

(3) The Borrower agrees to pay to the Administrative Agent, for its own account, on the Closing Date and on each anniversary thereof, an administration fee as agreed between the Borrower and the Administrative Agent.

(4) All such fees shall be paid on the dates due, in immediately available funds, to the Administrative Agent for distribution, if and as appropriate, among the Banks. Once paid, all such fees shall be fully earned under any and all circumstances.

SECTION 7.4 Maturity and Reduction of Commitments. (1) Upon at least five days' prior written, telecopied or telex notice to the Administrative Agent, the

Borrower may without penalty at any time in whole permanently terminate, or from time to time permanently reduce, the Total Commitment, ratably among the Banks in accordance with the amounts of their respective Commitments; provided, however, that each partial reduction of the Commitment Amount shall be in a minimum principal amount of $1,000,000 and an integral multiple of $1,000,000; provided further that the Total Commitment may not be reduced to an amount which is less than the aggregate principal amount of all Loans outstanding after such reduction.

(2) The Total Commitment shall be automatically and permanently reduced by an amount equal to 50% of the proceeds of any equity issuance (other than pursuant to employee option plans and similar arrangements) by the Borrower and the Subsidiaries to any Person other than the Borrower, FTX and the Subsidiaries. The Commitment reductions required by this Section 2.7(b) shall be effective as of the date of closing or effectiveness of any transaction subject hereto.

(3) On the Maturity Date, the Commitments shall automatically terminate and any outstanding Loans shall be due and payable in full.

SECTION 8.3 Interest on Overdue Amounts; Alternative Rate of Interest. (1) If the Borrower shall default in the payment of the principal of or interest on any Loan or any other amount becoming due hereunder or under any other Loan Document, by acceleration or otherwise, the Borrower shall on demand from time to time pay interest, to the extent permitted by law, on such defaulted amount up to the date of actual payment (after as well as before judgment):

(1) in the case of the payment of principal of or interest on a LIBO Rate Loan, at a rate 2% above the rate which would otherwise be payable under Section 2.5(b) until the last date of the Interest Period then in effect with respect to such Loan and thereafter as provided in clause (ii) below; and

(2) in the case of the payment of principal of or interest on a Reference Rate Loan or any other amount payable hereunder (other than principal of or interest on any LIBO Rate Loan to the extent referred to in clause (i) above), at a rate 2% above the Applicable Reference Rate.

(2) In the event, and on each occasion, that on the day two Business Days prior to the commencement of any Interest Period for a LIBO Rate Loan the Administrative Agent shall have determined (which determination shall be conclusive and binding upon the Borrower absent manifest error) that (i) Dollar deposits in the requested principal amount of such LIBO Rate Loan are not generally available in the London Interbank Market, (ii) the rates at which Dollar deposits are being offered will not adequately and fairly reflect the cost to any Bank of making or maintaining such LIBO Rate Loan during such Interest Period or (iii) reasonable means do not exist for ascertaining the Applicable LIBO Rate, the Administrative Agent shall as soon as practicable thereafter give written, telecopied or telex notice of such determination to the Borrower and the other Banks, and any request by the Borrower for the making of a LIBO Rate Loan pursuant to Section 2.3 or 2.10 shall, until the Administrative Agent shall have advised the Borrower and the Banks that the circumstances giving rise to such notice

no longer exist, be deemed to be a request for a Reference Rate Loan; provided, however, that if the Administrative Agent makes the determination specified in (ii) above, at the option of the Borrower such request shall be deemed to be a request for a Reference Rate Loan only from such Bank referred to in (ii) above; provided further, however, that such option shall not be available to the Borrower if the Administrative Agent makes the determination specified in (ii) above with respect to three or more Banks. Each determination of the Administrative Agent hereunder shall be conclusive absent manifest error.

SECTION 9.2 Prepayment of Loans. (1) The Borrower shall have the right at any time and from time to time to prepay any of the Loans, in whole or in part, subject to the requirements of Section 2.13 but otherwise without premium or penalty, upon prior written or telex notice to the Administrative Agent by 10:30 a.m., New York City time, on the date of such prepayment; provided, however, that each such partial prepayment shall be in a minimum amount of $1,000,000 and an integral multiple of $1,000,000.

(2) In the event of any termination of the Commitments, the Borrower shall repay or prepay all its outstanding Loans on the date of such termination. On the date of any partial reduction of the Commitments pursuant to Section 2.7, including as required by Section 2.7(b), the Borrower shall pay or prepay so much of the Loans as shall be necessary in order that the aggregate principal amount of the Loans (after giving effect to any other prepayment of Loans on such date) outstanding will not exceed the Total Commitment immediately following such reduction.

(3) All prepayments under this Section 2.9 shall be subject to Section 2.13. Each notice of prepayment delivered pursuant to paragraph (a) above shall specify the prepayment date and the principal amount of each Loan (or portion thereof) to be prepaid, shall be irrevocable and shall commit the Borrower upon giving such notice to prepay such Loan by the amount stated therein on the date stated therein. All prepayments shall be applied first to Reference Rate Loans and then to LIBO Rate Loans and shall be accompanied by accrued interest on the principal amount being prepaid to the date of prepayment. Any amounts prepaid may be reborrowed to the extent permitted by the terms of this Agreement.

SECTION 2.10. Continuation and Conversion of Loans. The Borrower shall have the right, subject to the provisions of Section 2.8, (i) on three Business Days' prior irrevocable notice by the Borrower to the Administrative Agent, to continue or convert any type of Loans as or into LIBO Rate Loans, or (ii) with irrevocable notice by the Borrower to the Administrative Agent by 10:30 a.m. on the date of such proposed continuation or conversion, to continue or convert any type of Loans as or into Reference Rate Loans, in each case subject to the following further conditions:

(a) each continuation or conversion shall be made pro rata as to each type of Loan to be continued or converted among the Banks in accordance with the respective amounts of their Commitments and the notice given to the Administrative Agent by the Borrower shall specify the aggregate principal amount of Loans to be continued or converted;

(b) in the case of a continuation or conversion of less than all Loans, the Loans continued or converted shall be in a minimum aggregate principal amount of $3,000,000 and an integral multiple of $1,000,000;

(c) accrued interest on each Loan (or portion thereof) being continued or converted shall be paid by the Borrower at the time of continuation or conversion;

(d) the Interest Period with respect to any Loan made in respect of a continuation or conversion thereof shall commence on the date of the continuation or conversion;

(e) any portion of a Loan maturing or required to be prepaid in less than one month may not be continued as or converted into a LIBO Rate Loan;

(f) a LIBO Rate Loan may be continued or converted on the last day of the applicable Interest Period and, subject to Section 2.13, on any other day;

(g) no Loan (or portion thereof) may be continued as or converted into a LIBO Rate Loan if, after such continuation or conversion, an aggregate of more than 8 separate LIBO Rate Loans of any Bank would result, determined as set forth in Section 2.3(c);

(h) no Loan shall be continued or converted if such Loan by any Bank would be greater than the amount by which its Commitment exceeds the amount of its other Loans at the time outstanding or if such Loan would not comply with the other provisions of this Agreement; and

(i) any portion of a LIBO Rate Loan which cannot be converted into or continued as a LIBO Rate Loan by reason of clause (e) or (g) above shall be automatically converted at the end of the Interest Period in effect for such Loan into a Reference Rate Loan.

The Administrative Agent shall communicate the information contained in each irrevocable notice delivered by the Borrower pursuant to this Section 2.10 to the other Banks promptly after its receipt of the same.

The Interest Period applicable to any LIBO Rate Loan resulting from a continuation or conversion shall be specified by the Borrower in the irrevocable notice of continuation or conversion delivered pursuant to this Section 2.10; provided, however, that if no such Interest Period for a LIBO Rate Loan shall be specified, the Borrower shall be deemed to have selected an Interest Period of one month's duration.

For purposes of this Section 2.10, notice received by the Administrative Agent from the Borrower after 10:30 a.m., New York time, on a Business Day shall be deemed to be received on the immediately succeeding Business Day.

SECTION 2.11. Reserve Requirements; Change in Circumstances. (a) The Borrower shall pay to each Bank on the last day of each Interest Period for any LIBO Rate Loan so long as such Bank may be required to maintain reserves against Eurocurrency Liabilities as defined in Regulation D of the Board (or so long as such Bank may be required to maintain reserves against any other category of liabilities which includes deposits by reference to which the interest

rate on any LIBO Rate Loan is determined as provided in this Agreement or against any category of extensions of credit or other assets of such Bank which includes any LIBO Rate Loan) an additional amount (determined by such Bank and notified to the Borrower), equal to the product of the following for each affected LIBO Rate Loan for each day during such Interest Period:

(i) the principal amount of such affected LIBO Rate Loan outstanding on such day; and

(ii) the remainder of (x) the product of Statutory Reserves on such date times the Applicable LIBO Rate on such day minus (y) the Applicable LIBO Rate on such day; and

(iii) 1/360.

Each Bank shall separately bill the Borrower directly for all amounts claimed pursuant to this Section 2.11(a).

(b) Notwithstanding any other provision herein, if after the Closing Date any change in condition or applicable law or regulation or in the interpretation or administration thereof (whether or not having the force of law and including, without limitation, Regulation D of the Board) by any Governmental Authority charged with the administration or interpretation thereof shall occur which shall:

(i) subject any Bank (which shall for the purpose of this Section include any assignee or lending office of any Bank) to any tax of any kind whatsoever with respect to its LIBO Rate Loans or other fees or amounts payable hereunder or change the basis of taxation of any of the foregoing (other than taxes (including Non-Excluded Taxes) described in Section 2.17 and other than any franchise tax or tax or other similar governmental charges, fees or assessments based on the overall net income of such Bank by the U.S. Federal government or by any jurisdiction in which such Bank maintains an office, unless the presence of such office is solely attributable to the enforcement of any rights hereunder or under the FTX Security Agreement with respect to an Event of Default);

(ii) impose, modify or deem applicable any reserve, special deposit or similar requirement against assets of, deposits with or for the account of or credit extended by any Bank;

(iii) impose on any such Bank or the London Interbank Market any other condition affecting this Agreement or LIBO Rate Loans made by such Bank; or

(iv) impose upon any Bank any other condition with respect to any amount paid or to be paid by any Bank with respect to its LIBO Rate Loans or this Agreement;

and the result of any of the foregoing shall be to increase the cost to any Bank of making or maintaining its LIBO Rate Loans or Commitment hereunder, or to reduce the amount of any sum (whether of principal, interest or otherwise) received or receivable by such Bank or to require such Bank to make any payment, in respect of any such Loan, in each case by or in an amount which such Bank in its sole judgment shall deem material, then the Borrower shall pay to such Bank on demand such an amount or amounts as will compensate

the Bank for such additional cost, reduction or payment.

(c) If any Bank shall have determined that the applicability of any law, rule, regulation, agreement or guideline adopted after the Closing Date regarding capital adequacy, or any change after the Closing Date in any such law, rule, regulation, agreement or guideline (whether such law, rule, regulation, agreement or guideline has been adopted) or in the interpretation or administration of any of the foregoing by any Governmental Authority charged with the interpretation or administration thereof, or compliance by any Bank (or any lending office of such Bank) or any Bank's holding company with any request or directive regarding capital adequacy (whether or not having the force of law) of any such Governmental Authority made or issued after the Closing Date, has or would have the effect of reducing the rate of return on such Bank's capital or on the capital of such Bank's holding company, if any, as a consequence of this Agreement or the Loans made pursuant hereto to a level below that which such Bank or such Bank's holding company could have achieved but for such applicability, adoption, change or compliance (taking into consideration such Bank's policies and the policies of such Bank's holding company with respect to capital adequacy) by an amount deemed by such Bank to be material, then from time to time the Borrower shall pay to such Bank such additional amount or amounts as will compensate such Bank or such Bank's holding company for any such reduction suffered.

(d) If and on each occasion that a Bank makes a demand for compensation pursuant to paragraph (a), (b) or (c) above, or under Section 2.17 (it being understood that a Bank may be reimbursed for any specific amount under only one such paragraph or Section) the Borrower may, upon at least three Business Days' prior irrevocable written or telex notice to each of such Bank and the Administrative Agent, in whole permanently replace the Commitment of such Bank; provided that such notice must be given not later than the 90th day following the date of a demand for compensation made by such Bank; and provided that the Borrower shall replace such Commitment with the Commitment of a commercial bank satisfactory to the Administrative Agent. Such notice from the Borrower shall specify an effective date for the termination of such Bank's Commitment which date shall not be later than the 180th day after the date such notice is given. On the effective date of any termination of such Bank's Commitment pursuant to this clause (d), the Borrower shall pay to the Administrative Agent for the account of such Bank (A) any Commitment Fees on the amount of such Bank's Commitment so terminated accrued to the date of such termination, (B) the principal amount of any outstanding Loans held by such Bank plus accrued interest on such principal amount to the date of such termination and (C) the amount or amounts requested by such Bank pursuant to clause (a), (b) or (c) above or Section 2.17, as applicable. The Borrower will remain liable to such terminated Bank for any loss or expense that such Bank may sustain or incur as a consequence of such Bank's making any LIBO Rate Loan or any part thereof or the accrual of any interest on any such Loan in accordance with the provisions of this Section 2.11(d) as set forth in Section 2.13. Upon the effective date of termination of any Bank's Commitment pursuant to this Section 2.11(d) such Bank shall cease to be a "Bank" hereunder; provided that no such termination of any such Bank's Commitment shall affect (i) any liability or obligation of the Borrower or any other Bank to such terminated Bank which accrued on or prior to the date of such termination or (ii) such terminated Bank's rights

hereunder in respect of any such liability or obligation.

(e) A certificate of a Bank (or Transferee) setting forth such amount or amounts as shall be necessary to compensate such Bank (or Transferee) as specified in paragraph (a), (b) or (c) (and in the case of paragraph (c), such Bank's holding company) above or Section 2.17, as the case may be, shall be delivered as soon as practicable to the Borrower, and in any event within 90 days of the change giving rise to such amount or amounts, and shall be conclusive absent manifest error. The Borrower shall pay each Bank the amount shown as due on any such certificate within 15 days after its receipt of the same. In preparing such a certificate, each Bank may employ such assumptions and allocations of costs and expenses as it shall in good faith deem reasonable. The failure of any Bank (or Transferee) to give the required 90 day notice shall excuse the Borrower from its obligations to pay additional amounts pursuant to such Sections incurred for the period that is 90 days or more prior to the date such notice was required to be given.

(f) Failure on the part of any Bank to demand compensation for any increased costs or reduction in amounts received or receivable or reduction in return on capital within the 90 days required pursuant to Section 2.11(e) shall not constitute a waiver of such Bank's rights to demand compensation for any increased costs or reduction in amounts received or receivable or reduction in return on capital for any period after the date that is 90 days prior to the date of the delivery of demand for compensation. The protection of this Section 2.11 shall be available to each Bank regardless of any possible contention of invalidity or inapplicability of the law, regulation or condition which shall have occurred or been imposed. The Borrower shall not be required to make any additional payment to any Bank pursuant to Section 2.11(a) or (b) in respect of any such cost, reduction or payment that could be avoided by such Bank in the exercise of reasonable diligence, including a change in the lending office of such Bank if possible without material cost to such Bank. Each Bank agrees that it will promptly notify the Borrower and the Administrative Agent of any event of which the responsible account officer shall have knowledge which would entitle such Bank to any additional payment pursuant to this Section 2.11. The Borrower agrees to furnish promptly to the Administrative Agent official receipts evidencing any payment of any tax.

SECTION 2.12. Change in Legality. (a) Notwithstanding anything to the contrary herein contained, if after the Closing Date any change in any law or regulation or in the interpretation thereof by any Governmental Authority charged with the administration or interpretation thereof shall make it unlawful for any Bank to make or maintain any LIBO Rate Loan or to give effect to its obligations as contemplated hereby with respect to any LIBO Rate Loan, then, by written notice to the Borrower and to the Administrative Agent, such Bank may:

(i) declare that LIBO Rate Loans will not thereafter (for the duration of such unlawfulness or impracticality) be made by such Bank hereunder, whereupon the Borrower shall be prohibited from requesting LIBO Rate Loans from such Bank hereunder unless such declaration is subsequently withdrawn; and

(ii) require that all outstanding LIBO Rate Loans made by it be converted to Reference Rate Loans, in

which event (A) all such LIBO Rate Loans shall be automatically converted to Reference Rate Loans as of the end of the applicable Interest Period, unless an earlier conversion date is legally required, (B) all payments and prepayments of principal which would otherwise have been applied to repay the converted LIBO Rate Loans shall instead be applied to repay the Reference Rate Loans resulting from the conversion of such LIBO Rate Loans and (C) the Reference Rate Loans resulting from the conversion of such LIBO Rate Loans shall be prepayable only at the times the converted LIBO Rate Loans would have been prepayable, notwithstanding the provisions of Section 2.9.

(b) Before giving any notice to the Borrower and the Administrative Agent pursuant to this Section 2.12, such Bank shall designate a different LIBOR Office if such designation will avoid the need for giving such notice and will not in the judgment of such Bank, be otherwise disadvantageous to such Bank. For purposes of Section 2.12(a), a notice to the Borrower by any Bank shall be effective on the date of receipt by the Borrower.

SECTION 2.13. Indemnity. The Borrower shall indemnify each Bank against any funding, redeployment or similar loss or expense which such Bank may sustain or incur as a consequence of (a) any event, other than a default by such Bank in the performance of its obligations hereunder, which results in (i) such Bank receiving or being deemed to receive any amount on account of the principal of any LIBO Rate Loan prior to the end of the Interest Period in effect therefor (any of the events referred to in this clause (i) being called a "Breakage Event") or (ii) any Loan to be made by such Bank not being made after notice of such Loan shall have been given by the Borrower hereunder or (b) any default in the making of any payment or prepayment of any amount required to be made hereunder. In the case of any Breakage Event, such loss shall include an amount equal to the excess, as reasonably determined by such Bank, of (i) its cost of obtaining funds for the Loan which is the subject of such Breakage Event for the period from the date of such Breakage Event to the last day of the Interest Period in effect (or which would have been in effect) for such Loan over (ii) the amount of interest (as reasonably determined by such Bank) that would be realized by such Bank in reemploying the funds so paid, prepaid or converted or not borrowed, continued or converted by making a LIBO Rate Loan in such principal amount and with a maturity comparable to such period. A certificate of any Bank setting forth any amount or amounts which such Bank is entitled to receive pursuant to this Section shall be delivered to the Borrower and shall be conclusive absent manifest error.

SECTION 2.14. Pro Rata Treatment. Except as permitted under any of Sections 2.8(b), 2.11, 2.12, 2.13 or 2.17, each borrowing under each type of Loan, each payment or prepayment of principal of the Loans, each payment of interest on the Loans, each other reduction of the principal or interest outstanding under the Loans, however achieved, including by setoff by any Person, each payment of the Commitment Fees, each reduction of the Commitments and each conversion or continuation of Loans shall be allocated pro rata among the Banks in the proportions that their respective Commitments bear to the Total Commitment (or, if such Commitments shall have expired or been terminated, in accordance with the respective principal amounts of their outstanding Loans). Each Bank agrees that in computing such Bank's portion of any borrowing to be made hereunder, the

Administrative Agent may, in its discretion, round each Bank's percentage of such borrowing to the next higher or lower whole Dollar amount.

SECTION 2.15. Sharing of Setoffs. Each Bank agrees that if it shall, through the exercise of a right of banker's lien, setoff or counterclaim against the Borrower or pursuant to a secured claim under Section 506 of Title 11 of the United States Code or other security or interest arising from, or in lieu of, such secured claim, received by such Bank under any applicable bankruptcy, insolvency or other similar law or otherwise, or by any other means obtain payment (voluntary or involuntary) in respect of any Loan held by it as a result of which the unpaid principal portion of the Loans held by it shall be proportionately less than the unpaid principal portion of the Loans held by any other Bank (other than as permitted under any of Sections 2.8(b), 2.11, 2.12, 2.13 or 2.17), it shall be deemed to have simultaneously purchased from such other Bank at face value, and shall promptly pay to such other Bank the purchase price for, a participation in the Loans held by such other Bank, so that the aggregate unpaid principal amount of the Loans and participation in Loans held by each Bank shall be in the same proportion to the aggregate unpaid principal amount of all Loans of the Borrower then outstanding as the principal amount of the Loans held by it prior to such exercise of banker's lien, setoff or counterclaim was to the principal amount of all Loans of the Borrower outstanding prior to such exercise of banker's lien, setoff or counterclaim or other event; provided, however, that if any such purchase or purchases or adjustments shall be made pursuant to this Section 2.15 and the payment giving rise thereto shall thereafter be recovered, such purchase or purchases or adjustments shall be rescinded to the extent of such recovery and the purchase price or prices or adjustment restored without interest. To the fullest extent permitted by applicable law, the Borrower expressly consents to the foregoing arrangements and agrees that any Bank holding a participation in a Loan deemed to have been so purchased may exercise any and all rights of banker's lien, setoff or counterclaim with respect to any and all moneys owing by the Borrower hereunder to such Bank as fully as if such Bank had made a Loan directly to the Borrower in the amount of such participation.

SECTION 2.16. Payments. (a) Except as otherwise provided in this Agreement, all payments and prepayments to be made by the Borrower to the Banks hereunder, whether on account of Commitment Fees, payment of principal or interest on the Promissory Notes or other amounts at any time owing hereunder or under any other Loan Document, shall be made to the Administrative Agent at its office at 270 Park Avenue, New York, New York, for the account of the several Banks in immediately available funds. All such payments shall be made to the Administrative Agent as aforesaid not later than 10:30 a.m., New York City time, on the date due; and funds received after that hour shall be deemed to have been received by the Administrative Agent on the following Business Day.

(b) As promptly as possible, but no later than 2:00 p.m., New York City time, on the date of each borrowing, each Bank participating in the Loans made on such date shall pay to the Administrative Agent such Bank's Applicable Percentage of such Loan plus, if such payment is received by the Administrative Agent after 2:00 p.m., New York City time, on the date of such borrowing, interest at a rate per annum equal to the rate in effect on such day,

quoted by the Administrative Agent at its office at 270 Park Avenue, New York, New York, for the overnight "sale" to such Bank of Federal funds. At the time of, and by virtue of, such payment, such Bank shall be deemed to have made its Loan in the amount of such payment. The Administrative Agent agrees to pay any moneys, including such interest, so paid to it by the lending Banks promptly, but no later than 3:00 p.m., New York City time, on the date of such borrowing, to the Borrower in immediately available funds.

(c) If any payment of principal, interest, Commitment Fee or any other amount payable to the Banks hereunder or under any Promissory Note shall fall due on a day that is not a Business Day, then (except in the case of payments of principal of or interest on LIBO Rate Loans, in which case such payment shall be made on the next preceding Business Day if the next succeeding Business Day would fall in the next calendar month) such due date shall be extended to the next succeeding Business Day, and interest shall be payable on principal in respect of such extension.

(d) Unless the Administrative Agent shall have been notified by the Borrower prior to the date on which any payment or prepayment is due hereunder (which notice shall be effective upon receipt) that the Borrower does not intend to make such payment or prepayment, the Administrative Agent may assume that the Borrower has made such payment or prepayment when due and the Administrative Agent may in reliance upon such assumption (but shall not be required to) make available to each Bank on such date an amount equal to the portion of such assumed payment or prepayment such Bank is entitled to hereunder, and, if the Borrower has not in fact made such payment or prepayment to the Administrative Agent, such Bank shall, on demand, repay to the Administrative Agent the amount made available to such Bank, together with interest thereon in respect of each day during the period commencing on the date such amount was made available to such Bank and ending on (but excluding) the date such Bank repays such amount to the Administrative Agent, at a rate per annum equal to the rate, determined by the Administrative Agent to represent its cost of overnight or short-term funds (which determination shall be conclusive absent manifest error).

(e) All payments of the principal of or interest on the Loans or any other amounts to be paid to any Bank or the Administrative Agent under this Agreement or any of the other Loan Documents shall be made in Dollars, without reduction by reason of any currency exchange expense.

SECTION 2.17. U.S. Taxes. (a) Any and all payments by the Borrower hereunder shall be made, in accordance with Section 2.16, free and clear of and without deduction for any and all present or future taxes, levies, imposts, deductions, charges or withholdings, and all liabilities with respect thereto imposed by the United States or any political subdivision thereof, excluding taxes imposed on the net income of the Administrative Agent or any Bank (or Transferee) and franchise taxes of the Administrative Agent or any Bank (or Transferee), as applicable, as a result of a connection between the jurisdiction imposing such taxes and the Administrative Agent or such Bank (or Transferee), as applicable, other than a connection arising solely from the Administrative Agent or such Bank (or Transferee), as applicable, having executed, delivered, performed its obligations or received a payment under, or enforced, this Agreement (all such nonexcluded taxes, levies, imposts, deductions, charges,

withholdings and liabilities being hereinafter referred to as "Non-Excluded Taxes"). If the Borrower shall be required by law to deduct any Non-Excluded Taxes from or in respect of any sum payable hereunder to the Banks (or any Transferee) or the Administrative Agent, (i) the sum payable shall be increased by the amount necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section 2.17) such Bank (or Transferee) or the Administrative Agent (as the case may be) shall receive an amount equal to the sum it would have received had no such deductions been made, (ii) the Borrower shall make such deductions and (iii) the Borrower shall pay the full amount deducted to the relevant taxing authority or other Governmental Authority in accordance with applicable law; provided, however, that no Transferee of any Bank shall be entitled to receive any greater payment under this Section 2.17 than such Bank would have been entitled to receive with respect to the rights assigned, participated or otherwise transferred unless such assignment, participation or transfer shall have been made at a time when the circumstances giving rise to such greater payment did not exist.

(b) In addition, the Borrower agrees to bear and to pay to the relevant Governmental Authority in accordance with applicable law any current or future stamp or documentary taxes or any other similar excise taxes, charges or similar levies that arise from any payment made hereunder or from the execution, delivery, registration or enforcement of, or otherwise with respect to, this Agreement or any other Loan Document and any property taxes that arise from the enforcement of this Agreement or any other Loan Document ("Other Taxes").

(c) The Borrower will indemnify each Bank (or Transferee) and each Agent for the full amount of Non-Excluded Taxes and Other Taxes (including Non-Excluded Taxes or Other Taxes imposed on amounts payable under this Section 2.17) paid by such Bank (or Transferee) or such Agent, as the case may be, and any liability (including penalties, interest and expenses (including reasonable attorney's fees and expenses)) arising therefrom or with respect thereto. A certificate as to the amount of such payment or liability prepared by a Bank or Agent, or the Administrative Agent on behalf of such Bank or Agent, absent manifest error, shall be final, conclusive and binding for all purposes. Such indemnification shall be made within 30 days after the date the Bank (or Transferee) or the Agent, as the case may be, makes written demand therefor.

(d) Within 30 days after the date of any payment of Non-Excluded Taxes or Other Taxes by the Borrower to the relevant Governmental Authority, the Borrower will furnish to the Administrative Agent, at its address referred to on the signature page, the original or a certified copy of a receipt issued by such Governmental Authority evidencing payment thereof.

(e) At the time it becomes a party to this Agreement or a Transferee, each Bank (or Transferee) that is organized under the laws of a jurisdiction outside the United States shall (in the case of a Transferee, subject to the immediately succeeding sentence) deliver to the Borrower either a valid and currently effective Internal Revenue Service Form 1001 or Form 4224 or, in the case of a Bank (or Transferee) claiming exemption from U.S. Federal withholding tax under Section 871(h) or 881(c) of the Code with respect

to payments of "portfolio interest", a Form W-8, or any subsequent version thereof or successors thereto, (and if such Bank (or Transferee) delivers a Form W-8, a certificate representing that such Bank (or Transferee) is not a bank for purposes of Section 881(c) of the Code, is not a 10-percent shareholder (within the meaning of Section 871(h)(3)(B) of the Code) of the Borrower and is not a controlled foreign corporation related to the Borrower (within the meaning of Section 864(d)(4) of the Code)), properly completed and duly executed by such Bank (or Transferee) establishing that such payment is (i) not subject to United States Federal withholding tax under the Code because such payment is effectively connected with the conduct by such Bank (or Transferee) of a trade or business in the United States or (ii) totally exempt from (or in case of a Transferee, entitled to a reduced rate of) United States Federal withholding tax. Notwithstanding any other provision of this Section 2.17(e), no Transferee shall be required to deliver any form pursuant to this Section 2.17(e) that such Transferee is not legally able to deliver. In addition, each Bank (or Transferee) shall deliver such forms promptly upon the obsolescence or invalidity of any form previously delivered, but only, in such case, to the extent such Bank (or Transferee) is legally able to do so.

(f) Notwithstanding anything to the contrary contained in this Section 2.17, the Borrower shall not be required to pay any additional amounts to any Bank (or Transferee) in respect of United States Federal withholding tax pursuant to paragraph (a) above if the obligation to pay such additional amounts would not have arisen but for a failure by such Bank (or Transferee) to comply with the provisions of paragraph (e) above.

(g) Any Bank (or Transferee) claiming any additional amounts payable pursuant to this Section 2.17 shall use reasonable efforts (consistent with legal and regulatory restrictions) to file any certificate or document requested by the Borrower or to change the jurisdiction of its applicable lending office if the making of such a filing or change would avoid the need for or reduce the amount of any such additional amounts which may thereafter accrue and would not, in the sole determination of such Bank, be otherwise disadvantageous to such Bank (or Transferee).

(h) Without prejudice to the survival of any other agreement contained herein, the agreements and obligations contained in this Section 2.17 shall survive the payment in full of the principal of and interest on all Loans made hereunder.

(i) Nothing contained in this Section 2.17 shall require any Bank (or Transferee) or the Administrative Agent to make available any of its income tax returns (or any other information that it deems to be confidential or proprietary).

SECTION 2.18. FTX or Restricted Subsidiary as Limited Partner. Notwithstanding anything to the contrary contained in this Agreement or any Promissory Note, with respect to any direct liabilities of the Borrower to the Banks under this Agreement, its Promissory Notes or the other Loan Documents, FTX and any Restricted Subsidiary solely in its capacity as a partner of the Borrower shall be deemed to be limited, rather than general, partners of the Borrower. Subject to the foregoing, the Partnership Obligations shall be fully recourse to the Borrower and all

its assets and properties. Nothing in this Section 2.18 shall be deemed in any way to derogate from or affect FTX's own direct obligations under this Agreement (including Section 7.1), the FTX Guaranty or the other Loan Documents.

ARTICLE III

Representations and Warranties

SECTION 3.1. Representations and Warranties of the Partnership. As of the Funding Date, and each other date upon which such representations and warranties are required to be made or deemed made pursuant to Section 5.2(a), the Partnership represents and warrants to each of the Banks as follows:

(a) Organization, Powers. The Partnership is duly organized, validly existing and in good standing under the laws of the State of Delaware, has the requisite power and authority to own its property and assets and to carry on its business as now conducted and is qualified to do business in every jurisdiction where such qualification is required, except where the failure so to qualify would not have a material adverse effect on the condition, financial or otherwise, of the Partnership. The Partnership has the power to execute, deliver and perform its obligations under this Agreement and any other Loan Documents executed and delivered or to be executed and delivered by the Partnership at any time, to borrow hereunder, to execute and deliver the Promissory Notes to be delivered by it and to countersign and accept the terms of the FM Intercreditor Agreement.

(b) Authorization. The execution, delivery and performance of this Agreement, any other Loan Documents executed and delivered or to be executed and delivered by the Partnership at any time, the Borrowings hereunder, the execution and delivery of the Promissory Notes to be delivered by it and the countersignature and the acceptance of the terms of the FM Intercreditor Agreement (i) have been duly authorized by all requisite partnership and, if required, partner action on the part of the Partnership and all requisite corporate, and, if required, shareholder, action on the part of FTX and the Company and (ii) will not (A) violate (x) any provision of law, statute, rule or regulation or the constitutive documents (including, without limitation, the Partnership Agreement (as it may be amended and in effect from time to time)) or regulations of the Partnership, FTX or the Company, (y) any order of any court, or any rule, regulation or order of any other agency of government binding upon the Partnership, FTX or the Company or any of their assets or (z) any provisions of any indenture, agreement or other instrument to which the Partnership, FTX or the Company is a party, or by which the Partnership, FTX or the Company or any of their properties or assets are or may be bound, (B) be in conflict with, result in a breach of or constitute (alone or with notice or lapse of time or both) a default under any indenture, agreement or other instrument referred to in (ii)(A)(z) above or (C) result in the creation or imposition of any lien, charge or encumbrance of any nature whatsoever upon any property or assets of the Partnership, FTX or the Company, except for the FMPO Deed of Trust and the FTX

Security Agreement.

(c) Governmental Approval. No registration with or consent or approval of, or other action by, any Federal, state or other governmental agency, authority or regulatory body is or will be required in connection with the execution, delivery and performance of this Agreement or any other Loan Document, the execution and delivery of the Promissory Notes or the Borrowings hereunder, except (i) such as have been made and obtained and are in full force and effect and (ii) such security filings and recordation as may be required in connection with the grant of any Lien contemplated by the FMPO Deed of Trust.

(d) Enforceability. Each of this Agreement and the other Loan Documents executed and delivered by the Partnership constitutes (or, as to any Loan Document contemplated hereby to be executed and delivered by the Partnership at any future date, will constitute) a legal, valid and binding obligation of the Partnership, in each case enforceable in accordance with its terms (subject, as to the enforcement of remedies against the Partnership, to applicable bankruptcy, reorganization, insolvency, moratorium and similar laws affecting creditors' rights against the Partnership generally in connection with the bankruptcy, reorganization or insolvency of the Partnership or a moratorium or similar event relating to the Partnership).

(e) Financial Statements. FTX has heretofore furnished to each of the Banks consolidated balance sheets and statements of operations and changes in retained earnings and cash flow of the Company as of and for the fiscal years ended December 31, 1994 and 1995, all audited and certified by Arthur Andersen LLP, independent public accountants, and included in the 1995 FM Form 10-K, and unaudited consolidated balance sheets and statements of operations and cash flow of the Company as of and for the fiscal quarter ended September 30, 1996, included in the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1996. In addition, the Partnership has heretofore furnished to each of the Banks unaudited consolidated balance sheets and statements of operations and cash flow for the Partnership as of and for the fiscal years ended December 31, 1994 and 1995, and for the fiscal quarter ended September 30, 1996, all certified by the Treasurer or another authorized Financial Officer of the Partnership. All such balance sheets and statements of operations and cash flow present fairly the financial condition and results of operations of the Company, the Partnership and their subsidiaries, as of the dates and for the periods indicated. The financial statements referred to in this Section 3.1(e) and the notes thereto disclose all material liabilities, direct or contingent, of the Company, the Partnership and their subsidiaries, as of the dates thereof and which are required to be shown on financial statements prepared in accordance with GAAP. The financial statements referred to in this Section 3.1(e) have been prepared in accordance with GAAP. There has been no material adverse change since December 31, 1995, in the businesses, assets, operations, prospects or condition, financial or otherwise, of (i) the Company, (ii) the Partnership, (iii) the Company and its subsidiaries taken as a whole or (iv) the Partnership and the Subsidiaries taken as a whole.

(f) Litigation; Compliance with Laws, etc.
(i) Except as disclosed in Schedule VI hereto or in the 1995 FM Form 10-K and any subsequent reports filed as of 20 days prior to the date hereof with the SEC on Form 10-Q or Form 8-K which have been delivered to the Banks, there are no actions, suits or proceedings at law or in equity or by or before any governmental instrumentality or other agency or regulatory authority now pending or, to the knowledge of the Partnership, threatened against or affecting the Partnership or any Subsidiary or the businesses, assets or rights of the Partnership or any Subsidiary (i) which involve this Agreement, any other Loan Document or any of the transactions contemplated hereby or thereby or (ii) as to which there is a reasonable possibility of an adverse determination and which, if adversely determined, could, individually or in the aggregate, materially impair the ability of the Partnership to conduct its business substantially as described in the 1995 FM Form 10-K, or materially and adversely affect the business, assets, operations, prospects or condition, financial or otherwise, of the Partnership, or impair the validity or enforceability of, or the ability of the Partnership to perform its obligations under, this Agreement or any other Loan Document.

(ii) Neither the Partnership nor any Subsidiary is in violation of any law, or in default with respect to any judgment, writ, injunction, decree, rule or regulation of any court or governmental agency or instrumentality, where such violation or default could have a Material Adverse Effect on the business, assets, operations or condition, financial or otherwise, of the Partnership. Without limitation of the foregoing, the Partnership and each Subsidiary has complied with all Environmental Laws where any such noncompliance could have a Material Adverse Effect on the business, assets, operations or condition, financial or otherwise, of the Partnership. Neither the Partnership nor any Subsidiary has received notice of any material failure so to comply. The Partnership's and the Subsidiaries' plants do not handle any Hazardous Materials in violation of any Environmental Law where any such violation could have a Material Adverse Effect on the business, assets, operations or condition, financial or otherwise, of the Partnership. The Partnership and FTX are aware of no events, conditions or circumstances involving contaminants or employee health or safety that could reasonably be expected to result in material liability on the part of the Partnership or any Subsidiary.

(g) Title, etc. The Partnership has good and defensible title to its material properties, assets and revenues (exclusive of oil, gas and other mineral properties on which no development or production activities following discovery of commercially exploitable reserves are being conducted), free and clear of all Liens except such as are permitted by Section 4.2(d) and except for covenants, restrictions, rights, easements and minor irregularities in title which do not individually or in the aggregate interfere with the occupation, use and enjoyment by the Partnership or the respective Subsidiary of such properties and assets in the normal course of business as presently conducted or materially impair the value thereof for use in such business.

(h) Federal Reserve Regulations; Use of Proceeds. (i) Neither the Partnership nor any Subsidiary is engaged principally, or as one of its important activities, in the business of extending credit for the purpose of purchasing or carrying Margin Stock.

(ii) No part of the proceeds of the Loans will be used, whether directly or indirectly, and whether immediately, incidentally or ultimately, for any purpose which entails a violation of, or which is inconsistent with, the provisions of the Regulations of the Board, including, without limitation, Regulations G, U or X thereof.

(iii) The Partnership will use the proceeds of all Loans made to it to finance general partnership purposes of the Partnership and the Subsidiaries.

(i) Taxes. The Partnership and the Subsidiaries have filed or caused to be filed all Federal, state and local tax and information returns which are required to be filed by them, and have paid or caused to be paid all taxes shown to be due and payable on such returns or on any assessments received by any of them, other than any taxes or assessments the validity of which the Partnership or any Subsidiary is contesting in good faith by appropriate proceedings, and with respect to which the Partnership or such Subsidiary shall, to the extent required by GAAP, have set aside on its books adequate reserves.

(j) Employee Benefit Plans. Each of the Borrower and its ERISA Affiliates is in compliance in all material respects with the applicable provisions of ERISA and the Code and the regulations and published interpretations thereunder. No ERISA Event has occurred or is reasonably expected to occur that, when taken together with all other such ERISA Events, could materially and adversely affect the financial condition and operations of the Borrower and the ERISA Affiliates, taken as a whole. The present value of all benefit liabilities under each Plan, determined on a plan termination basis (based on those assumptions used for financial disclosure purposes in accordance with Statement of Financial Accounting Standards No. 87 of the Financial Accounting Standards Board ("SFAS 87") did not, as of the last annual valuation date applicable thereto, exceed by more than $5,000,000 the value of the assets of such Plan, and the present value of all benefit liabilities of all underfunded Plans, determined on a plan termination basis (based on those assumptions used for financial disclosure purposes in accordance with SFAS 87) did not, as of the last annual valuation dates applicable thereto, exceed by more than $5,000,000 the value of the assets of all such underfunded Plans.

(k) Environmental Matters. (1) The properties owned or operated by the Borrower and the Subsidiaries (the "Properties") and all operations of the Borrower and the Subsidiaries are in compliance, and in the last three years have been in compliance, with all Environmental Laws and all necessary Environmental Permits have been obtained and are in effect, except to the extent that such non-compliance or failure to obtain any necessary permits, in the aggregate, could not reasonably be expected to result in a Material

Adverse Effect;

(2) there have been no Releases or threatened Releases at, from, under or proximate to the Properties or otherwise in connection with the operations of the Borrower or the Subsidiaries, which Releases or threatened Releases, in the aggregate, could reasonably be expected to result in a Material Adverse Effect;

(3) neither the Borrower nor any of the Subsidiaries has received any notice of an Environmental Claim in connection with the Properties or the operations of the Borrower or the Subsidiaries or with regard to any Person whose liabilities for environmental matters the Borrower or the Subsidiaries has retained or assumed, in whole or in part, contractually, by operation of law or otherwise, which, in the aggregate, could reasonably be expected to result in a Material Adverse Effect, nor do the Borrower or the Subsidiaries have reason to believe that any such notice will be received or is being threatened;

(4) Hazardous Materials have not been transported from the Properties, nor have Hazardous Materials been generated, treated, stored or disposed of at, on or under any of the Properties in a manner that could give rise to liability under any Environmental Law, nor have the Borrower or the Subsidiaries retained or assumed any liability, contractually, by operation of law or otherwise, with respect to the generation, treatment, storage or disposal of Hazardous Materials, which transportation, generation, treatment, storage or disposal, or retained or assumed liabilities, in the aggregate, could reasonably be expected to result in a Material Adverse Effect; and

(5) The Partnership and the Subsidiaries do not have any ownership or control rights in respect of the properties listed on Schedule IV which results in any environmental or reclamation liability for the Partnership and the Subsidiaries relating to such properties.

(l) Investment Company Act. Neither the Partnership nor any Subsidiary is an "investment company" as defined in, or subject to regulation under, the Investment Company Act of 1940.

(m) Public Utility Holding Company Act. Neither the Partnership nor any Subsidiary is a "holding company", or a "subsidiary company" of a "holding company", or an "affiliate" of a "holding company" or of a "subsidiary company" of a "holding company", within the meaning of the Public Utility Holding Company Act of 1935, as amended.

(n) Subsidiaries. Schedule V constitutes a complete and correct list as of the Closing Date or the date of any update thereof required by Section 4.1(a)(5) of all the Subsidiaries with at least $1,000,000 in total assets, indicating the jurisdiction of incorporation or organization of each such Subsidiary and the percentage of voting shares or units owned on such date directly or indirectly by the Partnership in each such Subsidiary. The Partnership owns as of such date, free and clear of all Liens (other than those expressly permitted by this Agreement), the per-

centage of voting shares or units outstanding of the Subsidiaries shown on Schedule V, and all such shares or units are validly issued and fully paid.

(o) Solvency. (i) The fair salable value of the assets of the Partnership and the Subsidiaries will exceed the amount that will be required to be paid on or in respect of the Indebtedness and other obligations of the Partnership and the Subsidiaries as they become absolute and mature.

(ii) The Partnership and the Subsidiaries will not have unreasonably small capital to carry out their businesses as conducted or as proposed to be conducted.

(iii) The Partnership, on a consolidated basis, does not intend to, and does not believe that it will, incur Indebtedness and other obligations beyond its ability to pay such Indebtedness and obligations as they mature (taking into account the timing and amounts of cash to be received by it and the amounts to be payable on or in respect of such Indebtedness and obligations).

(p) No Material Misstatements. No information, report (including any exhibit, schedule or other attachment thereto or other document delivered in connection therewith), financial statement, exhibit or schedule prepared or furnished by the Borrower or the Subsidiaries to the Administrative Agent or any Bank in connection with this Agreement or any of the other Loan Documents or included therein contained or contains any material misstatement of fact or omitted or omits to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

SECTION 3.2. Representations and Warranties of FTX. As of the Funding Date, and each other date upon which such representations and warranties are required to be made or deemed made pursuant to Section 5.2(a), FTX represents and warrants to each of the Banks as follows:

(a) Organization, Powers. FTX is duly organized, validly existing and in good standing under the laws of the State of Delaware, has the requisite power and authority to own its property and assets and to carry on its business as now conducted and is qualified to do business in every jurisdiction where such qualification is required, except where the failure so to qualify would not have a material adverse effect on the condition, financial or otherwise, of FTX. FTX has the power to execute, deliver and perform its obligations under this Agreement, the FM Intercreditor Agreement, the FTX Guaranty, the FTX Security Agreement and any other Loan Document executed and delivered or to be executed and delivered by it at any time, to guarantee the Loans pursuant to the FTX Guaranty and to countersign and accept the terms of the FTX Intercreditor Agreement.

(b) Authorization. The execution, delivery and performance of this Agreement (including, without limitation, performance of obligations set forth in Section 7.1), the FM Intercreditor Agreement, the FTX Guaranty, the FTX Security Agreement and any other Loan Documents executed and delivered or to be executed and delivered by FTX at any time, the guarantee of the

Loans pursuant to the FTX Guaranty and the countersignature and acceptance of the terms of the FTX Intercreditor Agreement (i) have been duly authorized by all requisite corporate and, if required, shareholder, action on the part of FTX and (ii) will not (A) violate (x) any provision of law, statute, rule or regulation or the certificate or articles of incorporation or other constitutive documents or the By-laws or regulations of FTX, (y) any order of any court, or any rule, regulation or order of any other agency of government binding upon FTX or (z) any provisions of any indenture, agreement or other instrument to which FTX is a party, or by which FTX or any of its properties or assets are or may be bound, (B) be in conflict with, result in a breach of or constitute (alone or with notice or lapse of time or both) a default under any indenture, agreement or other instrument referred to in (ii)(A)(z) above or (C) result in the creation or imposition of any lien, charge or encumbrance of any nature whatsoever upon any property or assets of FTX, except pursuant to the FTX Security Agreement.

(c) Governmental Approval. No registration with or consent or approval of, or other action by, any Federal, state or other governmental agency, authority or regulatory body is or will be required in connection with the execution, delivery and performance of this Agreement or any other Loan Document, or the guarantee of the Loans pursuant to the FTX Guaranty except (i) such as have been made and obtained and are in full force and effect and (ii) such security filings and recordation as may be required in connection with the grant of any Lien under the FTX Security Agreement.

(d) Enforceability. Each of this Agreement and the other Loan Documents executed and delivered by FTX constitutes (or, as to any Loan Document contemplated hereby to be executed and delivered by FTX at any future date, will constitute) a legal, valid and binding obligation of FTX, in each case enforceable in accordance with its terms (subject, as to the enforcement of remedies against FTX, to applicable bankruptcy, reorganization, insolvency, moratorium and similar laws affecting creditors' rights against FTX generally in connection with the bankruptcy, reorganization or insolvency of FTX or a moratorium or similar event relating to FTX).

(e) Litigation; Compliance with Laws; etc. (i) Except as disclosed in the 1995 FTX Form 10-K and any subsequent reports filed as of 20 days prior to the date hereof with the SEC on Form 10-Q or Form 8-K which have been delivered to the Banks, there are no actions, suits or proceedings at law or in equity or by or before any governmental instrumentality or other agency or regulatory authority now pending or, to the knowledge of FTX, threatened against or affecting FTX or any of its subsidiaries or the businesses, assets or rights of FTX or any of its subsidiaries (i) which involve this Agreement or any other Loan Document or any of the transactions contemplated hereby or thereby or (ii) as to which there is a reasonable possibility of an adverse determination and which, if adversely determined, could, individually or in the aggregate, materially impair the ability of FTX or FRP to conduct its business substantially as now conducted, or materially and adversely affect the businesses, assets, operations, prospects or condition, financial or otherwise,

of FTX or FRP, or impair the validity or enforceability of, or the ability of FTX to perform its obligations under, this Agreement or any other Loan Document.

(f) Representations Incorporated By Reference from the FTX Credit Agreement. Section 3.1 of the FTX Credit Agreement (other than paragraphs (a), (b), (c), (d), (f)(i), (h)(ii) and (iii) and (p) thereof) is hereby incorporated by reference herein with the same force and effect as though fully set forth herein in its entirety and shall be deemed made each time the representations in this Section 3.2 are made or deemed made.

(g) Florida Environmental Liability. The Partnership and the Subsidiaries do not have any ownership or control rights in respect of the properties listed on Schedule IV which results in any environmental or reclamation liability for the Partnership and the Subsidiaries relating to such properties.

(h) No Material Misstatements. No information, report (including any exhibit, schedule or other attachment thereto or other document delivered in connection therewith), financial statement, exhibit or schedule prepared or furnished by FTX or its subsidiaries to the Administrative Agent or any Bank in connection with this Agreement or any of the other Loan Documents or included therein or any information provided to Cravath, Swaine & Moore in connection with the preparation of the environmental due diligence summary memorandum referred to in paragraph (m) of Article IV of the FTX Credit Agreement contained or contains any material misstatement of fact or omitted or omits to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

ARTICLE IV

Covenants

SECTION 4.1. Affirmative Covenants of the Partnership. Commencing as of the Funding Date and so long thereafter as any Bank shall have any Commitment hereunder or the principal of or interest on any Loan shall be unpaid, unless the Required Banks shall have otherwise consented in writing:

(a) Financial Statements, etc. The Partnership shall furnish each Bank:

(1) within 95 days after the end of each fiscal year of the Company, a consolidated balance sheet of the Company and its subsidiaries (including the Partnership) as at the close of such fiscal year and consolidated statements of operations and of cash flow of the Company and its subsidiaries for such year, with the opinion thereon of Arthur Andersen LLP or other independent public accountants of national standing selected by the Company;

(2) within 50 days after the end of each of the first three quarters of each fiscal year of

the Company, a consolidated balance sheet of the Company and its subsidiaries as at the end of such quarter and consolidated statements of operations of the Company and its subsidiaries for such quarter and consolidated statements of operations and of cash flow of the Company for the period from the beginning of the fiscal year to the end of such quarter, certified by the Treasurer or other authorized financial or accounting officer of FTX;

(3) within 95 days after the end of each fiscal year of the Partnership, a consolidated unaudited balance sheet of the Partnership and the Subsidiaries as at the close of such fiscal year and consolidated unaudited statements of operations and of cash flow of the Partnership and the Subsidiaries for such year, certified by the Treasurer or other authorized financial or accounting officer of FTX;

(4) within 50 days after the end of each of the first three quarters of each fiscal year of the Partnership, a consolidated balance sheet of the Partnership and the Subsidiaries as at the end of such quarter and consolidated statements of operations of the Partnership and the Subsidiaries for such quarter and consolidated statements of operations and of cash flows of the Partnership and the Subsidiaries for the period from the beginning of the fiscal year to the end of such quarter, certified by the Treasurer or other authorized financial or accounting officer of FTX;

(5) at the time of the provision of the financial statements referred to in clauses (1) through (4) above, an update of Schedule V to correct, add or delete any required information;

(6) promptly after their becoming available, (a) copies of all financial statements, reports and proxy statements which the Company shall have sent to its shareholders generally, (b) copies of all registration statements (excluding registration statements relating to employee benefit plans) and regular and periodic reports, if any, which the Company shall have filed with the SEC or with any national securities exchange and (c) if requested by any Bank, copies of each annual report filed with any governmental agency pursuant to ERISA with respect to each Plan of the Partnership or any of the Subsidiaries;

(7) within 95 days after the end of each fiscal year of the Partnership, a certificate by a Financial Officer of the Partnership, to the effect that no Event of Default or Default has occurred and is continuing, or if an Event of Default or Default has occurred and is continuing, specifying the nature and extent thereof and the corrective action (if any) proposed to be taken with respect thereto;

(8) promptly upon the occurrence of any ERISA Event, Event of Default, Default or the commencement of any proceeding regarding the Company, the Partnership or any Subsidiary under any Federal or state bankruptcy law, notice thereof, describing the same in reasonable detail;

(9) promptly upon the occurrence of any development that, in the judgment of the Partnership, has resulted in, or could reasonably be anticipated to result in, a material adverse effect on the business, assets, operations or financial condition of the Partnership or its ability to comply with its obligations under the Loan Documents, notice thereof, describing the same in reasonable detail;

(10) within 30 days after the end of each quarter of each fiscal year of the Partnership, a list of all Material Assets sold by the Partnership during such preceding quarter;

(11) 30 days prior to the commencement of each fiscal year of the Partnership, an operating budget of the Partnership for such fiscal year;

(12) fifteen days prior to the grant of any permitted Liens in favor of FTX, copies of all agreements, documents or instruments pertaining thereto;

(13) promptly after the execution thereof and subject to Section 4.2(b) and Section 4.4(b), a copy, certified by a Responsible Officer, of each amendment, supplement, change or waiver to any Material Agreement (including, without limitation, to the Partnership Agreement); and

(14) from time to time, such further information regarding the business, affairs and financial condition of the Company, the Partnership or any Subsidiary as any Bank may reasonably request.

(b) Obligations, Taxes and Claims. The Partnership shall, and shall cause each Subsidiary to, pay its Indebtedness and other obligations promptly and in accordance with their terms and pay and discharge all taxes, assessments and governmental charges or levies imposed upon it, upon its income or profits or upon any property belonging to it, prior to the date on which material penalties attach thereto; provided that neither the Partnership nor any Subsidiary shall be required to pay any such tax, assessment, charge or levy, the payment of which is being contested in good faith by proper proceedings and with respect to which the Partnership or such Subsidiary shall have, to the extent required by GAAP, set aside on its books adequate reserves.

(c) Maintenance of Existence; Conduct of Business. The Partnership shall preserve and maintain its independent legal existence as a partnership; preserve and maintain all its rights, privileges and franchises necessary or desirable in the normal conduct of its business; segregate its individual assets and business functions from those of FTX, its subsidiaries, the Company and its other subsidiaries, if any (which shall not prohibit FTX from acting as managing general partner of the Partnership), including, without limitation, segregating its bank and investment accounts from those of FTX, its subsidiaries, the Company or its other subsidiaries, if any; maintain and preserve all property material to the conduct of its business and keep such property in good repair, working order and

condition and from time to time make, or cause to be made, all needful and proper repairs, renewals, additions, improvements and replacements thereto necessary in order that the business carried on in connection therewith may be properly conducted at all times.

(d) Compliance with Applicable Laws. The Partnership shall, and shall cause each Subsidiary to, comply with the requirements of all applicable laws, rules, regulations and orders of any governmental authority, a breach of which would materially and adversely affect the consolidated financial condition or business of the Partnership and the Subsidiaries, except where contested in good faith and by proper proceedings and with respect to which the Partnership shall have, to the extent required by GAAP, set aside on its books adequate reserves.

(e) Litigation. The Partnership shall promptly give to each Bank notice in writing of all litigation and all proceedings before any governmental or regulatory agencies or arbitration authorities affecting the Partnership or any Subsidiary, except those which do not relate to the Loan Documents and which, if adversely determined, would not have a Material Adverse Effect.

(f) ERISA. The Borrower shall, and shall cause each of the ERISA Affiliates to, comply in all material respects with the applicable provisions of ERISA and the Code and furnish to the Administrative Agent as soon as possible, and in any event within 30 days after any Responsible Officer of the Borrower or any ERISA Affiliate knows or has reason to know that, any ERISA Event has occurred that alone or together with any other ERISA Event could reasonably be expected to result in liability of the Borrower in an aggregate amount exceeding $25,000,000 or requires payment exceeding $10,000,000 in any year, a statement of a Financial Officer of the Borrower setting forth details as to such ERISA Event and the action that the Borrower proposes to take with respect thereto.

(g) Insurance. The Partnership and each Subsidiary shall (i) keep its insurable properties adequately insured at all times; (ii) maintain such other insurance, to such extent and against such risks, including fire, flood and other risks insured against by extended coverage, as is customary with persons in the same or similar businesses; (iii) maintain in full force and effect public liability insurance against claims for personal injury or death or property damage occurring upon, in, about or in connection with the use of any properties owned, occupied or controlled by it in such amount as it shall reasonably deem necessary; and (iv) maintain such other insurance as may be required by law.

(h) Access to Premises and Records. The Partnership and each Subsidiary shall maintain financial records in accordance with GAAP, and, at all reasonable times and as often as any Bank may reasonably request, permit representatives of any Bank to have access to its financial records and its premises and to the records and premises of any of its subsidiaries, if any, and to make such excerpts from such records as such representatives deem necessary and to discuss its

affairs, finances and accounts with its officers, if any, and the officers of FTX, as managing general partner, and the Partnership's independent certified public accountants or other parties preparing consolidated or consolidating statements for the Partnership or on its behalf.

(i) Compliance with Environmental Laws. The Borrower shall comply, and cause the Subsidiaries and all lessees and other Persons occupying the Properties to comply, in all material respects with all Environmental Laws and Environmental Permits applicable to its operations and Properties; obtain and renew all material Environmental Permits necessary for its operations and Properties; and conduct any Remedial Action in accordance with Environmental Laws; provided, however, that neither the Borrower nor any of the Subsidiaries shall be required to undertake any Remedial Action to the extent that its obligation to do so is being contested in good faith and by proper proceedings and appropriate reserves are being maintained with respect to such circumstances.

(j) Preparation of Environmental Reports. If a default caused by reason of a breach of Section 3.1(k) or 4.1(i) shall have occurred and be continuing, at the request of the Required Banks through the Administrative Agent, the Borrower shall provide to the Banks within 45 days after such request, at the expense of the Borrower, an environmental site assessment report for the Properties (which are the subject of such default) prepared by an environmental consulting firm acceptable to the Administrative Agent, indicating the presence or absence of Hazardous Materials and the estimated cost of any compliance or Remedial Action in connection with such Properties.

(k) Reduction of Balance Under Pel-Tex Agreements. On the last Business Day of each calendar month, commencing January 31, 1997, the Partnership shall repay the principal amount outstanding under the Pel-Tex Agreements in an amount such that the total amount of all such payments made by the Partnership pursuant to this Section 4.1(k) from the Restatement Closing Date through the 20th day of each such calendar month is equal to at least 50% of the aggregate Net Proceeds of all sales of Material Assets which have occurred since the Restatement Closing Date, rounded down to the nearest multiple of $100,000, it being understood that any amounts not paid as a result of such rounding down shall be carried over into the calculation of the next month's payment pursuant to this Section 4.1(k). The reductions required by this Section 4.1(k) shall be effective as of the date of closing or effectiveness of any sales transaction subject hereto; provided that with respect to any non-cash Net Proceeds, such reductions shall be effective as of the date of receipt of cash proceeds thereof.

SECTION 4.2. Negative Covenants of the Partnership. Commencing as of the Funding Date and so long thereafter as any Bank shall have any Commitment hereunder or the principal of or interest on any Loan shall be unpaid, without the prior written consent of the Required Banks:

(a) Conflicting Agreements. The Partnership shall not, and shall not permit any Subsidiary to, enter into any agreement containing any provision which

(i) would be violated or breached by the performance of its obligations under any Loan Document or under any instrument or document delivered or to be delivered by it hereunder or thereunder or in connection herewith or therewith or (ii) would prohibit or restrict the payments of dividends or other distributions by any Subsidiary.

(b) Material Agreements. The Partnership shall not amend, supplement, change, terminate or waive any material provision of any Material Agreement unless the Banks shall have received 30 days' notice of such amendment, supplement, change, termination or waiver and the Required Banks shall not have objected thereto on the ground that it would, in their judgment, adversely affect the rights or interests of the Banks; provided that, if the Partnership shall not have given such 30 days' notice, the Partnership shall not amend, supplement, change, terminate or waive any material provision of any Material Agreement unless the Required Banks shall have given their written consent thereto.

(c) Mergers and Consolidations. The Partnership shall not, and shall not permit any Subsidiary to, merge into or consolidate with any other Person or permit any other Person to merge into or consolidate with it, except that if at the time thereof and immediately after giving effect thereto no Event of Default or Default shall have occurred and be continuing (i) any wholly owned Subsidiary may liquidate into the Partnership in a transaction in which the Partnership is the surviving entity, (ii) any wholly owned Subsidiary may merge into or consolidate with any other wholly owned Subsidiary in a transaction in which the surviving entity is a wholly owned Subsidiary and no Person other than the Partnership or a wholly owned Subsidiary receives any consideration and (iii) any Subsidiary may merge into or consolidate with any other Person in a transaction in which the surviving Person is a Subsidiary of which the Partnership owns a percentage of the equity, directly or indirectly, at least equal to the percentage of the equity that it owned in the merging or consolidating Subsidiary immediately prior to such merger or consolidation and in which no Person other than the Partnership receives any consideration.

(d) Liens. The Partnership shall not, nor shall it permit any Subsidiary to, create, incur, permit or suffer to exist any Lien upon any of their respective properties or assets (including, without limitation, stock or other securities of, or ownership interest in, any Person, including any Subsidiary) now owned or hereafter acquired or on any income or revenues or rights in respect of any thereof, except:

(i) materialmen's, suppliers', tax and other similar Liens arising in the ordinary course of the Partnership's or such Subsidiary's business securing obligations which are not overdue or are being contested in good faith by appropriate proceedings and as to which adequate reserves have been set aside on its books to the extent required by GAAP; Liens arising in connection with workers' compensation, unemployment insurance and progress payments under government contracts; and other Liens incident to the ordinary conduct of the Partnership's or such Subsidiary's business or the ordinary operation of property or assets and not

incurred in connection with the obtaining of any Indebtedness and which do not in the aggregate materially detract from the value of their assets or materially impair the use thereof in the operation of their businesses;

(ii) zoning restrictions, easements, rights-of-way, restrictions on use of real property and other similar encumbrances incurred in the ordinary course of business which, in the aggregate, are not substantial in amount and do not materially detract from the value of the property subject thereto or interfere with the ordinary conduct of the business of the Partnership or any Subsidiary;

(iii) Liens of lessors of property (in such capacity) leased by the Partnership, which Liens are limited to the property leased thereunder;

(iv) Liens on property of the Partnership in favor of FTX securing the obligations of the Partnership under the FTX/FMPO Credit Agreement and the Reimbursement Agreement on the real estate assets of the Partnership (excluding the TCB Collateral) that are subject to, and granted in accordance with and on the terms of, the FM Intercreditor Agreement;

(v) Liens in favor of FTX on the TCB Borrower Properties securing the FTX Guaranty;

(vi) Liens in favor of TCB on the TCB Collateral securing the obligations of the TCB Borrower under the TCB Credit Agreement;

(vii) Liens securing Indebtedness permitted by Section 4.2(g)(iv); provided, that each such Lien is limited to the specific property of the Partnership being developed with the proceeds of such permitted Indebtedness and/or any development, purchase or other agreements relating thereto; and

(viii) Liens encumbering the City of Austin Receivable, any agreements related thereto and any security therefor, securing Indebtedness permitted by Section 4.2(g)(v).

(e) Investments, Loans, Advances and Acquisitions. The Partnership shall not, and shall not permit any Subsidiary to, (i) purchase, lease or otherwise acquire (in one transaction or a series of transactions) all or any substantial part of the assets of, (ii) purchase, hold or acquire any capital stock, evidences of indebtedness or other securities of, (iii) make or permit to exist any loans or advances to or (iv) make or permit to exist any investment or any other interest in, any other Person, or contribute assets to any joint ventures with parties which are not the Borrower or a Subsidiary, except:

(A) investments by the Partnership existing on the Closing Date in the capital stock of the Subsidiaries;

(B) loans by the Partnership to the TCB Borrower or the Circle C Entity not in excess of

the interest expense payable by such entity on the TCB Credit Agreement;

(C) (i) advances by the Partnership to the TCB Borrower, the Circle C Entity or any other Subsidiary in the amount of such Subsidiary's reasonable operating expenses (including development costs for the Circle C Property); provided that such advances shall be made only upon or after the incurrence of such expenses and only to the extent utilized to pay such expenses within thirty days of the date of any such advance; and (ii) investments in joint ventures and development arrangements, not in excess of an aggregate amount of $10,000,000 for all such advances and investments made pursuant to this clause (C);

(D) Permitted Investments;

(E) promissory notes payable to the Partnership representing the purchase price of assets sold by the Partnership to the extent such promissory notes are secured by the assets sold; provided that such asset sales are made to third party purchasers pursuant to arm's-length transactions; and

(F) the loan by the Partnership to Circle C Land Corp. of the MUD Proceeds, on the terms and conditions previously approved by the Required Banks.

(f) Distributions. The Partnership shall not, and shall not permit any Subsidiary to, (i) pay, directly or indirectly, or make any distribution (by reduction of Partnership equity (including any option, warrant or other right to acquire any Partnership equity), capital or otherwise) or any dividend, whether in cash, property, securities or a combination thereof, with respect to any Partnership equity (including any option, warrant or other right to acquire any Partnership equity), (ii) directly or indirectly make any redemption, repurchase or repayment of Partnership equity (including any option, warrant or other right to acquire any Partnership equity), (iii) purchase, redeem or acquire any capital stock of the Company (or any option, warrant or other right to acquire any such capital stock) or (iv) make any payment, redemption, repurchase or other acquisition or retirement for value of any Indebtedness of the Company (which shall not include any Indebtedness of the Partnership or of any Subsidiary); provided, however, that (i) any Subsidiary may declare and pay dividends or make other distributions to the Partnership and (ii) the Partnership may make such distributions from time to time to the extent (but only to the extent) required to enable the Company to pay (A) all reasonable out-of-pocket expenses arising under the Administrative Services Agreement (as it may be amended as permitted hereby and in effect from time to time) which have become due at or prior to the time of such distribution, (B) the Company's actual current combined Federal, state and local cash tax liability (including estimated payments required by applicable law) arising from or attributed to the Company's Partnership equity interest, but only to the extent such distributions are in fact utilized to pay such taxes within 30 days of

the date of any distribution, and (C) all other reasonable and necessary general and administrative cash expenses, not in excess of $2,000,000 per 12-month period, relating to the management of the Company's Partnership equity interest.

(g) Indebtedness. Neither the Partnership nor any Subsidiary shall incur, create, assume or permit to exist any Indebtedness of any of them except:

(i) Subject to Section 4.1(k), Indebtedness of the Partnership not to exceed $34,000,000 in aggregate principal amount outstanding on the date hereof incurred pursuant to the Pel-Tex Agreements as extended, renewed and/or replaced through the Restatement Closing Date, but not any further extensions, renewals or replacements of such Indebtedness; provided that no payments on the principal amount of such Indebtedness may be made, directly or indirectly, from the proceeds of the Loans;

(ii) Indebtedness owed by the Partnership to FTX for loans made under the FTX/FMPO Credit Agreement so long as no Default or Event of Default has occurred and is continuing; provided that all such loans other than the FTX Loan (as defined below) (x) may be incurred only as subordinated upon the Subordination Terms to the Senior Debt (as defined in the Subordination Terms) for the benefit of the holders of such Senior Debt (which Subordination Terms shall be contained in or attached to any promissory notes executed in connection with such loans and to which FTX shall evidence its agreement by countersigning such promissory notes) subject to and in accordance with the FM Intercreditor Agreement and (y) may not permit payments of principal or interest, prior to the Maturity Date and the payment of all principal of and interest on the Loans and all fees and other expenses or amounts owed hereunder and termination of the Commitments;

(iii) Indebtedness evidenced by the Promissory Notes;

(iv) Secured Indebtedness of the Partnership with an outstanding aggregate principal amount not at any time in excess of $5,000,000, provided that there is a developer's commitment relating to such Indebtedness satisfactory to the Administrative Agent, and unsecured Indebtedness of the Partnership incurred in the ordinary course of business not for borrowed money, in each case not otherwise permitted by the foregoing clauses of this Section 4.2(g), and including letters of credit in favor of municipalities, used to facilitate the construction of infrastructure (such as utilities) for the properties owned by the Partnership;

(v) Indebtedness of the Partnership (not in excess of $4,500,000 in the aggregate) secured by the pledge of the City of Austin Receivable; and

(vi) Indebtedness of the Partnership in connection with its borrowing of approximately

$4,000,000 of Circle C Municipal Utility District bond proceeds pursuant to the terms of that certain Purchase and Sale Agreement between Circle C Land Corp. and Phoenix Holdings Ltd. (the "MUD Proceeds"), on the terms and conditions previously approved by the Required Banks.

The Partnership may borrow up to $10,000,000 in aggregate principal amount (the "FTX Loan") from time to time under clause (iii) above on an unsubordinated basis and may repay any or all of such amount borrowed, from proceeds of Loans or otherwise.

(h) Sale and Lease-Back Transactions. The Partnership shall not, and shall not permit any Subsidiary to, enter into any arrangement, directly or indirectly, with any person whereby it shall sell or transfer any property, real or personal, used or useful in its business, whether now owned or hereafter acquired, and thereafter rent or lease such property or other property which it intends to use for substantially the same purpose or purposes as the property being sold or transferred.

(i) Transactions with Affiliates. The Partnership shall not, and shall not permit any Subsidiary to, sell or transfer any property or assets to, purchase or acquire any property or assets from, perform any services for or otherwise engage in any other transactions with, any Affiliate of the Partnership, except that as long as no Default or Event of Default shall have occurred and be continuing, the Partnership or any Subsidiary may engage in any of the foregoing transactions in the ordinary course of business on an arm's-length and fair value basis; provided that the foregoing shall not prohibit (i) the joint venture between the Partnership and IMC-Agrico providing for the joint development of certain Florida real estate pursuant to, and on the terms of, the Florida Joint Venture Agreement (as it may be amended as permitted hereby and in effect from time to time), (ii) FTX from making permitted advances to the Partnership pursuant to the FTX/FMPO Credit Agreement (as it may be amended as permitted hereby and in effect from time to time), (iii) FTX from acting as the managing general partner of the Partnership or (iv) any other transactions expressly permitted by this Agreement, including pursuant to Sections 4.2(e) or 4.5 or the Administrative Services Agreement.

(j) Fiscal Year. The Partnership shall not change its fiscal year to end on any date other than December 31.

(k) Business of Partnership and Subsidiaries. The Partnership shall not, and shall not permit any Subsidiary to, engage at any time in any business or business activity other than as described in the 1995 FM Form 10-K and business activities reasonably incidental thereto.

(l) Federal Reserve Regulations; Use of Proceeds. The Partnership will not (i) use the proceeds of any Loan in any manner that would result in a violation of, or be inconsistent with, the provisions of Regulations G, U or X of the Board, (ii) take any action at any time that would cause the representation and warranty contained in Section 3.1(h) at any time to

be other than true and correct, (iii) use any part of the proceeds of any Loan, directly or indirectly, immediately, incidentally or ultimately, to purchase or carry Margin Stock or to refund indebtedness originally incurred for such purpose or (iv) directly or indirectly use the proceeds of any Borrowing (x) to repay principal on any Indebtedness (subordinate or otherwise) other than the FTX Loan or the Pel-Tex Debt so long as no Default or Event of Default has occurred or is continuing or would result therefrom or (y) to purchase any investments or properties except to the extent permitted by Section 4.2(e).

(m) Certain Debt Agreements. The Partnership shall not, without the prior written consent thereto of the Required Banks, amend, supplement or change in any material manner (including any earlier maturity date or amortization schedule) any of the terms or provisions of any agreement, note or other instrument governing or evidencing any of the Indebtedness referred to in paragraphs (i) or (ii) of Section 4.2(g) or, with respect to the Indebtedness referred to in paragraph (ii) of such Section, any of the terms and provisions (including without limitation the Subordination Terms) required by such paragraph or the FM Intercreditor Agreement.

(n) Swaps. Neither the Partnership nor any Subsidiary shall enter into, or be obligated in respect of, any Hedge Agreement; provided that the Partnership may enter into any Permitted Swap so long as the aggregate notional amounts under all such Permitted Swaps shall not at any time be in excess of the amount of the related Indebtedness (that bears interest at a floating rate) permitted under Section 4.2(g) and outstanding at such time; and provided further that no Permitted Swap shall be secured unless all the Banks consent thereto.

(o) Assets of Subsidiaries. The Partnership shall not transfer any Key Assets to the Subsidiaries or to any entity which owns the Circle C Property and is liable for the obligations under the TCB Credit Agreement, or permit the Subsidiaries or any entity which owns the Circle C Property and is liable for the obligations under the TCB Credit Agreement, collectively, to own or hold any assets at any time other than (i) those assets owned by the Subsidiaries and any entity which owns the Circle C Property and is liable for the obligations under the TCB Credit Agreement, on the Closing Date and (ii) provided that such investments and transactions involve assets other than Key Assets, investments permitted by Sections 4.2(e)(C) or (D) and transactions permitted by Section 4.5.

SECTION 4.3. Affirmative Covenants of FTX. So long as any Bank shall have any Commitment hereunder or the principal of or interest on any Loan shall be unpaid, unless the Required Banks shall otherwise consent in writing:

(a) Affirmative Covenants Incorporated by Reference from the FTX Credit Agreement. FTX will at all times be in full compliance with Section 5.1 of the FTX Credit Agreement, which is hereby incorporated by reference herein with the same force and effect as though fully set forth herein in its entirety; provided that the references therein to "Default", "Event of

Default", "Bank" and "Agents" or "Agent" are replaced herein with references to Default, Event of Default, Bank and the Agents or Agent hereunder, respectively.

(b) Partnership's Covenants and FTX. FTX, in its capacity as managing general partner of the Partnership, shall cause the Partnership to perform and to comply with its covenants set forth in Sections 4.1 and 4.2 and to otherwise act in accordance with this Agreement. FTX shall at all times be a general partner of the Partnership and the sole managing general partner of the Partnership and shall at all times generally carry out the functions of the managing general partner of the Partnership; provided that the foregoing shall not prevent FTX from delegating to any of its subsidiaries FTX's duties as the managing general partner of the Partnership.

SECTION 4.4. Negative Covenants of FTX. So long as any Bank shall have any Commitment hereunder or the principal of or interest on any Loan shall be unpaid, without the prior written consent of the Required Banks:

(a) Negative Covenants Incorporated by Reference from the FTX Credit Agreement. FTX will not at any time fail to be in full compliance with Section 5.2 of the FTX Credit Agreement, which is hereby incorporated by reference herein with the same force and effect as though fully set forth herein in its entirety; provided that the references therein to "this Agreement", "this Agreement, the Pledge Agreement or the Security Agreement", "Default", "Event of Default", "Banks", "Required Banks" and "Agents" or "Agent" are replaced herein with references to this Agreement, this Agreement or any other Loan Document, Default, Event of Default, Banks, Required Banks and Agents or Agent hereunder, respectively.

(b) Material Agreements. FTX shall not amend, supplement, change, terminate or waive any material provision of any Material Agreement unless the Banks shall have received 30 days' notice of such amendment, supplement, change, termination or waiver and the Required Banks shall not have objected thereto on the ground that it would, in their judgment, adversely affect the rights or interests of the Banks; provided that if FTX shall not have given such 30 days' notice, FTX shall not amend, supplement, change, terminate or waive any material provision of any Material Agreement unless the Required Banks shall have given their written consent thereto.

SECTION 4.5. Covenants Regarding the TCB Borrower. The following covenants shall be applicable to the Partnership so long as any Bank shall have any Commitment hereunder or the principal of or interest on any Loan shall be unpaid, unless the Required Banks shall otherwise consent in writing:

(a) Transfers and Investments. As of the Restatement Closing Date, Circle C Land Corp. is the TCB Borrower and is a wholly-owned subsidiary of the Company. Notwithstanding any other provision of this Agreement, including, without limitation, Sections 4.2(c), (e), (g), (i) and (o): (i) the Partnership may engage in any transaction, including, without limitation, a stock purchase, asset purchase, merger or consolidation, pursuant to which the Partnership

becomes the owner of all or any portion of the TCB Borrower and/or the Circle C Property and (ii) the Partnership may enter into any transaction, including, without limitation, a stock purchase, asset purchase, merger or consolidation, pursuant to which the TCB Borrower and/or the Circle C Property becomes owned by an entity which is either wholly or partly owned by the Partnership; provided, in each case, that (x) at the time of any such transaction and after giving effect thereto no Default or Event of Default shall have occurred and be continuing, (y) the Administrative Agent receives five (5) days' prior written notice of such transaction describing the terms of such transaction and (z) such transaction does not result in the Partnership becoming liable, directly or indirectly, for the obligations under the TCB Credit Agreement.

ARTICLE V

Conditions of Credit

SECTION 5.1. Conditions Precedent to Initial Borrowing. On the Funding Date, and as conditions precedent to the initial Borrowing by the Borrower to occur on such date, each of the following conditions shall have been satisfied:

(a) Each Bank shall have received the following:

(i) a copy of the Certificates of Incorporation of FTX and FCX as in effect on the Closing Date and each amendment, if any, subsequent thereto, certified as of a recent date by the Secretary of State of the State of Delaware as being a true and correct copy of such documents on file in his office;

(ii) the signed Certificate of the Secretary of State of the State of Delaware, in regular form, dated as of a recent date, listing the Certificate of Incorporation of FTX and FCX as in effect on such recent date and each subsequent amendment thereto on file in his office and stating that such documents are the only charter documents of FTX and FCX on file in his office and that FTX and FCX are duly incorporated and in good standing in the State of Delaware, have filed all franchise tax returns and have paid all franchise taxes required by law to be filed and paid by FTX and FCX to the date of his Certificate;

(iii) the signed Certificate of the Secretary or an Assistant Secretary of FTX, dated the Closing Date and certifying, among other things, (A) a true and correct copy of resolutions adopted by the Board of Directors of FTX authorizing the making and performance of this Agreement and the other Loan Documents (including the FTX Guaranty) executed and delivered or to be executed and delivered, as applicable, by FTX, and the countersignature and acceptance by FTX of the FTX Intercreditor Agreement, (B) that such resolutions have not been modified, rescinded or amended and are in full force and effect, (C) a true and correct copy of the By-laws of FTX as in effect on the Closing Date and at all times since a date prior to the date of the resolutions described in

(A) above, (D) that the Certificate of Incorporation of FTX has not been amended since the date of the last amendment shown on the certificate referred to in (ii) above, and (E) the incumbency and specimen signatures of each officer of FTX executing the foregoing documents and any other documents delivered to the Banks in connection herewith on behalf of FTX; and a certificate of another officer of FTX as to the incumbency and signature of such Secretary or Assistant Secretary;

(iv) the signed Certificate of the Secretary or an Assistant Secretary of FCX, dated the Closing Date and certifying, among other things, (A) a true and correct copy of resolutions adopted by the Board of Directors of FCX authorizing the making and performance of this Agreement and the other Loan Documents (including the FCX Guaranty) executed and delivered or to be executed and delivered, as applicable, by FCX, and the countersignature and acceptance by FCX of the FCX Intercreditor Agreement, (B) that such resolutions have not been modified, rescinded or amended and are in full force and effect, (C) a true and correct copy of the By-laws of FCX as in effect on the Closing Date and at all times since a date prior to the date of the resolutions described in (A) above, (D) that the Certificate of Incorporation of FCX has not been amended since the date of the last amendment shown on the certificate referred to in (ii) above, and (E) the incumbency and specimen signatures of each officer of FCX executing the foregoing documents and any other documents delivered to the Banks in connection herewith on behalf of FCX; and a certificate of another officer of FCX as to the incumbency and signature of such Secretary or Assistant Secretary;

(v) the signed Certificate of (A) the Chairman of the Board, the President or any executive or senior vice president and (B) the Chief Financial Officer, the Controller or the Treasurer of FTX, dated the Closing Date and certifying that (1) the representations and warranties of FTX contained herein are true and correct as of the Closing Date and (2) that there exists no Default or Event of Default relating to FTX or the Partnership; and

(vi) the signed Certificate of (A) the Chairman of the Board, the President or any executive or senior vice president and (B) the Chief Financial Officer, the Controller or the Treasurer of FCX, dated the Closing Date and certifying that (1) the representations and warranties of FCX contained herein are true and correct as of the Closing Date and (2) that there exists no Default or Event of Default relating to FCX.

(b) The Administrative Agent shall have received all fees and other amounts due and payable to the Agents or the Banks on or prior to the Closing Date.

(c) All outstanding loans under the Credit Agreement dated as of June 11, 1992, among the Partnership, FTX, the banks named therein and Chemical

Bank, as agent and as collateral agent (the "Existing FM Credit Agreement") shall have been repaid in full and the Existing FM Credit Agreement and the commitments of the banks party thereto shall have been terminated.

(d) The Administrative Agent shall have received fully executed copies of the Guaranties and the Material Agreements, all of which shall be in full force and effect.

(e) Each Bank shall have received the signed certificate of (i) the Chairman of the Board, the President or any executive or senior vice president and (ii) the Chief Financial Officer, the Controller or the Treasurer of both FTX and the Partnership (or, if there shall be no such officers of the Partnership appointed, of FTX as managing general partner of the Partnership), dated the Funding Date and confirming compliance with the conditions precedent in this Section.

(f) Each Bank shall have received the favorable written opinions of (i) the General Counsel of FTX and FCX and (ii) Davis Polk & Wardwell, each dated the Funding Date, addressed to the Banks, substantially in the forms of Exhibits F and G, respectively, covering such matters related to the transactions contemplated hereby as the Administrative Agent may request and otherwise satisfactory to Cravath, Swaine & Moore, counsel for the Agents. FTX and the Partnership recognize that the Banks are relying on such opinions in extending credit pursuant to this Agreement, and FTX and the Partnership hereby direct such counsel to deliver such opinions to the Banks.

(g) Each Bank shall have received (i) a certificate of the Secretary or an Assistant Secretary of the Partnership (or, if there shall be no such officer appointed, of FTX as managing general partner of the Partnership), dated the Funding Date and certifying (A) that attached thereto are true and complete copies of the Partnership Agreement and all other constitutive documents, if any, of the Partnership as in effect on the date of such certificate and at all times since the resolution of the Partnership described in item (B) below, (B) that attached thereto is a true and complete copy of a resolution or similar authorization adopted by FTX, as managing general partner of the Partnership, authorizing the execution, delivery and performance of this Agreement and the other Loan Documents executed and delivered or to be executed and delivered, as applicable, by the Partnership, the countersignature and acceptance by the Partnership of the FM Intercreditor Agreement and the Borrowings hereunder by the Partnership, and that such resolution or authorization has not been modified, rescinded or amended and is in full force and effect and (C) as to the incumbency and specimen signature of each officer executing on behalf of the Partnership the foregoing documents and any other document delivered or to be delivered in connection herewith or therewith; (ii) a certificate of another officer of the Partnership (or, if there shall be no such officer appointed, of FTX as managing general partner of the Partnership) as to the incumbency and signature of such Secretary or Assistant Secretary; and (iii) such other instruments and documents as any Bank or Cravath, Swaine & Moore,

counsel for the Agents, may reasonably request.

(h) Each Bank shall have received a Promissory Note, each duly executed by the Partnership, payable to such Bank's order and otherwise complying with the provisions of Section 2.4.

(i) The FM Intercreditor Agreement, the FCX Intercreditor Agreement and the FTX Intercreditor Agreement shall each have been executed and delivered by all parties thereto other than the Administrative Agent and, in the case of the FM Intercreditor Agreement, the FM Collateral Agent, and countersigned and delivered by FTX, FCX or the Partnership, as applicable, and the Agents and each Bank shall have received a copy of such Intercreditor Documents.

(j) There shall be no proceeding for the dissolution or liquidation of the Partnership or any proceeding to rescind the Partnership Agreement or the existence of the Partnership which is pending or, to the knowledge of FTX or the Partnership, threatened against or affecting the Partnership.

(k) All legal matters incident to this Agreement, the other Loan Documents and the Borrowings hereunder shall be satisfactory to Cravath, Swaine & Moore, counsel for the Agents.

By its execution and delivery of this Agreement, and unless prior to the Funding Date it shall have provided written notice to the Administrative Agent and FTX indicating otherwise, each Bank has evidenced its satisfaction with each matter set forth in this Section requiring satisfaction on its part.

SECTION 5.2. Conditions Precedent to Each Borrowing. Each Borrowing shall be subject to the following conditions precedent:

(a) the representations and warranties on the part of the Partnership contained in Section 3.1 and on the part of FTX contained in Section 3.2 shall be true and correct in all material respects at and as of the date of such Borrowing as though made on and as of such date;

(b) the Administrative Agent shall have received a notice of such Borrowing as required by Section 2.3; and

(c) no Event of Default or Default shall have occurred and be continuing on the date of such Borrowing or would result from such Borrowing.

SECTION 5.3. Representations and Warranties with Respect to Borrowings. Each Borrowing shall be deemed a representation and warranty by FTX and the Partnership, jointly and severally, that the conditions precedent to each such Borrowing, unless otherwise waived in accordance herewith, shall have been satisfied as of the date of such Borrowing.

ARTICLE VI

Events of Default

SECTION 6.1. Events of Default. If any of the following acts or occurrences (an "Event of Default") shall occur and be continuing:

(a) default for three or more days in the payment when due (whether at the due date thereof, at a date fixed for prepayment thereof, by acceleration thereof or otherwise) of any principal of any Promissory Note;

(b) default for three or more days in the payment when due of any interest on any Promissory Note or of any other amount payable under this Agreement or any other Loan Document;

(c) any representation or warranty made or deemed made in or in connection with this Agreement, any other Loan Document or in any certificate, report, financial statement, letter or other writing or instrument furnished or delivered to the Agents or any Bank pursuant hereto or thereto shall prove to have been incorrect in any material respect when made, effective or reaffirmed and repeated, as the case may be;

(d) default in the due observance or performance of any covenant, condition or agreement in Section 4.1(a)(8), the first clause of Section 4.1(c), Section 4.1(k), Section 4.2 (other than paragraph (j) thereof), Section 4.4 (other than Section 5.2(k) of the FTX Credit Agreement, as such Section is incorporated by reference under Section 4.4(a)) or Section 4.3(b) as it relates to any of the foregoing;

(e) default by FTX in the due observance or performance of any covenant, condition or agreement incorporated in Section 4.3(a) which shall remain unremedied for 30 days after written notice thereof shall have been given to the Borrower by any Bank;

(f) default by FTX or the Partnership in the due observance or performance of any other covenant, condition or agreement contained in any Loan Document which shall remain unremedied for 10 days after written notice thereof shall have been given to the Borrower by any Bank;

(g) any Specified Entity shall (i) voluntarily commence any proceeding or file any petition seeking relief under Title 11 of the United States Code, as now constituted or hereafter amended, or any other Federal or state bankruptcy, insolvency, liquidation or similar law, (ii) consent to the institution of, or fail to contravene in a timely and appropriate manner, any proceeding or the filing of any petition described in clause (h) below, (iii) apply for or consent to the appointment of a receiver, trustee, custodian, sequestrator or similar official for such Specified Entity or for a substantial part of its property or assets, (iv) file an answer admitting the material allegations of a petition filed against it in any such proceeding, (v) make a general assignment for the benefit of creditors, (vi) become unable, admit in writing its inability or fail generally to pay its debts as they become due or (vii) take any action for the purpose of effecting any of the foregoing;

(h) an involuntary proceeding shall be commenced or an involuntary petition shall be filed in a court of competent jurisdiction seeking (i) relief in respect of

any Specified Entity, or of a substantial part of the property or assets of any Specified Entity, under Title 11 of the United States Code, as now constituted or hereafter amended, or any other Federal or state bankruptcy, insolvency, receivership or similar law, (ii) the appointment of a receiver, trustee, custodian, sequestrator or similar official for any Specified Entity or for a substantial part of the property or assets of any Specified Entity or (iii) the winding up or liquidation of any Specified Entity; and such proceeding or petition shall continue undismissed for 60 days, or an order or decree approving or ordering any of the foregoing shall continue unstayed and in effect for 30 days;

(i) default shall be made with respect to (x) Hedge Agreements of any Specified Entity or (y) any Indebtedness of any Specified Entity if the effect of any such default shall be to accelerate, or to permit the holder or obligee of any such obligations or Indebtedness (or any trustee on behalf of such holder or obligee) to accelerate (with or without notice or lapse of time or both), the maturity of such Indebtedness or the payment of any net termination value in respect of Hedge Agreements, as applicable, in an aggregate amount in excess of the Threshold Amount; or any payment, regardless of amount, of (A) net termination value on any such obligation in respect of Hedge Agreements and/or (B) any Indebtedness of any Specified Entity in an aggregate principal amount (or in the case of a Hedge Agreement, net termination value) in excess of the Threshold Amount, shall not be paid when due, whether at maturity, by acceleration or otherwise (after giving effect to any period of grace specified in the instrument evidencing or governing such Indebtedness or other obligation);

(j) an ERISA Event shall have occurred with respect to any Plan or Multi employer Plan that, when taken together with all other ERISA Events, reasonably could be expected to result in liability of FTX or the Borrower and/or any Restricted Subsidiary of FTX and/or the Borrower's ERISA Affiliates in an aggregate amount exceeding the Threshold Amount or requires payments exceeding the Threshold Amount in any year;

(k) any security interest purported to be created by the FTX Security Agreement shall cease to be, or shall be asserted by the Borrower, FTX or any of their Affiliates not to be, a valid, perfected, first priority security interest in the securities, assets or properties covered thereby, except to the extent that any such loss of perfection or priority results from the failure of the FTX Collateral Agent to maintain possession of any certificates representing securities pledged under the FTX Security Agreement to the extent that such pledged securities are certificated securities;

(l) a final judgment for the payment of money shall be rendered by a court or other tribunal against any Specified Entity in excess of the Threshold Amount and shall remain undischarged for a period of 45 consecutive days during which execution of such judgment shall not have been stayed effectively; or any action shall be legally taken by a judgment creditor to levy upon assets or properties of any Specified Entity to enforce any such judgment;

(m) the Partnership Agreement (as it may be amended and in effect from time to time) (or any successor agreement pursuant to which FTX is appointed and authorized to act as the managing general partner of the Partnership) shall cease to be, or shall be asserted by FTX not to be, in full force and effect and enforceable in all material respects in accordance with its terms;

(n) the FTX Guaranty or any Loan Document shall cease to be, or shall be asserted by FTX, FCX or the Partnership or any of their Affiliates not to be, in full force and effect and enforceable in all material respects in accordance with its terms; or

(o) there shall have occurred a Change in Control;

then, and in any such event (other than an event with respect to FTX, FRP or the Partnership described in paragraph (g) or (h) above), and at any time thereafter during the continuance of such event, the Administrative Agent may, and at the request of the Required Banks shall, by written or telecopy notice to the Borrower, take one or more of the following actions at the same or different times: (i) declare the Commitments to be terminated, whereupon they shall forthwith terminate; (ii) declare all sums then owing by the Borrower under the Promissory Notes or otherwise owing hereunder to be forthwith due and payable, whereupon all such sums shall become and be immediately due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby expressly waived by the Borrower, anything contained herein, in any other Loan Document or in any Intercreditor Document to the contrary notwithstanding or (iii) exercise (or cause the FTX Collateral Agent to exercise) any or all the remedies then available under the FTX Security Agreement; and upon the occurrence of any event with respect to FTX, FRP or the Partnership described in paragraph (g) or (h) of this Section, all sums then owing by the Borrower under the Promissory Notes or otherwise owing hereunder shall, without any declaration or other action by any Bank or the Agents hereunder, be immediately due and payable and all Commitments hereunder shall be immediately terminated without presentment, demand, protest or notice of any kind, all of which are hereby expressly waived by the Borrower, anything contained herein, in any other Loan Document or in any other Intercreditor Document to the contrary notwithstanding and the Administrative Agent may, and at the request of the Required Banks shall, exercise any or all of the remedies then available under the FTX Security Agreement. Promptly following the making of any such declaration, the Administrative Agent shall give notice thereof to the Borrower but failure to do so shall not impair, under any circumstances, the effect of such declaration.

ARTICLE VII

FTX Undertaking

Section 7.1. FTX Undertaking. In addition to and not in derogation from its obligations under the FTX Guaranty, FTX hereby agrees that it shall be jointly and severally liable with the Borrower for each of the Partnership Obligations. FTX agrees that it shall pay on demand any such Partnership Obligation for which it is

liable pursuant to this Section 7.1 which has remained unpaid by the Borrower for five Business Days after such amount is due or demanded from the Borrower; provided that if an event referred to in Section 6.1(g) or (h) has occurred with respect to the Borrower, such amounts shall be payable on demand by FTX without the necessity of any demand on the Borrower. The obligations of FTX under this Section 7.1 shall be deemed to be a guarantee of payment and not of collection. Upon payment by FTX of any sums to a Bank or an Agent as provided above in this Section 7.1, all rights of FTX against the Partnership arising as a result thereof by way of right of subrogation or otherwise shall in all respects be subordinated and junior in right of payment to the prior payment in full of all the Partnership Obligations to the Banks and the Agents and shall not be exercised by FTX prior to payment in full of all Partnership Obligations and termination of the Commitments. If any amount shall be paid to FTX on account of any amount paid by FTX pursuant to this guarantee or otherwise at any time when all the Partnership Obligations shall not be paid in full, such amount shall be held in trust by FTX for the benefit of the Agent and the Banks and shall forthwith be paid to the Administrative Agent to be credited and applied to the Partnership Obligations, whether matured or unmatured. At such time as all Partnership Obligations owing to such Bank have been paid in full and its Commitment terminated, each Bank shall, in a reasonable manner, assign (subject to the continued effectiveness and the reinstatement provided for above) the amount of the Partnership Obligations owed to it and paid by FTX pursuant to this Section 7.1 to FTX, such assignment to be pro tanto to the extent to which the Partnership Obligations in question were discharged by FTX, or make such other disposition thereof as FTX shall reasonably direct (all without any representation or warranty by, or any recourse to, such Bank).

ARTICLE VIII

The Agents

SECTION 8.1. The Agents. (a) For convenience of administration and to expedite the transactions contemplated by this Agreement, Chase is hereby appointed as Administrative Agent and FTX Collateral Agent for the Banks under this Agreement and the FTX Security Agreement and as Documentation Agent for the Banks under this Agreement. None of the Agents shall have any duties or responsibilities with respect hereto except those expressly set forth herein. Each Bank, and each subsequent holder of any Promissory Note by its acceptance thereof, hereby irrevocably appoints and expressly authorizes the Agents, without hereby limiting any implied authority, to take such action as the Agents may deem appropriate on its behalf and to exercise such powers under this Agreement as are specifically delegated to such Person by the terms hereof, together with such powers as are reasonably incidental thereto. The Administrative Agent is hereby expressly authorized by the Banks, without hereby limiting any implied authority, (a) to receive on behalf of the Banks all payments of principal of and interest on the Loans and all other amounts due to the Banks hereunder, and promptly to distribute to each Bank its proper share of each payment so received; (b) to give notice on behalf of each of the Banks to the Borrower of any Event of Default specified in this Agreement of which the Administrative Agent has actual knowledge acquired in connection with its agency hereunder; and (c) to distribute to each Bank copies of all notices, financial statements and other materials delivered

by the Borrower pursuant to this Agreement as received by the Administrative Agent. Without limiting the generality of the foregoing, the FTX Collateral Agent is hereby expressly authorized to execute any and all documents (including releases) with respect to the collateral for the Loans and the rights of the secured parties with respect thereto, as contemplated by and in accordance with the provisions of this Agreement and the FTX Security Agreement. Each of the Agents may exercise any of its duties hereunder by or through their respective agents, officers or employees. In addition, each Bank hereby irrevocably authorizes and directs the Administrative Agent and the FTX Collateral Agent to enter, on behalf of each of them, into the respective Intercreditor Agreement and the FTX Security Agreement as contemplated pursuant to this Agreement.

(b) None of the Agents or any of their respective directors, officers, agents or employees shall be liable as such for any action taken or omitted to be taken by any of them except for its or his own gross negligence or wilful misconduct, or be responsible for any statement, warranty or representation herein or the contents of any document delivered in connection herewith, or be required to ascertain or to make any inquiry concerning the performance or observance by the Borrower or any other party of any of the terms, conditions, covenants or agreements contained in any Loan Document. The Agents shall not be responsible to the Banks or the holders of the Promissory Notes for the due execution, genuineness, validity, enforceability or effectiveness of this Agreement, the Promissory Notes or any other Loan Documents or other instruments or agreements. The Administrative Agent may deem and treat the payee of any Promissory Note as the owner thereof for all purposes hereof until it shall have received from the payee of such Promissory Note notice, given as provided herein, of the transfer thereof in compliance with Section 9.3. The Agents shall in all cases be fully protected in acting, or refraining from acting, in accordance with written instructions signed by the Required Banks and, except as otherwise specifically provided herein, such instructions and any action or inaction pursuant thereto shall be binding on all the Banks and each subsequent holder of any Promissory Note. Each Agent shall, in the absence of knowledge to the contrary, be entitled to rely on any instrument or document believed by it in good faith to be genuine and correct and to have been signed or sent by the proper Person or Persons. None of the Agents nor any of their respective directors, officers, employees or agents shall have any responsibility to the Borrower or any other party on account of the failure of or delay in performance or breach by any Bank of any of its obligations hereunder or to any Bank on account of the failure of or delay in performance or breach by any other Bank or the Borrower or any other party of any of their respective obligations hereunder or under any other Loan Document or in connection herewith or therewith. Each of the Agents may execute any and all duties hereunder by or through agents or employees and shall be entitled to rely upon the advice of legal counsel selected by it with respect to all matters arising hereunder and shall not be liable for any action taken or suffered in good faith by it in accordance with the advice of such counsel. The Banks hereby acknowledge that none of the Agents shall be under any duty to take any discretionary action permitted to be taken by it pursuant to the provisions of this Agreement unless it shall be requested in writing to do so by the Required Banks.

(c) To the extent that any Agent shall not be

reimbursed by the Borrower for any costs, liabilities or expenses incurred in such capacity, each Bank agrees (i) to reimburse the Agents, on demand (in the amount of its Applicable Percentage hereunder) for any expenses incurred for the benefit of the Banks by the Agents, including counsel fees and compensation of agents and employees paid for services rendered on behalf of the Banks and (ii) to indemnify and hold harmless each Agent and any of its directors, officers, employees or agents, on demand, in the amount of such Applicable Percentage, from and against any and all liabilities, taxes, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever which may be imposed on, incurred by or asserted against it in its capacity as Agent or any of them in any way relating to or arising out of this Agreement or any other Loan Document or any action taken or omitted by it or any of them under this Agreement or any other Loan Document; provided, however, that no Bank shall be liable to an Agent for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting from the gross negligence or wilful misconduct of such Agent or of its directors, officers, employees or agents.

(d) With respect to the Loans made by it hereunder and the Promissory Notes issued to it, each Agent in its individual capacity and not as Agent shall have the same rights and powers as any other Bank and may exercise the same as though it were not an Agent, and the Agents and their Affiliates may accept deposits from, lend money to and generally engage in any kind of business with the Borrower or any Subsidiary or other Affiliate thereof as if it were not an Agent.

(e) Subject to the appointment and acceptance of a successor Agent as provided below, any Agent may resign at any time by giving written notice thereof to the Banks and the Borrower. Upon any such resignation, the Required Banks shall have the right to appoint, and the Borrower shall have the right to approve (such approval not to be unreasonably withheld or delayed) a successor Administrative Agent, FTX Collateral Agent or Documentation Agent, as the case may be. If no successor Administrative Agent, FTX Collateral Agent or Documentation Agent, as the case may be, shall have been so appointed and approved and shall have accepted such appointment, within 30 days after the retiring Agent's giving of notice of resignation, then the retiring Person may, on behalf of the Banks, appoint a successor Administrative Agent, FTX Collateral Agent or Documentation Agent, as the case may be, which shall be a Bank with an office in New York, New York, having a combined capital and surplus of at least $500,000,000 or an Affiliate of any such Bank. Upon the acceptance of any appointment as Administrative Agent, FTX Collateral Agent or Documentation Agent hereunder by a successor Administrative Agent, FTX Collateral Agent or Documentation Agent, as the case may be, such successor Administrative Agent, FTX Collateral Agent or Documentation Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring Agent, and the retiring Agent shall be discharged from its duties and obligations hereunder. After any such retiring Agent's resignation hereunder as Administrative Agent, FTX Collateral Agent or Documentation Agent, as applicable, the provisions of this Article VIII and Section 9.4 shall inure to its benefit as to any actions taken or omitted to be taken by it while it was acting as the Administrative Agent, FTX Collateral Agent or

Documentation Agent, as applicable.

(f) The Administrative Agent and the Documentation Agent shall be responsible for supervising the preparation, execution and delivery of this Agreement and the other agreements and instruments contemplated hereby, any amendment or modification thereto and the closing of the transactions contemplated hereby and thereby. In addition, the Administrative Agent shall assist the FTX Collateral Agent in the performance of its duties as may be reasonably requested by the FTX Collateral Agent from time to time.

(g) The obligations of the Administrative Agent, the FTX Collateral Agent and the Documentation Agent shall be separate and several and none of them shall be responsible or liable for the acts or omissions of the other, except, to the extent that a Bank serves in more than one agent capacity, such Bank shall be responsible for the acts and omissions relating to each such agency function.

(h) Without the prior written consent of the Required Banks, the Administrative Agent and the FTX Collateral Agent will not consent to any modification, supplement or waiver of any Intercreditor Agreement or, except to the extent required by an Intercreditor Agreement, the FTX Security Agreement.

(i) Each Bank acknowledges that it has, independently and without reliance upon the Agents or any other Bank and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Bank also acknowledges that it will, independently and without reliance upon the Agents or any other Bank and based on such documents and information as it shall from time to time deem appropriate, continue to make its own decisions in taking or not taking action under or based upon this Agreement or any other Loan Document, any related agreement or any document furnished hereunder or thereunder.

ARTICLE IX

Miscellaneous

SECTION 9.1. Notices. Notices and other communications provided for herein shall be in writing and shall be delivered by hand or overnight or same day courier service or mailed or sent by telex, telecopy, graphic scanning or other telegraphic communications equipment of the sending party to the appropriate party's address set forth on the signature pages hereof; provided that notices by or to the Borrower may be given by or to FTX as its general partner. All notices and other communications given to any party hereto in accordance with the provisions of this Agreement shall be deemed to have been given on the date of receipt if hand delivered or delivered by any telecopy, telegraphic or telex communications equipment or three days after being sent by registered or certified mail, postage prepaid, return receipt requested, in each case addressed to such party as provided in this Section 9.1 or in accordance with the latest unrevoked direction from such party.

SECTION 9.2. Survival of Agreement. All covenants, agreements, representations and warranties made by the Borrower or the Guarantor herein and in the certificates or other instruments prepared or delivered in

connection with this Agreement or any other Loan Document shall be considered to have been relied upon by the Banks and the Agents and shall survive the making by the Banks of the Loans and the execution and delivery to the Banks of the Promissory Notes evidencing such Loans regardless of any investigation made by the Banks or on their behalf, and shall continue in full force and effect as long as the principal of or any accrued interest on any Promissory Note, any Commitment Fee or any other fee or amount payable under the Loan Documents is outstanding and unpaid and so long as the Commitments have not been terminated.

SECTION 9.3. Successors and Assigns; Participation; Purchasing Banks. (a) This Agreement shall be binding upon and inure to the benefit of the Borrower, FTX, the Banks, the Agents, all future holders of the Promissory Notes, and their respective successors and assigns, except that neither the Borrower nor FTX may assign, delegate or transfer any of its rights or obligations under this Agreement without the prior written consent of each Bank. Any Bank may at any time pledge or assign all or any portion of its rights under this Agreement and the Promissory Notes issued to it to a Federal Reserve Bank to secure extensions of credit by such Federal Reserve Bank to such Bank; provided that no such pledge or assignment shall release a Bank from any of its obligations hereunder or substitute any such Federal Reserve Bank for such Bank as a party hereto.

(b) Any Bank may, in accordance with applicable law, at any time sell to one or more banks or other entities ("Participants") participating interests in all or a portion of any Loan owing to such Bank, any Promissory Note held by such Bank, any Commitment of such Bank or any other interest of such Bank hereunder. In the event of any such sale by a Bank of participating interests to a Participant, such Bank's obligations under this Agreement to the other parties to this Agreement shall remain unchanged, such Bank shall remain solely responsible for the performance thereof, such Bank shall remain the holder of any such Promissory Note for all purposes under this Agreement and the Borrower and the Agents shall continue to deal solely and directly with such Bank in connection with such Bank's rights and obligations under this Agreement. The Borrower agrees that if amounts outstanding under this Agreement and the Promissory Notes are due and unpaid, or shall have been declared due or shall have become due and payable upon the occurrence of an Event of Default, each Participant shall be deemed to have the right of setoff in respect of its participating interest in amounts owing under this Agreement and any Promissory Note to the same extent as if the amount of its participating interest were owing directly to it as a Bank under this Agreement or any Promissory Note; provided that such right of setoff shall be subject to the obligation of such Participant to share with the Banks, and the Banks agree to share with such Participant, as provided in Section 2.15. The Borrower also agrees that each Participant shall be entitled to the benefits of Sections 2.11, 2.12, 2.13, 2.15, 2.17 and 9.5 with respect to its participation in the Commitments and the Loans outstanding from time to time as if it were a Bank; provided that no Participant shall be entitled to receive any greater payment pursuant to such Sections than the transferor Bank would have been entitled to receive in respect of the amount of the participation transferred by such transferor Bank to such Participant unless such participation shall have been made at a time when the circumstances giving rise to such greater payment did not exist; and provided that the voting rights of any

Participant would be limited to amendments, modifications or waivers decreasing any fees payable hereunder or the amount of principal of or the rate at which interest is payable on the Loans, extending any scheduled principal payment date or date fixed for the payment of interest on the Loans, changing or extending the Commitments or release of all or substantially all the collateral for the Loans.

(c) Any Bank may, in accordance with applicable law and subject to Section 9.3(h), at any time assign by novation all or any part of its rights and obligations under this Agreement (including all or a portion of its Commitment and the Loans at the time owing to it and the Promissory Notes held by it) (I) to any Bank or any Affiliate thereof, without the Borrower's consent, or (II) to one or more additional banks or financial institutions (any such entity referred to in clause (I) or (II) being a "Purchasing Bank") with the consent of the Administrative Agent and the Borrower, such consent not to be unreasonably withheld (it being understood that the Borrower may withhold its consent to a Purchasing Bank (i) which is not a commercial bank or savings and loan institution or (ii) which would, as of the effective date of such assignment, be entitled to claim compensation under Section 2.11 which the transferor Bank would not be entitled to claim as of such date), pursuant to a Commitment Transfer Supplement in the form of Exhibit D, executed by such Purchasing Bank and such transferor Bank (and, in the case of a Purchasing Bank that is not then a Bank or an Affiliate thereof, by the Borrower and the Administrative Agent), and delivered for its recording in the Register to the Administrative Agent, together with the Promissory Notes subject to such assignment, the registration and processing fee required by Section 9.3(e) and an Administrative Questionnaire for the Purchasing Bank if it is not already a Bank. Assignments shall be by novation. Upon such execution, delivery and recording (and, if required, consent of the Borrower and the Administrative Agent), from and after the Transfer Effective Date determined pursuant to such Commitment Transfer Supplement (which shall be at least five days after the execution and delivery thereof), (x) the Purchasing Bank thereunder shall (if not already a party hereto) be a party hereto and have the rights and obligations of a Bank hereunder with a Commitment as set forth in such Commitment Transfer Supplement, and (y) the transferor Bank thereunder shall, to the extent assigned by such Commitment Transfer Supplement, be released from its obligations under this Agreement (and, in the case of a Commitment Transfer Supplement covering all or the remaining portion of a transferor Bank's rights and obligations under this Agreement, such transferor Bank shall cease to be a party hereto). Such Commitment Transfer Supplement shall be deemed to amend this Agreement (including Schedule II hereto) to the extent, and only to the extent, necessary to reflect the addition of such Purchasing Bank (if not already a party hereto) and the resulting adjustment of Applicable Percentages arising from the purchase by such Purchasing Bank of all or a portion of the rights and obligations of such transferor Bank under this Agreement and the Promissory Notes. On or prior to the Transfer Effective Date determined pursuant to such Commitment Transfer Supplement, the Borrower, at its own expense, shall execute and deliver to the Administrative Agent in exchange for the surrendered Promissory Note a new Promissory Note to the order of such Purchasing Bank in an amount equal to the Commitment assumed by it pursuant to such Commitment Transfer Supplement and, if the transferor Bank has retained a Commitment hereunder, a new Promissory Note to the order of the transferor Bank in an amount equal

to the Commitment retained by it hereunder. Such new Promissory Notes shall be dated the Closing Date and shall otherwise be in the form of the Promissory Notes replaced thereby. The Promissory Notes surrendered by the transferor Bank shall be returned by the Administrative Agent to the Borrower marked "canceled".

(d) The Administrative Agent, acting solely for this purpose as an agent of the Borrower, shall maintain at one of its offices in the City of New York a copy of each Commitment Transfer Supplement delivered to it and a register (the "Register") for the recordation of the names and addresses of the Banks and the Commitment of, and principal amount of the Loans owing to, each Bank from time to time. The entries in the Register shall be conclusive, in the absence of manifest error, and the parties hereto may treat each Person whose name is recorded in the Register as the owner of the Loan recorded therein for all purposes of this Agreement. The Register shall be available for inspection by the parties hereto at any reasonable time and from time to time upon reasonable prior notice.

(e) Upon its receipt of a Commitment Transfer Supplement executed by a transferor Bank and a Purchasing Bank (and, in the case of a Purchasing Bank that is not then a Bank or an Affiliate thereof, by the Borrower and the Administrative Agent) together with payment to the Administrative Agent of a registration and processing fee of $3,500, the Administrative Agent shall (i) promptly accept such Commitment Transfer Supplement and (ii) on the Transfer Effective Date determined pursuant thereto record the information contained therein in the Register and give notice of such acceptance and recordation to the Banks and the Borrower.

(f) Subject to Section 9.15, the Borrower and the Guarantor authorize each Bank to disclose to any Participant or Purchasing Bank (each, a "Transferee") and any prospective Transferee any and all financial and other information in such Bank's possession concerning the Guarantor, the Borrower and their Affiliates which has been delivered to such Bank by or on behalf of the Borrower pursuant to this Agreement or which has been delivered to such Bank by or on behalf of the Borrower in connection with such Bank's credit evaluation of the Borrower, the Guarantor and their Affiliates prior to becoming a party to this Agreement.

(g) If, pursuant to this Section 9.3, any interest in this Agreement or any Promissory Note is transferred to any Transferee which is organized under the laws of any jurisdiction other than the United States or any State thereof, the transferor Bank (x) shall immediately notify the Administrative Agent of such transfer, describing the terms thereof and indicating the identity and country of residence of each Transferee. Such transferor Bank or Transferee shall indemnify and hold harmless the Borrower and the Administrative Agent from and against any tax, interest, penalty or other expense that the Borrower and the Administrative Agent may incur as a consequence of any failure to withhold applicable United States taxes because of any transfer or participation arrangement that is not fully disclosed to them as required hereunder.

(h) By executing and delivering a Commitment Transfer Supplement, the transferor Bank thereunder and the Purchasing Bank thereunder shall be deemed to confirm to and agree with each other and the other parties hereto as

follows: (i) such transferor Bank warrants that it is the legal and beneficial owner of the interest being assigned thereby free and clear of any adverse claim and that its Commitment, and the outstanding balance of its Loans, in each case without giving effect to assignments thereof which have not become effective, are as set forth in such Commitment Transfer Supplement, (ii) except as set forth in (i) above, such transferor Bank makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with this Agreement, or the execution, legality, validity, enforceability, genuineness, sufficiency or value of this Agreement, any other Loan Document or any other instrument or document furnished pursuant hereto, or the financial condition of the Borrower or any Subsidiary or the performance or observance by the Guarantor, the Borrower or any Subsidiary of any of its obligations under this Agreement, any other Loan Document or any other instrument or document furnished pursuant hereto; (iii) such Purchasing Bank represents and warrants that it is legally authorized to enter into such Commitment Transfer Supplement; (iv) such Purchasing Bank confirms that it has received a copy of this Agreement, together with copies of the most recent financial statements, if any, delivered pursuant to Section 5.1 and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into such Commitment Transfer Supplement; (v) such Purchasing Bank will independently and without reliance upon the Agents, such transferor Bank or any other Bank and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement; (vi) such Purchasing Bank appoints and authorizes the Agents to take such action as agent on its behalf and to exercise such respective powers under this Agreement and the other Loan Documents as are delegated to the Agents by the terms hereof, together with such powers as are reasonably incidental thereto; and (vii) such Purchasing Bank agrees that it will perform in accordance with their terms all the obligations which by the terms of this Agreement are required to be performed by it as a Bank.

SECTION 9.4. Expenses of the Banks; Indemnity. (a) The Borrower and FTX, jointly and severally, agree to pay all out-of-pocket expenses reasonably incurred by the Agents in connection with the preparation and administration of this Agreement, the Promissory Notes and the other Loan Documents or with any amendments, modifications or waivers of the provisions hereof or thereof (whether or not the transactions hereby contemplated shall be consummated) or reasonably incurred by the Agents or any Bank in connection with the enforcement or protection of their rights in connection with this Agreement and the other Loan Documents or with the Loans made or the Promissory Notes issued hereunder (whether through negotiations, legal proceedings or otherwise), including, but not limited to, the reasonable fees and disbursements of Cravath, Swaine & Moore, special counsel for the Agents, and, in connection with such enforcement or protection, the reasonable fees and disbursements of other counsel for any Bank. The Borrower and FTX, jointly and severally, further agree that they shall indemnify the Banks and the Agents from and hold them harmless against any documentary taxes, assessments or charges made by any Governmental Authority by reason of the execution and delivery of or in connection with the performance of this Agreement, any of the Promissory Notes or any of the other Loan Documents. Further, the Borrower and FTX, jointly and severally, agree to pay, and to

protect, indemnify and save harmless each Bank, each Agent and each of their respective officers, directors, shareholders, employees, agents and servants from and against, any and all losses, liabilities (including liabilities for penalties), actions, suits, judgments, demands, damages, costs or expenses (including, without limitation, attorneys' fees and expenses) in connection with any investigative, administrative or judicial proceeding, whether or not such Bank or Agent shall be designated a party thereto of any nature arising from or relating to (i) the execution or delivery of this Agreement or any other Loan Document or any agreement or instrument contemplated thereby, the performance by the parties thereto of their respective obligations thereunder or the consummation of the transactions contemplated hereby and thereby (including the Restructuring) or (ii) the use of the proceeds of the Loans; and the Borrower also agrees to pay, and to protect, indemnify and save harmless each Bank, each Agent and each of their respective officers, directors, shareholders, employees, agents and servants from and against, any and all losses, liabilities (including liabilities for penalties), actions, suits, judgments, demands, damages, costs or expenses (including, without limitation, attorneys' fees and expenses in connection with any investigative, administrative or judicial proceeding, whether or not such Bank or Agent shall be designated a party thereto) of any nature arising from or relating to any actual or alleged presence or Release of Hazardous Materials on any property owned or operated by the Borrower or any of the Subsidiaries, or any Environmental Claim related in any way to the Borrower or the Subsidiaries or arising from or in connection with the environmental due diligence summary memorandum referred to in paragraph (m) of Article IV of the FTX Credit Agreement; provided that any such indemnity referred to in this sentence shall not, as to any indemnified Person, be available to the extent that such losses, claims, damages, liabilities or related expenses are determined by a court of competent jurisdiction by final and non-appealable judgment to have resulted from the gross negligence or wilful misconduct of such indemnified Person. If any action, suit or proceeding arising from any of the foregoing is brought against any Bank, Agent or other Person indemnified or intended to be indemnified pursuant to this Section 9.4, the Borrower and FTX, jointly and severally, to the extent and in the manner directed by such indemnified party, will resist and defend such action, suit or proceeding or cause the same to be resisted and defended by counsel designated by the Borrower (which counsel shall be satisfactory to such Bank, Agent or other Person indemnified or intended to be indemnified). If the Borrower or FTX shall fail to do any act or thing which it has covenanted to do hereunder or any representation or warranty on the part of the Borrower or FTX contained in this Agreement shall be breached, any Bank or Agent may (but shall not be obligated to) do the same or cause it to be done or remedy any such breach, and may expend its funds for such purpose. Any and all amounts so expended by any Bank or Agent shall be repayable to it by the Borrower and FTX, jointly and severally, immediately upon such Bank's or such Agent's demand therefor.

(b) The provisions of this Section 9.4 shall remain operative and in full force and effect regardless of the expiration of the term of this Agreement, the consummation of the transactions contemplated hereby or thereby, the repayment of any of the Loans or any Promissory Notes, the invalidity or unenforceability of any term or provision of this Agreement, any other Loan Document or any

Promissory Note, or any investigation made by or on behalf of any Bank or any Agent. All amounts due under this Section 9.4 shall be payable on written demand therefor.

SECTION 9.5. Right of Setoff. If an Event of Default shall have occurred and be continuing and the Loans shall have been accelerated or any Bank shall have requested the Administrative Agent to declare the Loans immediately due and payable pursuant to Article VI, then each Bank is hereby authorized at any time and from time to time, to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other indebtedness at any time owing by such Bank to or for the credit or the account of the Borrower against any of and all the obligations of the Borrower now or hereafter existing under this Agreement and the Promissory Notes held by such Bank, irrespective of whether or not such Bank shall have made any demand under this Agreement or such Promissory Notes and although such obligations may be unmatured. Each Bank agrees promptly to notify the Borrower after any such setoff and application made by such Bank, but the failure to give such notice shall not affect the validity of such setoff and application. The rights of each Bank under this Section 9.5 are in addition to other rights and remedies (including, without limitation, other rights of setoff) which such Bank may have.

SECTION 9.6. APPLICABLE LAW. THIS AGREEMENT AND THE PROMISSORY NOTES SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE STATE OF NEW YORK.

SECTION 9.7. Waivers; Amendments. (a) No failure or delay of any Bank or Agent in exercising any power or right hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such a right or power, preclude any other or further exercise thereof or the exercise of any other right or power. The rights and remedies of the Banks and the Agents hereunder and under the other documents and agreements entered into in connection herewith are cumulative and not exclusive of any rights or remedies which they would otherwise have. No waiver of any provision of this Agreement, any other Loan Document or any Promissory Note or any other such document or agreement or consent to any departure by the Borrower therefrom shall in any event be effective unless the same shall be authorized as provided in paragraph (b) below, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. No notice or demand on the Borrower in any case shall entitle the Borrower to any other or further notice or demand in similar or other circumstances. Each holder of any of the Promissory Notes shall be bound by any amendment, modification, waiver or consent authorized as provided herein, whether or not such Promissory Note shall have been marked to indicate such amendment, modification, waiver or consent.

(b) Neither this Agreement nor any provision hereof may be waived, amended or modified except pursuant to an agreement or agreements in writing entered into by the Borrower and the Required Banks; provided, however, that no such agreement shall (i) change the principal amount of, or extend or advance the maturity of or any date for the payment (other than pursuant to Section 2.7(b), which may be amended by the Required Banks) of any principal of or interest on, any Promissory Note (including, without

limitation, any such payment pursuant to Section 2.7(c) or paragraph (a) or (b) of Section 2.9), or waive or excuse any such payment or any part thereof, or change the rate of interest on any Promissory Note, without the written consent of each holder affected thereby, (ii) change or extend the Commitment of any Bank without the written consent of such Bank, or change any fees to be paid to any Bank or Agent hereunder without the written consent of such Bank or the Agent, as applicable, (iii) amend or modify the provisions of this Section 9.7, Sections 2.8 through 2.15 or Section 9.4 or the definition of "Required Banks", without the written consent of each Bank or (iv) release the collateral granted as security under the FTX Security Agreement (except as expressly required hereby or thereby), without the written consent of each Bank; and provided further that no such agreement shall amend, modify or otherwise affect the rights or duties of an Agent hereunder without the written consent of such Agent. Each Bank and holder of any Promissory Note shall be bound by any modification or amendment authorized by this Section 9.7 regardless of whether its Promissory Notes shall be marked to make reference thereto, and any consent by any Bank or holder of a Promissory Note pursuant to this Section shall bind any Person subsequently acquiring a Promissory Note from it, whether or not such Promissory Note shall be so marked.

SECTION 9.8. Severability. In the event any one or more of the provisions contained in this Agreement or in the Promissory Notes should be held invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein or therein shall not in any way be affected or impaired thereby. The parties shall endeavor in good-faith negotiations to replace the invalid, illegal or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the invalid, illegal or unenforceable provisions.

SECTION 9.9. Counterparts. This Agreement may be executed in two or more counterparts, each of which shall constitute an original but all of which when taken together shall constitute but one contract, and shall become effective when copies hereof which, when taken together, bear the signatures of each of the parties hereto shall be delivered or mailed to the Administrative Agent and the Borrower.

SECTION 9.10. Headings. Article and Section headings and the Table of Contents used herein are for convenience of reference only and are not to affect the construction of, or to be taken into consideration in interpreting, this Agreement.

SECTION 9.11. Entire Agreement. This Agreement, the other Loan Documents, the fee letters between the Agents and the Borrower and the Exhibits and Schedules hereto contain the entire agreement among the parties hereto with respect to the Loans and the related transactions. Any previous agreement among the parties with respect to the subject matter hereof is superseded by this Agreement, such fee letters and the other Loan Documents. Nothing in this Agreement or in the other Loan Documents, expressed or implied, is intended to confer upon any party other than the parties hereto any rights, remedies, obligations or liabilities under or by reason of this Agreement or the other Loan Documents.

SECTION 9.12. WAIVER OF JURY TRIAL, ETC.
(A) EACH PARTY HERETO HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS AGREEMENT OR ANY OF THE OTHER LOAN DOCUMENTS. EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS, AS APPLICABLE, BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 9.12.

(b) Except as prohibited by law, each party hereto hereby waives any right it may have to claim or recover in any litigation referred to in paragraph (a) of this Section 9.12 any special, indirect, exemplary, punitive or consequential damages or any damages other than, or in addition to, actual damages.

(c) Each party hereto (i) certifies that no representative, agent or attorney of any Bank has represented, expressly or otherwise, that such Bank would not, in the event of litigation, seek to enforce the foregoing waivers and (ii) acknowledges that it has been induced to enter into this Agreement or any other document, as applicable, by, among other things, the mutual waivers and certifications herein.

SECTION 9.13. Interest Rate Limitation. Notwithstanding anything herein or in the Promissory Notes to the contrary, if at any time the interest rate applicable to any Loan, together with all fees, charges and other amounts which are treated as interest on such Loan under applicable law (collectively the "Charges"), as provided for herein or in any other document executed in connection herewith, or otherwise contracted for, charged, received, taken or reserved by any Bank, shall exceed the maximum lawful rate (the "Maximum Rate") which may be contracted for, charged, taken, received or reserved by such Bank in accordance with applicable law, the rate of interest in respect of such Loan hereunder or payable under the Promissory Note held by such Bank, together with all Charges payable to such Bank, shall be limited to the Maximum Rate and, to the extent lawful, the interest and Charges that would have been payable in respect of such Loan but were not payable as a result of the operation of this Section 9.13 shall be cumulated and the interest and Charges payable to such Bank in respect of other Loans or periods shall be increased (but not above the Maximum Rate therefor) until such cumulated amount, together with interest thereon at the Federal Funds Effective Rate to the date of repayment, shall have been received by such Bank.

SECTION 9.14. JURISDICTION; CONSENT TO SERVICE OF PROCESS. (A) THE BORROWER AND FTX EACH HEREBY IRREVOCABLY AND UNCONDITIONALLY SUBMITS, FOR ITSELF AND ITS PROPERTY, TO THE NONEXCLUSIVE JURISDICTION OF ANY NEW YORK STATE COURT OR FEDERAL COURT OF THE UNITED STATES OF AMERICA SITTING IN NEW YORK CITY, AND ANY APPELLATE COURT FROM ANY THEREOF, IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY, OR FOR RECOGNITION OR ENFORCEMENT OF ANY JUDGMENT, AND EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY AND UNCONDITIONALLY AGREES THAT ALL CLAIMS IN RESPECT OF ANY SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED IN SUCH NEW YORK STATE OR, TO

THE EXTENT PERMITTED BY LAW, IN SUCH FEDERAL COURT. EACH OF THE PARTIES HERETO AGREES THAT A FINAL JUDGMENT IN ANY SUCH ACTION OR PROCEEDING SHALL BE CONCLUSIVE AND MAY BE ENFORCED IN OTHER JURISDICTIONS BY SUIT ON THE JUDGMENT OR IN ANY OTHER MANNER PROVIDED BY LAW. NOTHING IN THIS AGREEMENT SHALL AFFECT ANY RIGHT THAT ANY BANK OR AGENT MAY OTHERWISE HAVE TO BRING ANY ACTION OR PROCEEDING RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY AGAINST THE BORROWER OR ITS PROPERTIES IN THE COURTS OF ANY JURISDICTION.

(B) THE BORROWER AND FTX EACH HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES, TO THE FULLEST EXTENT IT MAY LEGALLY AND EFFECTIVELY DO SO, ANY OBJECTION WHICH IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF VENUE OF ANY SUIT, ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY IN ANY NEW YORK STATE OR FEDERAL COURT. EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, THE DEFENSE OF AN INCONVENIENT FORUM TO THE MAINTENANCE OF SUCH ACTION OR PROCEEDING IN ANY SUCH COURT.

(C) EACH PARTY TO THIS AGREEMENT IRREVOCABLY CONSENTS TO SERVICE OF PROCESS IN THE MANNER PROVIDED FOR NOTICES IN SECTION 9.1. NOTHING IN THIS AGREEMENT WILL AFFECT THE RIGHT OF ANY PARTY TO THIS AGREEMENT TO SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY LAW.

SECTION 9.15. Confidentiality. Each Bank agrees (which agreement shall survive the termination of this Agreement) that financial information, information from the Borrower's and its Subsidiaries' books and records, information concerning the Borrower's and its Subsidiaries' trade secrets and patents and any other information received from the Borrower and its Subsidiaries hereunder shall be treated as confidential by such Bank, and each Bank agrees to use its best efforts to ensure that such information is not published, disclosed or otherwise divulged to anyone other than employees or officers of such Bank and its counsel and agents; provided that it is understood that the foregoing shall not apply to:

(i) disclosure made with the prior written authorization of the Borrower or FTX;

(ii) disclosure of information (other than that received from the Borrower and its Subsidiaries or FTX prior to or under this Agreement) already known by, or in the possession of, such Bank without restrictions on the disclosure thereof at the time such information is supplied to such Bank by the Borrower or its Subsidiaries or FTX hereunder;

(iii) disclosure of information which is required by applicable law or to a governmental agency having supervisory or regulatory authority over any party hereto;

(iv) disclosure of information in connection with any suit, action or proceeding in connection with the enforcement of rights hereunder or in connection with the transactions contemplated hereby or thereby;

(v) disclosure to any bank (or other financial institution) which may acquire a participation or other interest in the Loans or rights of any Bank hereunder; provided that such bank (or other financial institution) agrees to maintain any such information to

be received in accordance with the provisions of this Section 9.15;

(vi) disclosure by any party hereto to any other party hereto or their counsel or agents;

(vii) disclosure by any party hereto to any entity, or to any subsidiary of such an entity, which owns, directly or indirectly, more than 50% of the voting stock of such party, or to any subsidiary of such an entity; or

(viii) disclosure of information that prior to such disclosure has become public knowledge through no violation of this Agreement.

[REST OF PAGE INTENTIONALLY LEFT BLANK]

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

FM PROPERTIES OPERATING CO.,

by FREEPORT-McMoRan INC.,
its Managing General Partner,

by
____
Name: R. Foster Duncan
Title: Treasurer

1615 Poydras Street
New Orleans, Louisiana 70112
Attention: R. Foster Duncan
Treasurer

Telephone: 504-582-4628
Telecopy: 504-582-4511

FREEPORT-McMoRan INC.,

by
____
Name: R. Foster Duncan
Title: Treasurer

1615 Poydras Street
New Orleans, Louisiana 70112

Attention: R. Foster Duncan
Treasurer

Telex: 8109515386
Telephone: 504-582-4628
Telecopy: 504-582-4511

THE CHASE MANHATTAN BANK,
(successor by merger to Chemical Bank and The Chase Manhattan Bank (National Association)), individually and as Administrative Agent, FTX Collateral Agent and Documentation Agent

by
____

Name:
Title:

DOMESTIC OFFICE AND LIBOR OFFICE:

One Chase Manhattan Plaza (5th Floor)
New York, NY 10081

Attention: James H. Ramage
Vice President

Telephone: 212-552-7784
Telecopy: 212-552-5555

ADDRESS FOR NOTICES:

Agent Bank Services
140 East 45th Street
New York, NY 10017

Attention: Hilma Gabbidon

Telex: 353006 ABSCNYK
Telephone: 212-622-0693
Telecopy: 212-622-0002

SCHEDULE I

Applicable Margin

LIBOR Rate Loans:	1% per annum
Reference Rate Loans:	0% per annum

Commitment Fee Rates on average daily unused Commitment:	3/8% per annum

SCHEDULE II

COMMITMENTS OF THE BANKS

Bank	Applicable Percentage	Commitment
The Chase Manhattan Bank	100%	$10,000,000.00
TOTAL	100%	$10,000,000.00

SCHEDULE III

Key Assets

Residential acres, pods or bulk lot sales of 25 or more lots or Clubs aggregating over $1 million in gross sales proceeds

Bent Tree Office -- Addison, TX
17.66 acre office site
Barton Creek Resort &

Keller Springs -- Addison, TX
10.74 acre commercial site

Hunter's Glen -- Plano, TX
8.95 acres retail land

Camino Real -- San Antonio,TX
22.7 acres multi-family land--
Vista del Norte 10AV
(Tract 2)

Bent Tree Addison --Addison, TX
50.1 acre tract suitable for industrial

Bent Tree
Apartment/Retail -- Addison, TX
10.42 acre commercial site

Tree Farm -- Plano, TX
21.5 acre commercial site

Bent Tree Marsh -- Carrolton, TX
22.85 acre site suitable for community retail center

SCHEDULE IV

FLORIDA PROPERTIES

FM Florida Properties Co.

SCHEDULE V

SUBSIDIARIES

FM Properties Senior Holding Inc.

Estates of Barton Creek Utilities, Inc.

Lakeside Utilities, Inc.

SCHEDULE VI

LITIGATION

1. On October 28, 1996, the City of Austin filed suit in Travis County District Court against the Southwest Travis County Water District (the "District") alleging

that the legislation creating the District was unconstitutional. The City challenged the validity of the legislation for three reasons: (1) carving out the District from the City's extraterritorial jurisdiction violated the City's home-rule powers; (2) the District has more power and authority than permitted for this type of conservation reclamation district; and (3) the legislation impairs existing City contract rights with the Circle C MUDs. The District, the Circle C MUDs, the Circle C Fire District, Phoenix Holdings, Ltd. and the Partnership are discussing strategies for responding to this lawsuit.

Exhibit 4.6

SECOND AMENDMENT TO
SECOND AMENDED AND RESTATED NOTE AGREEMENT

THIS SECOND AMENDMENT TO SECOND AMENDED AND RESTATED NOTE AGREEMENT (this "Amendment"), dated as of December 20, 1996, among FM PROPERTIES OPERATING CO., a Delaware general partnership ("FM Properties"), FREEPORT-McMoRan INC., a Delaware corporation ("FTX" or the "Guarantor"), HIBERNIA NATIONAL BANK, a national banking association ("Hibernia") and THE CHASE MANHATTAN BANK (successor by merger to Chemical Bank and The Chase Manhattan Bank (National Association)), a New York banking corporation ("Chase") (Hibernia and Chase, the "Banks"), and Hibernia, as Agent for the Banks (the "Agent").

RECITALS

A. The parties hereto, together with FREEPORT-McMoRan COPPER & GOLD INC., a Delaware corporation ("FCX"), have executed a Second Amended and Restated Note Agreement, dated as of June 30, 1995 (as amended, the "Note Agreement") relating to a $68,000,000 term loan from the Banks to FM Properties maturing on June 30, 1997.

B. FM Properties has requested (i) that the maturity date of the Loan be extended from June 30, 1997 to February 28, 1998, (ii) that the interest rate on the Loan be reduced from LIBOR plus 1.375% to LIBOR plus 1.00%, (iii) that the mandatory prepayment requirements upon the sale of the FM Properties' assets be modified, and (iv) that FCX be released as a guarantor of a portion of the Obligations and that FTX become the sole guarantor of all of the Obligations. The Banks are willing to accept FM Properties's request on the condition that (a) FM Properties agree to pay 50% of net proceeds from the sale or sales of the FM Properties' material assets as mandatory prepayments of the Obligations, and (b) that FM Properties agree otherwise on the terms and conditions set forth below.

C. All capitalized terms used herein and not otherwise defined herein shall have the meanings ascribed to them in the Note Agreement.

ARTICLE I.

AMENDMENTS TO THE NOTE AGREEMENT

1. Section 1.1 (Defined Terms) of the Note Agreement is hereby amended to add or amend the following definitions:

> "Company" shall mean FM Properties Inc., a Delaware corporation, which, as of the date hereof, holds a 99.8% general partnership interest in FM Properties.
>
> "FM Properties Credit Agreement" shall mean that certain Amended and Restated Credit Agreement among FM Properties, FTX, Chase as administrative, documentation and FTX Collateral Agent, and certain banks, dated as of December 20, 1996, relating to a $10,000,000 credit facility to FM Properties, as such credit agreement may be amended from time to time.

*   *   *

"FTX Credit Agreement" shall mean that certain Second Amended and Restated Credit Agreement among FTX, FRP, The Chase Manhattan Bank, as Administrative Agent, Documentation Agent, FTX Collateral Agent and FRP Collateral Agent (as all such terms are defined therein), and the Banks party thereto, dated as of November 14, 1996, as such credit agreement may be amended from time to time.

"FTX Guaranty" shall mean the guarantee of the Obligations by FTX pursuant to that certain FTX Amended and Restated Guaranty Agreement by FTX in favor of the Agent and others, dated as of December 20, 1996.

*   *   *

"Intercreditor Agreements" shall mean (i) the FTX Intercreditor Agreement dated as of June 11, 1992, as amended and restated in its entirety as of June 1, 1993 and as further amended and restated in its entirety as of December 31, 1995, and as further amended and restated in its entirety as of December 20, 1996, among Chase on behalf of certain banks pursuant to the FTX Credit Agreement, Chase on behalf of certain banks pursuant to the FM Properties Credit Agreement, the Agent, Texas Commerce Bank, and Chase as collateral agent, as such agreement may be further amended and in effect from time to time; and (ii) the FM Properties Intercreditor Agreement dated as of December 31, 1995, as amended and restated in its entirety as of December 20, 1996, among FM Properties, FTX, the Agent, and Chase on behalf of certain banks pursuant to the FM Properties Credit Agreement and Chase, as collateral agent, as such agreement may be amended and in effect from time to time.

*   *   *

"Material Asset" means any single asset of FM Properties for which, upon the sale thereof, FM Properties receives in excess of $100,000 in Net Proceeds.

*   *   *

"Termination Date" shall mean February 28, 1998, or, if applicable, any earlier date on which the obligation to pay the Notes in full shall mature pursuant to this Agreement.

2. Section 3.2 (Optional Prepayments) of the Note Agreement is hereby amended to delete the following clause in the 16th and 17th lines thereof: "but only after 15 days' prior notice to the Agent of its intention to do so."

3. Section 3.3(b) (Interest Rate and Payment Dates) of the Note Agreement is hereby amended to read as follows:

(b) For the period from January 3, 1996 through December 23, 1996, each Note shall bear interest at the rate of LIBOR plus one and three-eighths (1.375%) percent per annum. For the period from December 24, 1996 through the Termination Date, each Note shall bear interest at the rate of LIBOR plus one (1.00%) percent per annum. Interest shall be payable in arrears on the

last day of each Reference Period.

4. Section 3.6 (Mandatory Prepayments) of the Note Agreement is hereby amended to read as follows:

> 3.6 Mandatory Prepayments. On the last Business Day of each calendar month, commencing January 31, 1997, FM Properties shall repay the principal amount outstanding hereunder in an amount such that the total amount of all such payments made by FM Properties pursuant to this Section 3.6 from December 20, 1996 through the 20th day of each such calendar month is equal to at least 50% of the aggregate Net Proceeds of all sales of Material Assets which have occurred since December 20, 1996, rounded down to the nearest multiple of $100,000, it being understood that any amounts not paid as a result of such rounding down shall be carried over into the calculation of the next month's payment pursuant to this Section 3.6; provided that, with respect to any non-cash Net Proceeds, such determinations shall be made as of the date of receipt of cash proceeds thereof. At the time of each payment, FM Properties shall deliver documentation evidencing the sale of the Material Assets and the calculation of the Net Proceeds.

5. Sections 4.3 (Required Collateralization (FCX)); 5.1(c); 5.2(c); and 8.3 (Covenants Incorporated by Reference from the FCX Credit Agreement) of the Note Agreement, and all references in the Note Agreement to FCX, the FCX Guaranty, FI, FI Credit Agreement and the FCX Credit Agreement are hereby deleted (except to the extent that such terms are used in Section 6.1 of the Note Agreement relating to conditions to closing the original transaction). The Banks hereby release FCX from any further liability to the Banks arising pursuant to the FCX Guaranty, and agree that on such date the FCX Guaranty shall have no further force and effect as it relates to the Obligations under the Note Agreement.

6. Section 11.5(b) (The Agent) of the Note Agreement is hereby amended to read as follows:

> (b) FM Properties agrees to pay Agent, for Hibernia's account, a non-refundable agent's fee of $25,000 on January 3, 1997 and $25,000 on January 3, 1998; provided, however, that the fee payable on January 3, 1998 is payable for the entire year, and if FM Properties repays the loan in full at any time during the year, the unearned portion of the fee shall be returned by the Agent.

7. All references to Chemical Bank or to The Chase Manhattan Bank (National Association) are hereby replaced with The Chase Manhattan Bank.

8. The Notes are hereby modified to extend the maturity dates thereof to February 28, 1998 and to reduce the interest rate thereof to LIBOR plus one (1.00%) percent per annum effective December 24, 1996.

9. Each and every other document, agreement or instrument which was executed in connection with or pursuant to the Note Agreement is hereby modified to reflect the extension of the maturity of the Notes, this Amendment to the Note Agreement and the modification to the documents contained herein.

ARTICLE II.

CONDITIONS PRECEDENT

1. Conditions to Effectiveness. The following constitute conditions precedent to the effectiveness of this Amendment:

(a) Amendment. The Banks shall have received this Amendment, executed by a Responsible Officer of FM Properties and FTX.

(b) Loan Participation Agreement. The Banks shall have executed a Third Amendment to Loan Participation Agreement.

(c) FM Properties Partnership and Corporate Proceedings. The Banks shall have received a certificate of the Secretary or Assistant Secretary of FTX, as managing general partner of FM Properties, certifying (i) either that there have been no amendments to the partnership agreement of FM Properties since the effective date of the Note Agreement on June 30, 1995 or that attached to such certificate is a certified copy of such partnership agreement and all amendments thereto as of the date of such certificate, and (ii) the incumbency of the officer(s) of FTX, as managing general partner, executing this Amendment and all documents related hereto.

(c) FTX Guaranty. The Banks shall have received the amended and restated FTX Guaranty, executed by a Responsible Officer of FTX.

(d) FM Properties Intercreditor Agreement. The Banks shall have received the amended and restated FM Properties Intercreditor Agreement, executed by Responsible Officers of FM Properties and the other parties thereto.

(e) FTX Intercreditor Agreement. The Banks shall have received the amended and restated FTX Intercreditor Agreement, executed by Responsible Officers of FTX and the other parties thereto.

ARTICLE III.

REPRESENTATIONS AND WARRANTIES AND COVENANTS

1. FM Properties. FM Properties hereby certifies to the Agent and the Banks that all of the representations and warranties of FM Properties contained in the Note Agreement remain true and correct as of December 20, 1996, and that no Default under the Note Agreement has occurred and is continuing as of December 20, 1996.

2. FTX. FTX hereby certifies (i) that all of the representations and warranties contained in the FTX Guaranty Agreement and in the Note Agreement remain true and correct as of December 20, 1996; (ii) that FTX hereby consents to

the execution of this Amendment; and (iii) that the FTX Guaranty Agreement remains in full force and effect following the date of this Amendment.

ARTICLE IV.

MISCELLANEOUS

1. Savings Clause. Except as specifically amended by this Amendment, all of the other terms and conditions of the Note Agreement shall remain in full force and effect.

2. Counterparts. This Amendment may be executed by one or more of the parties to this Amendment on any number of separate counterparts and all of said counterparts taken together shall be deemed to constitute one and the same instrument.

3. Governing Law. This Amendment shall be governed by, and construed and interpreted in accordance with, the law of the State of Louisiana.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed and delivered by their proper and duly authorized officers as of the day and year first above written.

FM PROPERTIES OPERATING CO.

BY: FREEPORT-McMoRan INC.,
Managing General Partner

By: ____________________________

R. Foster Duncan
Its Treasurer

FREEPORT-McMoRan INC.

By: ____________________________

R. Foster Duncan
Its Treasurer

HIBERNIA NATIONAL BANK, as Agent
and Bank

By: _____________________________

Steve Nance
Its Banking Officer

THE CHASE MANHATTAN BANK, as Bank

By: _____________________________

Its Vice President

Exhibit 4.7

FTX/FMPO

AMENDED AND RESTATED CREDIT AGREEMENT

Originally Dated as of July 17, 1995

Amended and Restated as of December 20, 1996

between

FM Properties Operating Co.

and

Freeport-McMoRan Inc.

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Exhibit A -- Note

AMENDED AND RESTATED CREDIT AGREEMENT

AMENDMENT AND RESTATEMENT dated as of December ___, 1996 (this "Restatement"), to the FTX/FMPO Credit Agreement dated as of July 17, 1995 (the "Existing Credit Agreement"; the Existing Credit Agreement, as amended and restated by this Restatement, being "this Agreement"), between FM Properties Operating Co., and Freeport-McMoRan Inc.

The parties hereto agree as follows:

ARTICLE I

DEFINITIONS

SECTION 1.01. Definitions. The following terms, as used herein, have the following meanings:

"Affiliate" means (i) any Person that directly, or indirectly through one or more intermediaries, controls the Borrower (a "Controlling Person") or (ii) any Person (other than the Borrower or a Subsidiary of the Borrower) that is controlled by or is under common control with a Controlling Person. As used herein, the term "control" means possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ownership of voting securities, by contract, or otherwise.

"Asset Disposition" means, with respect to any Person, any sale, transfer, conveyance, lease or other disposition (including, without limitation, by way of merger, consolidation, or sale-leaseback) by such Person or any of its Subsidiaries to any Person (other than (i) to such Person or a Subsidiary of such Person, (ii) in the ordinary course of business, or (iii) of inventory) of any assets of such Person or any of its Subsidiaries (including any shares of capital stock of such Person's Subsidiaries).

"Borrower" means FM Properties Operating Co., a Delaware partnership, and its successors.

"Business Day" means any day except a Saturday, Sunday, or other day on which commercial banks in New York City are authorized by law to close.

"Credit Agreement" means the Credit Agreement, dated as of June 30, 1995, among the Borrower, FTX, The Chase Manhattan Bank, as administrative agent and as documentation agent, and the banks party thereto, as amended and/or restated and in effect from time to time.

"FTX" means Freeport-McMoRan Inc., a Delaware corporation, and its successors.

"Guarantee" means, with respect to any Person, any obligation, contingent or otherwise, of such Person guaranteeing or having the economic effect of guaranteeing any Indebtedness or obligation of any other Person (the "primary obligor") in any manner, whether directly or indirectly, and including, without limitation, any obligation of such Person, direct or indirect, (i) to purchase (or advance or supply funds for the purchase of) any security for the payment of such Indebtedness or obligation, (ii) to purchase property, securities, or services for the purpose of assuring the owner of such Indebtedness or obligation of the payment of such Indebtedness or obligation, or (iii) to maintain working capital, equity capital, or any other financial statement condition of the primary obligor, so as to enable the primary obligor to pay such Indebtedness or obligation; provided, however, that the term "Guarantee" shall not include any endorsement for collection or deposit in the ordinary course of business.

"Indebtedness" of any Person means, without duplication, (a) all obligations of such Person for borrowed money or with respect to deposits or advances of any kind (excluding deposits or advances in respect of the purchase price of property or services to be delivered or performed within 180 days of receipt of such deposit or advance, but not excluding such deposits or advances in respect of which such property or services have in fact not been delivered or performed within such period), (b) all obligations of such Person evidenced by bonds, debentures, notes, or similar instruments, (c) all obligations of such Person under conditional sale or other title retention agreements relating to property or assets purchased by such Person (but in no event including operating leases), (d) all obligations of such Person issued or assumed as the deferred (for 180 days or more) purchase price of property or services, (e) all Indebtedness of others secured by (or for which the holder of such Indebtedness has an existing right, contingent or otherwise, to be secured by) any Lien on property owned or acquired by such Person, whether or not the obligations secured thereby have been assumed, (f) all Guarantees by such Person of Indebtedness of others, (g) all capitalized lease obligations of such Person, (h) the undischarged balance of any production payment, and (i) all obligations of such Person as an account party in respect of letters of credit and bankers' acceptances (other than performance letters of credit or letters of credit that back-up payment obligations in respect of trade obligations that do not constitute Indebtedness); provided that Indebtedness shall not include trade accounts payable, not incurred in respect of borrowed money or deferred compensation, that are incurred in the ordinary course of business and are not overdue or, if overdue, are being contested in good faith by appropriate proceedings. The Indebtedness of the Borrower, any Subsidiary or any Person shall include the Indebtedness of any partnership in which the Borrower, such Subsidiary or such Person is a general partner, respectively.

"Intercreditor Agreement" means the Intercreditor Agreement among FTX, The Chase Manhattan Bank, as agent for the FM Lenders, and Hibernia National Bank, as agent for the Pel-Tex Banks, in the form of Exhibit I to the Credit Agreement, as amended and/or restated and in effect from time to time.

"Lien" means, with respect to any asset, (a) any mortgage, deed of trust, lien, pledge, encumbrance, charge, or security interest in or on such asset, (b) the interest of a vendor or a lessor under any conditional sale agreement, capital lease, or title retention agreement relating to such asset, (c) in the case of securities, any purchase option, call, or similar right of a third party with respect to such securities, and (d) other encumbrances of any kind, including, without limitation, production payment obligations.

"Loan" has the meaning set forth in Section 2.01.

"Net Proceeds" means, with respect to any Asset Disposition, (i) the gross fair market value of the consideration or other amounts payable to or receivable by the Borrower and any of its Subsidiaries from or in respect of such Asset Disposition, less (ii) the amount, if any, of all taxes (but including income taxes only to the extent the Borrower reasonably estimates that such income taxes will be paid on the date of the next income tax filing by the partners of the Borrower) and reasonable and customary fees,

commissions, costs, and other expenses that are incurred in connection with such Asset Disposition and are payable by the Borrower or the Subsidiary of the Borrower affected by such Asset Disposition, but only to the extent not already deducted in arriving at the amount referred to in clause (i).

"Note" means a promissory note of the Borrower, substantially in the form of Exhibit A hereto, evidencing the obligation of the Borrower to repay the Loans.

"Partnership Agreement" means the Amended and Restated Agreement of General Partnership dated as of June 11, 1992 among the Company, FTX and FMPO Sub Inc., as amended and/or restated and in effect from time to time.

"Prime Rate" means the rate of interest per annum announced by the Administrative Agent from time to time as its prime rate in effect at its principal office in the City of New York.

"Restricted Payment" means (i) any distributions to any holder of partnership interests of the Borrower, (ii) any payment on account of the purchase, redemption, or acquisition of (A) any partnership interests of the Borrower or shares of capital stock of the Company or (B) any option, warrant, or other right to acquire partnership interests of the Borrower or shares of capital stock of the Company, (iii) any prepayment, redemption, repurchase, or other acquisition or retirement for value prior to scheduled maturity of (A) any Indebtedness of the Borrower ranked pari passu or subordinate in right of payment to the Loans and having a maturity date subsequent to the maturity of the Loans or (B) any Indebtedness of the Company (which shall not include any Indebtedness of the Borrower or any Subsidiary of the Borrower) or (iv) any investment in, loan, advance to, Guarantee on behalf of, directly or indirectly, or other transfer of assets to (A) any Affiliate of the Borrower or (B) any holder of 5% or more of any class of capital stock of the Company (including any Affiliates thereof).

"Senior Lenders" means, collectively, the Pel-Tex Lenders, the Agents, and the Banks.

"Subordination Terms" means the form of subordination terms set forth in Exhibit E to the Credit Agreement, as amended and/or restated and in effect from time to time.

"Subsidiary" means, with respect to any Person, any corporation at least a majority of whose securities having ordinary voting power for the election of directors (other than securities having such power only by reason of the happening of a contingency) are at the time owned by such Person and/or one or more other Subsidiaries of such Person and any partnership (other than joint ventures for which the intention under the applicable agreements, including operating agreements, if any, is that such joint ventures be partnerships solely for purposes of the Code) in which such Person or a Subsidiary of such Person is a general partner.

"Termination Date" means the earliest of (i) February 28, 1998, (ii) the date of a Change in Control and (iii) the date of any acceleration of the maturity or repayment in full of the Senior Obligations, or, if any such day is not a Business Day, the next succeeding Business Day.

Capitalized terms used but not defined herein shall have the respective meanings set forth in the Credit Agreement, the Intercreditor Agreement, or the Subordination Terms.

ARTICLE II

THE CREDITS

SECTION 2.01. Loans. FTX agrees, on the terms and conditions set forth in this Agreement, to make loans ("Loans") to the Borrower from time to time prior to the Termination Date in such amounts, with such stated maturities, or payable on demand, and with such interest periods if, as, and when FTX determines in its sole discretion, subject to the provisions of the Credit Agreement. These Loans (except the FTX Loan) are subordinated to the Senior Debt in accordance with the Subordination Terms, which are incorporated by reference herein. The Borrower agrees, on the terms and conditions set forth in this Agreement, to borrow such Loans from FTX if, as, and when FTX so determines, but shall have no right to require FTX to make any such Loans. The principal amount of each Loan shall be due and payable as determined by FTX at the time the Loan is made, and may be prepaid at any time, subject in each case to the Credit Agreement and, except as to the FTX Loan, the Subordination Terms. The FTX Loan ranks on a pari passu basis in right of payment with all other Indebtedness of the Borrower, including the Senior Debt.

SECTION 2.02. Funding of Loans. On the date of each Loan, FTX shall make available such Loan, in federal or other funds immediately available, to the Borrower at its address specified pursuant to Section 4.02.

SECTION 2.03. Notes. (a) The Loans shall be evidenced by a single Note payable to the order of FTX in an amount equal to the aggregate unpaid principal amount of such Loans. The Note shall be substantially in the form of Exhibit A hereto and shall attach the Subordination Terms (which Subordination Terms shall not, however, be applicable to the FTX Loan).

(b) FTX shall record the date, amount and maturity of each Loan made by it and the date and amount of each payment of principal made by the Borrower with respect thereto, provided that the failure of FTX to make any such recordation shall not affect the obligations of the Borrower hereunder or under the Note. FTX is hereby irrevocably authorized by the Borrower to attach to and make a part of its Note a continuation of any such schedule as and when required.

SECTION 2.04. Interest Rates. Each Loan with a stated maturity shall bear interest on the outstanding principal amount thereof for each day from the date such Loan is made until its stated maturity, at a rate per annum to be agreed upon between FTX and the Borrower at the time of the making of such Loan, payable, subject to the Credit Agreement and, except as to the FTX Loan, the Subordination Terms, quarterly in arrears on the 5th day of each March, June, September, and December of each year (or at maturity of such Loan, if earlier). Each Loan payable on demand shall bear interest, payable on demand, subject to the Credit Agreement, and, except as to the FTX Loan, the Subordination Terms, on the outstanding principal amount

thereof for each day from the date such Loan is made until paid in full at a rate per annum to be agreed upon between FTX and the Borrower at the time of the making of such Loan, compounded quarterly on the 5th day of each March, June, September, and December of each year. Any overdue principal of or interest on any Loan (including any principal not paid at its stated maturity or on demand and any interest not timely paid, whether due to any provision of the Credit Agreement, or the Subordination Terms, or otherwise) shall bear interest, payable, subject to the Credit Agreement and, except as to the FTX Loan, the Subordination Terms, on demand for each day until paid at 2% over the rate per annum agreed upon between FTX and the Borrower as applicable to such Loan at the time of the making of such Loan, compounded quarterly on the 5th day of each March, June, September, and December of each year.

SECTION 2.05. Mandatory Prepayment. On the Termination Date, any Loans outstanding (together with accrued interest thereon) shall be due and payable, subject to the Credit Agreement and, except as to the FTX Loan, the Subordination Terms.

SECTION 2.06. Computation of Interest. Interest based on the Prime Rate shall be computed on the basis of a year of 365 days (or 366 days in a leap year) and paid for the actual number of days elapsed (including the first day but excluding the last day). All other interest shall be computed as agreed upon by FTX and the Borrower at the time of the making of each Loan.

ARTICLE III

COVENANTS

Subject to the last paragraph of this Article, the Borrower agrees that, upon and after a Change in Control, then, until all Loans and all other amounts payable hereunder have been paid in full, unless FTX otherwise agrees:

SECTION 3.01. Conduct of Business. The Borrower will continue, and will cause each of its Subsidiaries to continue, to engage in business of the same general type as conducted by the Borrower and its Subsidiaries on such date, and will preserve, renew, and keep in full force and effect, and will cause each of its Subsidiaries to preserve, renew, and keep in full force and effect their respective partnership or corporate existence and their respective rights, privileges, and franchises necessary or desirable in its normal conduct of business as so conducted. The Borrower will not enter into any transactions out of the normal course of its business, except as expressly permitted by Sections 3.02 and 3.04.

SECTION 3.02. Indebtedness. The Borrower will not, and shall not permit any of its Subsidiaries to, incur any Indebtedness, except for (i) any Indebtedness the proceeds of which are immediately applied to the payment of any Senior Debt or any Loans; and (ii) any Loans; provided that in the event that FTX shall fail to make any payment required under its guarantees of the Senior Debt within five Business Days after demand therefor, then the foregoing covenants of this Section 3.02 shall not apply and the Borrower or any of its Subsidiaries may incur any Indebtedness that is non-recourse to FTX on such

non-recourse terms that are satisfactory to FTX, acting reasonably (such non-recourse terms to be deemed satisfactory if FTX shall not have informed the Borrower within five Business Days of actual receipt thereof whether such terms are satisfactory).

SECTION 3.03. Restricted Payments. Neither the Borrower nor any of its Subsidiaries will declare or make any Restricted Payment.

SECTION 3.04. Sales of Assets. The Borrower will not make, and will not permit any of its Subsidiaries to make, any Asset Disposition unless the Net Proceeds of such Asset Disposition are applied to the payment of Senior Debt or Loans immediately upon receipt thereof.

SECTION 3.05. Transactions with Affiliates. The Borrower will not, and will not permit any of its Subsidiaries to, directly or indirectly, pay any funds to or for the account of, make any investment (whether by acquisition of stock or indebtedness, by loan, advance, transfer of property, Guarantee, or other agreement to pay, purchase, or service, directly or indirectly, any Indebtedness, or otherwise) in, lease, sell, transfer, or otherwise dispose of any assets, tangible or intangible, to, or participate in, or effect any transaction in connection with any joint enterprise or other joint arrangement, or engage in any other transaction with, any Affiliate.

Notwithstanding anything in this Agreement to the contrary, so long as any Bank shall have any Commitment under the Credit Agreement or any Senior Debt is outstanding, nothing contained in this Agreement, including Sections 3.01, 3.02, 3.03, 3.04, and 3.05, shall prohibit, interfere with, or be deemed breached by any exercise of rights or remedies by, or collection efforts of, the Senior Lenders or any action taken by the Borrower with the agreement of the Senior Lenders in connection therewith.

ARTICLE IV

MISCELLANEOUS

SECTION 4.01. Other Agreements. The parties acknowledge and agree that this Agreement is subject to the terms of the Credit Agreement, the Subordination Terms (except that the Subordination Terms do not apply to the FTX Loan), and the Intercreditor Agreement.

SECTION 4.02. Notices. All notices, requests, and other communications to any party hereunder shall be in writing (including bank wire, telex, facsimile transmission, or similar writing) and shall be given to such party at its address, telecopier number, or telex number set forth on the signature pages hereof. Each such notice, request, or other communication shall be effective, (i) if given by telex, when such telex is transmitted to the telex number specified in this Section and the appropriate answerback is received or, (ii) if given by any other means, when delivered at the address or received at the telecopier number specified in this Section.

SECTION 4.03. No Waivers. No failure or delay by the parties in exercising any right, power, or privilege hereunder or under the Note shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the

exercise of any other right, power, or privilege. The rights and remedies herein provided shall be cumulative and not exclusive of any rights or remedies provided by law.

SECTION 4.04. Amendments and Waivers. Subject to the Credit Agreement, any provision of this Agreement or the Notes may be amended or waived if, but only if, such amendment or waiver is in writing and is signed by the Borrower and FTX and with the consent of the Required Banks and the Pel-Tex Lenders.

SECTION 4.05. Successors and Assigns. The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors. The parties may not assign or otherwise transfer any of their rights under this Agreement.

SECTION 4.06. Specific Performance. The parties hereto agree that FTX would be irreparably damaged if for any reason the Borrower failed to perform its obligations under Sections 3.01, 3.02, 3.03, 3.04, and 3.05 of this Agreement and that FTX would not have an adequate remedy at law for money damages in such event. Accordingly, FTX shall be entitled to specific performance and injunctive and other equitable relief to enforce the performance of such provisions of this Agreement by the Borrower. This provision is without prejudice to any other rights that FTX may have against the Borrower for any failure to perform its obligations under this Agreement. Notwithstanding the foregoing, the parties agree that FTX shall not be entitled to and may not exercise any specific performance, injunctive, or other equitable relief that would prohibit or interfere with any exercise of rights or remedies by, or collection efforts of, the Senior Lenders or any action taken by the Borrower with the agreement of the Senior Lenders in connection therewith.

SECTION 4.07. Governing Law. This Agreement and each Note shall be governed by and construed in accordance with the laws of the State of New York.

SECTION 4.08. Counterparts; Integration. This Agreement may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument. This Agreement constitutes the entire agreement and understanding among the parties hereto and supersedes any and all prior agreements and understandings, oral or written, relating to the subject matter hereof. There being no Loans outstanding under the Credit and Guarantee Agreement dated as of June 11, 1992 among the Borrower, FM Properties Inc., and Freeport-McMoRan Inc., such agreement is hereby terminated.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

FM PROPERTIES OPERATING CO.,

by FREEPORT-McMoRan INC.,
its Managing General Partner

By: ____________________________
Name: R. Foster Duncan
Title: Treasurer

1615 Poydras Street
New Orleans, Louisiana 70112
Attention: R. Foster Duncan
Treasurer

Telex: 8109515386
Telephone: 504-582-4628
Telecopy: 504-582-4511

FREEPORT-McMoRan INC.

By: ____________________________
Name: R. Foster Duncan
Title: Treasurer

1615 Poydras Street
New Orleans, Louisiana 70112
Attention: R. Foster Duncan
Treasurer

Telex: 8109515386
Telephone: 504-582-4628
Telecopy: 504-582-4511

EXHIBIT A

NOTE

New York, New York
July 17, 1995

For value received, FM Properties Operating Co., a Delaware partnership (the "Partnership"), promises to pay to the order of Freeport-McMoRan Inc. ("FTX") the unpaid principal amount of each Loan made by FTX to the Borrower pursuant to the FTX/FMPO Credit Agreement referred to below on the dates provided for in the FTX/FMPO Credit Agreement. The Partnership promises to pay interest on the unpaid principal amount of each such Loan on the dates and at the rate or rates provided for in the FTX/FMPO Credit Agreement, subject to the FM Credit Agreement and, unless the Loan is the FTX Loan, the Subordination Terms attached hereto. All such payments of principal and interest shall be made in lawful money of the United States in Federal or other immediately available funds at the office of FTX.

All Loans made by FTX, the respective maturities thereof, and all repayments of the principal thereof shall be recorded by FTX on the schedule attached hereto, or on a continuation of such schedule attached to and made a part hereof; provided that the failure of FTX to make any such recordation shall not affect the obligations of the Borrower and FM Properties Inc. hereunder or under the FTX/FMPO Credit Agreement.

This note is the Note referred to in the FTX/FMPO Credit Agreement dated as of July 17, 1995, between the Partnership and FTX (as amended and/or restated and in effect from time to time, the "FTX/FMPO Credit Agreement"). This Note is secured by the Deed of Trust, Security

Agreement and Financing Statement, dated June 11, 1992, as modified by the First Modification and Ratification of Deed of Trust, Assignment, Security Agreement and Financing Statement, dated July 17, 1995, and as further amended, modified and/or restated and in effect from time to time.

Terms defined in the FTX/FMPO Credit Agreement are used herein with the same meanings. Reference is made to the FTX/FMPO Credit Agreement for provisions for the prepayment hereof.

FM PROPERTIES OPERATING CO.,

by FREEPORT-McMoRan INC.,
its Managing General Partner

By:____________________________
Name: R. Foster Duncan
Title: Treasurer

ACKNOWLEDGED AND AGREED

FREEPORT-McMoRan INC.

By: _____________________
Name: R. Foster Duncan
Title: Treasurer

LOANS AND PAYMENTS OF PRINCIPAL

Date	Amount of Loan	Interest Rate (basis)	Amount of Principal Repaid	Maturity Date	Notation Made By

Exhibit 4.8

AMENDED AND RESTATED CREDIT AGREEMENT

DATED AS OF DECEMBER 20, 1996

BY AND BETWEEN

CIRCLE C LAND CORP.

as the Borrower

AND

TEXAS COMMERCE BANK NATIONAL ASSOCIATION

as the Bank

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SCHEDULE 3.3 STANDBY LETTERS OF CREDIT

EXHIBIT "A" TERM NOTE
EXHIBIT "B" REVOLVING NOTE
EXHIBIT "C" NOTICE OF BORROWING
EXHIBIT "D" NOTICE OF RATE CONVERSION/CONTINUATION
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EXHIBIT "F" FTX GUARANTY

AMENDED AND RESTATED CREDIT AGREEMENT

THIS AMENDED AND RESTATED CREDIT AGREEMENT (the "Credit Agreement" or "this Agreement") by and between CIRCLE C LAND CORP., a corporation organized under the laws of Texas (hereinafter called the "Borrower"), and TEXAS COMMERCE BANK NATIONAL ASSOCIATION, a national banking association (hereinafter called the "Bank"):

W IT N E S S E T H:

WHEREAS, the Borrower and the Bank entered into that certain Credit Agreement, dated as of February 6, 1992 (the "Initial Agreement"); and

WHEREAS, the Initial Agreement was amended by that certain First Amendment to Credit Agreement dated to be effective as of June 11, 1992, executed by the Borrower and the Bank (the "First Amendment"); and

WHEREAS, the Initial Agreement was amended by that certain Second Amendment to Credit Agreement dated to be effective as of November 16, 1992, executed by Borrower and the Bank (the "Second Amendment"); and

WHEREAS, the Initial Agreement was amended by that certain Third Amendment to Credit Agreement dated to be effective as of May 5, 1993, executed by the Borrower and the Bank (the "Third Amendment"); and

WHEREAS, the Initial Agreement was amended by that certain Fourth Amendment to Credit Agreement and Revolving Note dated to be effective as of September 1, 1993, executed by the Borrower and the Bank (the "Fourth Amendment"); and

WHEREAS, the Initial Agreement was amended by that certain Fifth Amendment to Credit Agreement dated to be effective as of February 2, 1994, executed by the Borrower and the Bank (the "Fifth Amendment"); and

WHEREAS, the Initial Agreement was amended by that certain Sixth Amendment to Credit Agreement dated to be effective as of July 17, 1995, executed by the Borrower and the Bank (the "Sixth Amendment"); and

WHEREAS, the Initial Agreement was amended by that certain Seventh Amendment to Credit Agreement dated to be effective as of December 12, 1996, executed by the Borrower and the Bank (the "Seventh Amendment") (the Initial Agreement as amended by the First Amendment, Second Amendment, Third Amendment, Fourth Amendment, Fifth Amendment, Sixth Amendment and Seventh Amendment, the "Amended Agreement"); and

WHEREAS, the Borrower desires additional modifications to the Amended Agreement; and

WHEREAS, the Borrower has requested that the Amended Agreement be amended and restated as provided herein; and

WHEREAS, the Bank has agreed to amend and restate the Amended Agreement as provided herein;

NOW, THEREFORE, for and in consideration of Ten and No/100 Dollars ($10.00) and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by the Borrower, the Borrower and the Bank hereby amend and restate the Amended Agreement and agree as follows:

1. CERTAIN DEFINITIONS. Capitalized terms used in this Agreement and not otherwise defined herein shall have the meanings given to them as follows:

"Additional Costs" shall mean, with respect to any Rate Period in the case of any Eurodollar Rate Loan, all costs, losses or payments, as determined by the Bank in its sole and absolute discretion (which determination shall be conclusive in the absence of manifest error), that the Bank or its Domestic Lending Office or its Eurodollar Lending Office does, or would, if such Eurodollar Rate Loan were funded during such Rate Period by the Domestic Lending Office or the Eurodollar Lending Office of the Bank, incur, suffer or make by reason of:

(a) any and all present or future taxes (including, without limitation, any interest equalization tax or any similar tax on the acquisition of debt obligations, or any stamp or registration tax or duty or official or sealed

papers tax), levies, imposts or any other charge of any nature whatsoever imposed by any taxing authority on or with regard to any aspect of the transactions contemplated by this Agreement, except such taxes as may be measured by the overall net income of the Bank or its Domestic Lending Office or its Eurodollar Lending Office and imposed by the jurisdiction, or any political subdivision or taxing authority thereof, in which the Bank's Domestic Lending Office or its Eurodollar Lending Office is located; and

(b) any increase in the cost to the Bank of agreeing to make or making, funding or maintaining any Eurodollar Rate Loan because of or arising from (i) the introduction of, or any change (other than any change by way of imposition or increase of reserve requirements, in the case of any Eurodollar Rate Loan, included in the Eurodollar Rate Reserve Percentage) in or in the interpretation or administration of, any law or regulation or (ii) the compliance with any request from any central bank or other governmental authority (whether or not having the force of law).

"Adjusted Excess Cash Flow" means Excess Cash Flow calculated for each Quarter-Annual Period, minus any interest payments, payments of regularly scheduled principal installments and payments required under Subsection 5.1(d) of the Credit Agreement.

"Affiliate" shall mean any Person controlling, controlled by or under common control with any other Person. For purposes of this definition, "control" (including "controlled by" and "under common control with") means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities or otherwise. If any Person shall own, directly or indirectly, beneficially and of record twenty percent (20%) or more of the equity (whether outstanding capital stock, partnership interests or otherwise) of another Person, such Person shall be deemed to be an Affiliate.

"Agreement" shall mean this Credit Agreement, as the same may be amended, modified or supplemented from time to time.

"Applicable Lending Office" shall mean the Bank's (a) Domestic Lending Office in the case of a Base Rate Loan and (b) Eurodollar Lending Office in the case of a Eurodollar Rate Loan.

"Base Rate" shall mean, for any day, a rate per annum (rounded upward to the nearest 1/16 of 1%) equal to the greater of (a) the Prime Rate (computed on the basis of the actual number of days elapsed over a year of 365 or 366 days, as the case may be) and (b) the Federal Funds Rate in effect for such day plus one-half of one percent (1/2%). For purposes of this Agreement, any change in the Base Rate due to a change in the Federal Funds Rate shall be effective on the effective date of such change in the Federal Funds Rate. If for any reason the Bank shall have determined (which determination shall be conclusive and binding, absent manifest error) that it is unable to ascertain the Federal Funds Rate for any reason, including, without limitation, the inability or failure of the Bank to obtain sufficient bids or publications in accordance with the terms thereof, the Base Rate shall be the Prime Rate until the circumstances giving rise to such inability no longer exist.

"Base Rate Loan" shall mean any Loan which bears interest at the Base Rate.

"Bill of Sale" shall mean the Bill of Sale, Assignment and Assumption Agreement, dated June 11, 1992, executed by FREEPORT-McMoRan INC., a Delaware corporation, and FM Properties.

"Borrowing Date" shall mean a date upon which the Borrower has requested a Loan is to be made in a Notice of Borrowing delivered pursuant to Section .

"Borrower's Cash Reserve" shall mean on the last day of each Quarter-Annual Period during the term of the Loans, the amount in cash necessary to bring the total cash reserves held by Borrower to equal the amount of $300,000.

"Budget" shall mean the budget described in Section .

"Business Day" shall mean a day when the Bank is open for business, provided that, if the applicable Business Day relates to any Eurodollar Rate Loan, it shall mean a day when the Bank is open for business and banks are open for business in the Eurodollar interbank market selected by the Bank in determining the Eurodollar Rate and in New York City.

"Circle C Tract" shall mean the real property and the personal property relating to it as described in Section .

"Closing Date" shall mean February 6, 1992.

"Code" shall mean the Internal Revenue Code of 1986, as amended, as now or hereafter in effect, together with all regulations, rulings and interpretations thereof or thereunder issued by the Internal Revenue Service.

"Commitment" shall mean the Revolving Loan Commitment, the Term Loan Commitment, and the Letter of Credit Commitment.

"Conversion/Continuation Date" shall have the meaning set forth in Section (a)(ii).

"Current Debt" shall mean any obligation for borrowed money (and any notes payable and drafts accepted representing extensions of credit whether or not representing obligations for borrowed money) payable on demand or within a period of one year from the date of the creation thereof; provided that (i) any obligation, except Debt represented by the Notes, shall be treated as Funded Debt, regardless of its term, if such obligation is renewable, pursuant to the terms thereof or of a revolving credit or similar agreement, to a date more than one year after the date of the creation of such obligation and (ii) all Debt represented by the Notes shall be treated as Current Debt.

"Debt" shall mean Funded Debt or Current Debt, as the case may be, including the Borrower's indebtedness represented by the Notes.

"Debtor Laws" shall mean all applicable liquidation, conservatorship, bankruptcy, moratorium, arrangement, receivership, insolvency, reorganization, or similar laws, or general equitable principles from time to time in effect affecting the rights of creditors generally.

"Default" shall mean any of the events specified

in Section , whether or not there has been satisfied any requirement in connection with such event for the giving of notice, or the lapse of time, or the happening of any further condition, event or act.

"Dollars" and "$" shall mean lawful currency of the United States of America.

"Domestic Lending Office" shall mean the Bank's office located at 717 Travis, Houston, Texas 77002 or such other office of the Bank as the Bank may from time to time specify to the Borrower.

"Environmental Law" shall mean (a) the Comprehensive Environmental Response, Compensation and Liability Act of 1980 (as amended by the Superfund Amendments and Reauthorization Act of 1986, 42 U.S.C.A. 9601 et seq.), as amended from time to time, and any and all rules and regulations issued or promulgated thereunder ("CERCLA"); (b) the Resource Conservation and Recovery Act (as amended by the Hazardous and Solid Waste Amendment of 1984, 42 U.S.C.A. 6901 et seq.), as amended from time to time, and any and all rules and regulations issued or promulgated thereunder ("RCRA"); (c) the Clean Air Act, 42 U.S.C.A. 7401 et seq., as amended from time to time, and any and all rules and regulations issued or promulgated thereunder; (d) the Clean Water Act of 1977, 33 U.S.C.A. 1251 et seq., as amended from time to time, and any and all rules and regulations issued or promulgated thereunder; (e) the Toxic Substances Control Act, 15 U.S.C.A. 2601 et seq., as amended from time to time, and any and all rules and regulations issued or promulgated thereunder; or (f) any other federal or state law, statute, rule, or emulation enacted in connection with or relating to the protection or regulation of the environment (including, without limitation, those laws, statutes, rules, and regulations regulating the disposal, removal, production, storing, refining, handling, transferring, processing, or transporting of Hazardous Materials) and any rules and regulations issued or promulgated in connection with any of the foregoing by any governmental authority, and "Environmental Laws" shall mean each of the foregoing.

"ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended from time to time, and all rules, regulations, rulings and interpretations thereof issued by the Internal Revenue Service or the Department of Labor thereunder.

"Eurocurrency Liabilities" shall have the meaning assigned to that term in Regulation D of the Board of Governors of the Federal Reserve System, as in effect from time to time.

"Eurodollar Lending Office" shall mean the Bank's office located at 717 Travis, Houston, Texas 77002 or such other office of the Bank as the Bank may from time to time specify to the Borrower.

"Eurodollar Rate" shall mean with respect to the applicable Rate Period in effect for each Eurodollar Rate Loan, the sum of (a) 1 percent (1%) plus (b) the quotient obtained by dividing (i) the annual rate of interest determined by the Bank, at or before 10:00 a.m. (Houston time) (or as soon thereafter as practicable), on the second Business Day prior to the first day of such Rate Period, to be the annual rate of interest at which deposits of Dollars are offered to the Bank by prime banks in whatever Eurodollar interbank market may be selected by the Bank in its sole

discretion, acting in good faith, at the time of determination and in accordance with the then existing practice in such market for delivery on the first day of such Rate Period in immediately available funds and having a maturity equal to such Rate Period in an amount equal (or as nearly equal as may be) to the unpaid principal amount of such Eurodollar Rate Loan by (ii) a percentage equal to 100% minus the Eurodollar Rate Reserve Percentage for such Rate Period. Each determination of the Eurodollar Rate made by the Bank in accordance with this paragraph shall be conclusive except in the case of manifest error.

"Eurodollar Rate Loan" shall mean any Loan which bears interest at the Eurodollar Rate.

"Eurodollar Rate Reserve Percentage" of the Bank for any Rate Period for any Eurodollar Rate Loan shall mean the reserve percentage applicable during such Rate Period (or if more than one such percentage shall be so applicable, the daily average of such percentages for those days in such Rate Period during which any such percentage shall be so applicable) under regulations issued from time to time by the Board of Governors of the Federal Reserve System (or any successor) for determining the maximum reserve requirement (including, without limitation, any emergency, supplemental, or other marginal reserve requirement) for member banks of the Federal Reserve System with deposits exceeding $1,000,000,000 with respect to liabilities or assets consisting of or including Eurocurrency Liabilities having a term equal to such Rate Period.

"Event of Default" shall mean any of the events specified in Section , provided that there has been satisfied any applicable requirement in connection with such event for the giving of notice, or the lapse of time, or the happening of any further condition, event or act.

"Excess Cash Flow" shall mean, for any Period, an amount equal to Gross Cash Receipts for such period, (i) minus Operating Expenses for such Period other than interest payments made on the secured Debt described in Subsection 11.2(f) of the Credit Agreement, (ii) plus (or minus) to the extent not otherwise included in Gross Cash Receipts, the cash effect of extraordinary gains (or the cash effect of extraordinary losses) during such period, (iii) minus any payments or prepayments of the Loans or Reimbursement Obligations made hereunder, other than prepayments representing Adjusted Excess Cash Flow made pursuant to Subsection 5.1(a), (iv) minus any payments made to the Bank consisting of MUD Proceeds or consisting of proceeds of the Debt described in Section 11.2(g) of the Credit Agreement, (v) minus the Borrower's Cash Reserve. The term "Excess Cash Flow" when used in calculating payments to be made on the loans permitted under Subsection 11.2(f) of the Credit Agreement shall mean Excess Cash Flow calculated each Quarter-Annual Period. Notwithstanding the foregoing, Excess Cash Flow used to make payments on the loans permitted under Subsection 11.2(f) of the Credit Agreement shall not consist of any of the proceeds of the Revolving Credit Loans.

"Expiration Date" shall mean the last day of a Rate Period.

"Facility Fee" shall mean the facility fee specified in Section .

"Facility Letter(s) of Credit" shall mean, in the singular form, any Standby Letter of Credit issued by the Bank

for the account of the Borrower pursuant to Section and, in the plural form, all such Standby Letters of Credit issued for the account of the Borrower.

"Facility Letter of Credit Fee" shall have the meaning set forth in Section .

"Facility Letter of Credit Obligations" shall mean, at any particular time, the sum of (a) the Reimbursement Obligations, plus (b) the aggregate undrawn face amount of all outstanding Facility Letters of Credit, in each case as determined by the Bank.

"Federal Funds Rate" shall mean, for any period, a fluctuating interest rate per annum equal for each day during such period to the weighted average of the rates on overnight Federal fund transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published for such day (or, if such day is not a Business Day, of the next preceding Business Day) by the Federal Reserve Bank of New York, or, if such rate is not so published for any day which is a Business Day, the average of the quotations for such day on such transactions received by the Bank from three Federal funds brokers of recognized standing selected by it.

"FM Properties" shall mean FM Properties Operating Co., a Delaware general partnership.

"FTX Guaranty" shall mean the Amended and Restated FTX Guaranty Agreement described in clause (ii) of the definition of the term Guaranty Agreements.

"FTX Security Agreement" shall mean the FTX Security Agreement dated as of July 17, 1995 between FREEPORT-McMoRan Inc. as pledgor and Chemical as collateral agent for the creditors party to the Second Amendment and Restatement dated as of July 17, 1995 of the FTX Intercreditor Agreement among Chemical, as agent for the FTX Lenders and as agent for the FM Lenders and Hibernia National Bank, as agent for the Pel-Tex Lenders, and the Bank and as further amended from time to time.

"Funded Debt" shall mean (a) any obligation payable more than one year from the date of the creation thereof which would, in accordance with generally accepted accounting principles, be shown on a balance sheet as a liability and (b) any guaranty or any other contingent liability (direct or indirect) in connection with the obligations, stock or dividends of any Person and any obligation under any contract which, in economic effect, is the substantial equivalent of a guaranty.

"Governmental Authority" shall mean any (domestic or foreign) federal, state, county, municipal, parish, provincial, or other government, or any department, commission, board, court, agency (including, without limitation, the EPA), or any other instrumentality of any of them or any other political subdivision thereof, and any entity exercising executive, legislative, judicial, regulatory, or administrative functions of, or pertaining to, government, including, without limitation, any arbitration panel, any court, or any commission.

"Gross Cash Receipts" shall mean all cash receipts of any kind or character, including but not limited to proceeds of the Revolving Credit Loans and the loans permitted under Section 11.2(f) of the Credit Agreement, receipts relating to the sale of single-family and multi-family lots,

receipts from leases and the sale of land for retail, office, and research and development use, golf course income, gas refunds, lot interest income, bond refunds and bond proceeds, including the MUD Proceeds, or loan proceeds relating thereto.

"Guarantor" shall mean FREEPORT-McMoRan INC., a Delaware corporation.

"Guaranty Agreements" shall mean (i) the Amended and Restated Guaranty Agreement dated of even date herewith, for the benefit of the Bank, executed by FREEPORT-McMoRan INC., substantially in the form of the Amended and Restated Guaranty Agreement attached hereto as Exhibit "E", covering all obligations of the Borrower under the Loan Documents other than principal and interest on the Notes, and any and all amendments, modifications, renewals and extensions thereof; and (ii) the Amended and Restated FTX Guaranty Agreement, dated as of December 20, 1996, executed by FREEPORT- McMoRan INC., partially guaranteeing inter alia the payment of principal and interest on the Notes, substantially in the form of the FTX Guaranty Agreement attached as Exhibit "F", and any and all amendments, modifications, renewals and extensions thereof, which FTX Guaranty Agreement is secured by the FTX Security Agreement more particularly described therein.

"Hazardous Materials" shall mean (a) any "hazardous waste" as defined by RCRA; (b) any "hazardous substance" as defined by CERCLA; (c) asbestos; (d) polychlorinated biphenyls; (e) any flammables, explosives or radioactive materials; (f) any substance, the presence of which on any of the Borrower's properties is prohibited by any governmental authority; and (g) any other substance which, pursuant to any Environmental Laws, requires special handling in its collection, use, storage, treatment or disposal.

"Highest Lawful Rate" shall mean, with respect to the Bank, the maximum nonusurious interest rate, if any, that at any time or from time to time may be contracted for, taken, reserved, charged, or received with respect to the Notes or on other amounts, if any, due to the Bank pursuant to this Agreement or any other Loan Document, under laws applicable to the Bank which are presently in effect, or, to the extent allowed by law, under such applicable laws which may hereafter be in effect and which allow a higher maximum nonusurious interest rate than applicable laws now allow.

"Indemnified Parties" shall have the meaning set forth in Section .

"Interest Payment Date" shall mean (a) as to any Base Rate Loan, the sixth (6th) day of each May, August, November and February throughout the term of the Base Rate Loan, beginning with May 6, 1992 (or if any such date is not a Business Day, then the next preceding Business Day); (b) as to any Eurodollar Rate Loan, the sixth (6th) day of each May, August, November and February throughout the term of the Eurodollar Rate Loan.

"L/C Maturity Date" shall mean February 28, 1998.

"L/C Termination Date" shall mean February 28, 1997.

"Liabilities" shall mean all obligations which would, in accordance with generally accepted accounting principles, be classified on a balance sheet as liabilities, including, without limitation, (i) indebtedness secured by Liens against property of the Borrower whether or not the

Borrower is liable for the payment thereof and (ii) deferred liabilities.

"Letter(s) of Credit" shall mean, in the singular form, any letter of credit issued by any Person for the account of the Borrower and, in the plural form, all such letters of credit issued by any Person for the account of the Borrower.

"Letter of Credit Commitment" shall mean the Bank's commitment to issue Facility Letters of Credit up to an aggregate amount of $85,573.00.

"Letter of Credit Reimbursement Agreement" shall mean, with respect to a Facility Letter of Credit, such form of application therefor and form of reimbursement agreement therefor (whether in a single or several documents, taken together) as the Bank may employ in the ordinary course of business for its own account, whether or not providing for collateral security, with such modifications thereto as may be agreed upon by the Bank and the account party; provided, however, in the event of any conflict between the terms of any Letter of Credit Reimbursement Agreement and this Agreement, the terms of this Agreement shall control.

"Lien" shall mean any claim, mortgage, deed of trust, pledge, security interest, encumbrance, lien, mechanic's or materialmen's lien, or charge of any kind (including, without limitation, any agreement to give any of the foregoing, any conditional sale or other title retention agreement or any lease in the nature thereof).
"Loan" or "Loans" shall mean a loan or loans, respectively, from the Bank to the Borrower made under this Agreement. "Term Loan" shall mean the Loan made under Section . "Revolving Credit Loan" shall mean any Loan made under Section .

"Loan Documents" shall mean this Agreement, the Notes, all Security Documents, and all instruments, certificates and agreements now or hereafter executed or delivered to the Bank pursuant to any of the foregoing and the transactions connected therewith, and all amendments, modifications, renewals, extensions, increases and rearrangements of, and substitutions for, any of the foregoing.

"Material Adverse Effect" shall mean any material adverse effect on (a) the financial condition, business, properties, assets, prospects or operations of the Borrower, or (b) the ability of the Borrower or any Person to perform its respective obligations under this Agreement or any other Loan Document to which it is a party on a timely basis.

"Maturity Date" shall mean the Revolving Maturity Date or the Term Maturity Date, as the case may be.

"MUD Proceeds" shall mean all proceeds from the sale of bonds issued by Circle C Municipal Utility District #3 or Circle C Municipal Utility District #4 or by any other CCMUD (as defined in the Phoenix Purchase Agreement) prior to the closing of the Phoenix Purchase and allocable to reimbursement of eligible infrastructure.

"Non-Facility Letter of Credit" shall mean any Letter of Credit which is not a Facility Letter of Credit.

"Note" or "Notes" shall mean a promissory note or promissory notes, respectively, of the Borrower, executed and

delivered under this Agreement. "Term Note" shall mean the promissory note of the Borrower executed and delivered under Section . "Revolving Note" shall mean the promissory note of the Borrower executed and delivered under Section 2.2.

"Notice of Borrowing" shall mean a Notice of Revolving Loan Borrowing or a Notice of Term Loan Borrowing, as the case may be, or, in the case of a combination of the two as reflected in Exhibit "C", a combined Notice of Borrowing. A Notice of Borrowing of whatever type shall be limited to three different combinations of interest rates, types of Loans and Rate Periods.

"Notice of Rate Change/Continuation" shall have the meaning set forth in Section (a)(ii).

"Notice of Revolving Loan Borrowing" shall have the meaning set forth in Section (c).

"Notice of Term Loan Borrowing" shall have the meaning set forth in Section (c).

"Officer's Certificate" shall mean a certificate signed in the name of the Borrower by either its President, one of its Vice Presidents, its Treasurer, its Secretary or one of its Assistant Treasurers or Assistant Secretaries.

"Operating Expenses" shall mean, without duplication, for any period, (i) the amount of any interest expense to the extent paid in cash, plus (ii) income taxes paid in cash in such period, plus (iii) development, operating, holding, and marketing expenses of whatever kind or character related to the development of the Circle C Tract, including the following costs, expenses, and expense categories: construction costs, landscape, taxes, amenities, management fees, legal fees, insurance, accounting, advertising, closing costs, homeowners fees, and M.U.D. standby fees.

"Option Agreement" shall mean that certain Option Agreement dated effective February 6, 1992, entered into by David B. Armbrust, Trustee, and Borrower, pursuant to which Borrower granted David B. Armbrust, Trustee, an option to purchase the Circle C Tract on the terms and conditions set forth therein, the ownership rights to such option having been transferred by Bill of Sale to FM Properties. The Option Agreement is currently held for the benefit of FM Properties by Kenneth N. Jones, Trustee, as reflected in that Notice of Change of Trustee, dated March 16, 1993, recorded in Volume 11894, Page 389, Real Property Records of Travis County, Texas

"Party" or "Parties" shall mean a Person or all Persons other than the Bank executing any Loan Document.

"Period" shall mean any Quarter-Annual Period.

"Person" shall mean an individual, partnership, joint venture, corporation, joint stock company, bank, trust, unincorporated organization and/or a government or any department or agency thereof. "Persons" shall mean the plural of Person.

"Phoenix Purchase" shall mean the purchase by Phoenix Holdings, Ltd. of the commercial land described as the "Land" in the Phoenix Purchase Agreement (the "Phoenix Purchase Land"), and consisting of a portion of the Circle C Tract, pursuant to the terms and provisions of the Phoenix

Purchase Agreement.

"Phoenix Purchase Agreement" shall mean the Purchase and Sale Agreement effective as of May 31, 1996, by and between Borrower and Phoenix Holdings, Ltd. and covering the purchase by Phoenix Holdings, Ltd of the Phoenix Purchase Land, as amended by (i) the First Addendum to Purchase and Sale Agreement effective as of May 30, 1996, by and between Borrower, Phoenix Holdings, Ltd. and FM Properties Inc.; and (ii) the Second Addendum to Purchase and Sale Agreement effective September 10, 1996, by and between Phoenix Holdings, Ltd. and Borrower.

"Plan" shall mean any plan subject to Title IV of ERISA and maintained for employees of the Borrower or of any member of a "controlled group of corporations," as such term is defined in the Code, of which the Borrower is a member, or any such plan to which the Borrower is required to contribute on behalf of its employees.

"Prime Rate" shall mean the prime rate announced from time to time by the Bank, and thereafter entered in the minutes of the Bank's Senior Credit Origination Committee. Without notice to the Borrower or any other Person, the Prime Rate shall change automatically from time to time as and in the amount by which said Prime Rate shall fluctuate, with each such change to be effective as of the date of each change in such Prime Rate. The Prime Rate is a reference rate and does not necessarily represent the lowest or best rate actually charged to any customer. The Bank may make commercial or other loans at rates of interest at, above or below the Prime Rate.

"Quarter-Annual Period" shall mean (i) each period from January 1 of any calendar year through March 31 of the same calendar year; (ii) each period from April 1 of any calendar year through June 30 of the same calendar year; (iii) each period from July 1 of any calendar year through September 30 of the same calendar year; and (iv) each period from October 1 of any calendar year through December 31 of the same calendar year.

"Rate Period" shall mean the period of time for which the Eurodollar Rate shall be in effect as to any Eurodollar Rate Loan, commencing with the Date or the Expiration Date of the immediately preceding Rate Period, as the case may be, applicable to and ending on the effective date of any rate change or rate continuation made as provided in Section (a) as the Borrower may specify in the Notice of Borrowing or the Notice of Rate Change/Continuation, subject, however, to the early termination provisions of the second sentence of Section (c) relating to any Eurodollar Rate Loan; provided, however, that any Rate Period which would otherwise end on a day which is not a Business Day shall be extended to the next succeeding Business Day unless such Business Day falls in another calendar month, in which case such Rate Period shall end on the next preceding Business Day.

"Release" shall mean a "release", as such term is defined in CERCLA.

"Reimbursement Obligations" shall mean the reimbursement or repayment obligations of the Borrower to Bank pursuant to this Agreement or the applicable Letter of Credit Reimbursement Agreement with respect to Facility Letters of Credit issued for the account of the Borrower.

"Reportable Event" shall have the meaning set

forth in Section

"Revolving Loan Commitment" shall have the meaning set forth in Section (a).

"Revolving Maturity Date" shall mean February 28, 1998.

"Revolving Note" shall mean the Amended and Restated Revolving Note described in Section 2.2(b) of the Credit Agreement.

"Revolving Termination Date" shall mean February 28, 1998.

"Second Closing Date" shall mean December 20, 1996.

"Securities Act" shall have the meaning set forth in Section .

"Security Documents" shall mean the Guaranty Agreements, as they may be amended or modified from time to time, and any and all other agreements, deeds of trust, mortgages, chattel mortgages, security agreements, pledges, guaranties, assignments of production or proceeds of production, assignments of income, assignments of contract rights, assignments of partnership interest, assignments of royalty interests, assignments of performance, completion or surety bonds, standby agreements, subordination agreements, undertakings and other instruments and financing statements now or hereafter executed and delivered by any Person (other than solely by the Bank and/or any other creditor participating in the Loans evidenced by the Notes or any collateral or security therefor) in connection with, or as security for the payment or performance of, the Notes, any indebtedness renewed or extended by such Notes and the Borrower's obligations under this Agreement.

"Term Loan Commitment" shall have the meaning set forth in Section (a).

"Term Maturity Date" shall mean February 28, 1998.

"Term Note" shall mean the Amended and Restated Term Note described in Section 2.1(b) of the Credit Agreement.

"Type" shall mean, with respect to any Loan, any Base Rate Loan or any Eurodollar Rate Loan.

"Unused L/C Facility" shall mean, at any time, the amount, if any, by which the Letter of Credit Commitment exceeds the aggregate outstanding amount of all Facility Letter of Credit Obligations.

2. THE LOANS.

2.1. Term Loan.

(a) Upon the terms and conditions and relying upon the representations and warranties herein set forth, the Bank agrees to make a Term Loan to the Borrower in the amount of $15,628,358.00 (the "Term Loan Commitment") on the Closing Date.

(b) The Borrower shall execute and deliver to the Bank to evidence the Term Loan made by the Bank under the Term Loan Commitment, an Amended and Restated Term Note, which

shall be (i) dated the Second Closing Date; (ii) in the principal amount of the Term Loan Commitment; and (iii) in substantially the form attached hereto as Exhibit "A" with the blanks appropriately filled. Borrower shall not be required to make any principal installment payments on the Term Loan provided, however, that the Borrower shall make the required prepayment described in Subsection 5.1(d) of the Credit Agreement and to pay in full all outstanding principal and interest on the Term Loan on the Term Maturity Date. The Term Note shall bear interest on the unpaid principal amount thereof from time to time outstanding at the rate per annum determined as specified in Sections , and , payable on each Interest Payment Date and at maturity, commencing with the first Interest Payment Date following the date of the Term Note. Any amount of principal which is not paid when due (whether at stated maturity, by acceleration or otherwise) shall bear interest at a rate which shall be equal to the lesser of (x) two percent (2%) above the Base Rate or (y) the Highest Lawful Rate.

(c) The borrowing hereunder shall be in the amount of the Term Loan Commitment. The Term Loan shall be made upon prior written notice from the Borrower to the Bank (the "Notice of Term Loan Borrowing") delivered to the Bank not later than 11:00 a.m. (Houston time) (i) on the third Business Day prior to the Closing Date, if such borrowing consists of Eurodollar Rate Loans and (ii) on the Closing Date, if such borrowing consists of Base Rate Loans. The Notice of Term Loan Borrowing shall be irrevocable and shall specify (i) the rate of interest that the Term Loan shall bear; (iii) with respect to any Eurodollar Rate Loan, the initial Rate Period with respect thereto and the Expiration Date of the initial Rate Period; and (iv) the demand deposit account of the Borrower at the Bank's Applicable Lending Office into which the proceeds of the borrowing are to be deposited or instructions for wire transfer of such proceeds of the borrowing or other disposition of the borrowing in accordance with a Third Party Loan Proceeds Disbursement Authorization. The Borrower may designate up to three different combinations of interest rates and Rate Periods in any Notice of Borrowing. The Borrower may give the Bank telephonic notice by the required time of any proposed borrowing under this Section ; provided, that such telephonic notice shall be confirmed in writing by delivery to the Bank promptly (but in no event later than the Closing Date) of a Notice of Term Loan Borrowing. The Bank shall not incur any liability to the Borrower in acting upon any telephonic notice referred to above which the Bank believes in good faith to have been given by the Borrower, or for otherwise acting in good faith under this Section .

(d) Upon fulfillment of the applicable conditions set forth in Section , on the Closing Date, the Bank shall make the borrowing available to the Borrower at the Bank's Applicable Lending Office in immediately available funds. The Bank shall pay or deliver the proceeds of the borrowing to or upon the order of the Borrower against delivery to the Bank of the Term Note. Any deposit to the Borrower's demand deposit account by the Bank or any wire transfer of the proceeds of the borrowing pursuant to a request (whether written or oral) believed by the Bank to be an authorized request by the Borrower for the Term Loan hereunder shall be deemed to be the Term Loan hereunder for all purposes with the same effect as if the Borrower had in fact requested the Bank to make such Term Loan.

(e) Any payment (other than a prepayment) made on the Term Loan at such time as accrued but unpaid interest

on any of the Loans is outstanding shall be applied in the following order: (i) to accrued but unpaid interest on the Term Loan; (ii) to accrued but unpaid interest on the Revolving Credit Loans; and (iii) to the next consecutive installment(s) of principal on the Term Loan.

2.2. Revolving Credit Loans.

(a) Upon the terms and conditions and relying upon the representations and warranties herein set forth, the Bank agrees to make Revolving Credit Loans to the Borrower on any one or more Business Days prior to the Revolving Termination Date, up to an aggregate principal amount of Revolving Credit Loans not exceeding at any one time outstanding $13,500,000.00 (such amount, as it may be reduced from time to time pursuant to Section 5.8 being the Bank's "Revolving Loan Commitment"). Within such limits and during such period and subject to the terms and conditions of this Agreement, the Borrower may borrow, repay and reborrow hereunder.

(b) The Borrower shall execute and deliver to the Bank to evidence the Revolving Credit Loans made by the Bank under the Bank's Revolving Loan Commitment, an Amended and Restated Revolving Note, which shall be (i) dated the date of the initial Revolving Credit Loan made hereunder; (ii) in the principal amount of the Revolving Loan Commitment; and (iii) in substantially the form attached hereto as Exhibit "B" with the blanks appropriately filled. The outstanding principal balance of the Revolving Note shall be payable on or before the Revolving Maturity Date. The Revolving Note shall bear interest on the unpaid principal amount thereof from time to time outstanding at the rate per annum determined as specified in Sections , and , payable on each Interest Payment Date and at maturity, commencing with the first Interest Payment Date following the date of the Revolving Note. Any amount of principal which is not paid when due (whether at stated maturity, by acceleration or otherwise) shall bear interest at a rate which shall be equal to the lesser of (x) two percent (2%) above the Base Rate or (y) the Highest Lawful Rate.

(c) The Borrower may borrow under the Revolving Loan Commitment up to but no more than two (2) times per calendar month. Each borrowing hereunder shall be (i) in the case of any Eurodollar Rate Loan, in an aggregate amount of not less than $100,000.00; or (ii) in the case of any Base Rate Loan, in an aggregate amount of not less than $100,000.00 and, at the option of the Borrower, any borrowing under this Section may be comprised of up to two such Revolving Credit Loans bearing different rates of interest. Each Loan shall be made upon prior written notice from the Borrower to the Bank (the "Notice of Revolving Loan Borrowing") delivered to the Bank not later than 11:00 a.m. (Houston time) (i) on the third Business Day prior to the Borrowing Date, if such borrowing consists of Eurodollar Rate Loans; and (ii) on the Borrowing Date, if such borrowing consists of Base Rate Loans. Each Notice of Revolving Loan Borrowing shall be irrevocable and shall specify (i) the amount of the proposed borrowing and of each Revolving Credit Loan comprising a part thereof; (ii) the Borrowing Date; (iii) the rate of interest that each such Revolving Credit Loan shall bear; (iv) with respect to any Eurodollar Rate Loan, the Rate Period with respect to each such Revolving Credit Loan and the Expiration Date of each such Rate Period; and (v) the demand deposit account of the Borrower at the Bank's Domestic Lending Office into which the proceeds of the borrowing are to be deposited, or instructions for wire transfer of such proceeds of the borrowing, or other

disposition of the borrowing in accordance with a Third Party Loan Proceeds Disbursement Authorization. The Borrower may give the Bank telephonic notice by the required time of any proposed borrowing under this Section ; provided, that such telephonic notice shall be confirmed in writing by delivery to the Bank promptly (but in no event later than the Borrowing Date relating to any such borrowing) of a Notice of Revolving Loan Borrowing. The Bank shall not incur any liability to the Borrower in acting upon any telephonic notice referred to above which the Bank believes in good faith to have been given by the Borrower, or for otherwise acting in good faith under this Section.

(d) Upon fulfillment of the applicable conditions set forth in Section , on the Borrowing Date, the Bank shall make the borrowing available to the Borrower at its Applicable Lending Office in immediately available funds. The Bank shall pay or deliver the proceeds of the initial borrowing to or upon the order of the Borrower against delivery to the Bank of the Revolving Note. Any deposit to the Borrower's demand deposit account by the Bank or any wire transfer of the proceeds of the borrowing pursuant to a request (whether written or oral) believed by the Bank to be an authorized request by the Borrower for a Revolving Credit Loan hereunder shall be deemed to be a Revolving Credit Loan hereunder for all purposes with the same effect as if the Borrower had in fact requested the Bank to make such Revolving Credit Loan.

(e) Any payment (other than a prepayment) made on the Revolving Credit Loans at such time as accrued but unpaid interest on any of the Loans is outstanding shall be applied in the following order: (i) to accrued but unpaid interest on the Revolving Credit Loans; (ii) to accrued but unpaid interest on the Term Loan; and (iii) if such payment is made on the Maturity Date, after application to (i) and (ii), then to the outstanding principal balance on the Revolving Credit Loans.

3. LETTERS OF CREDIT.

3.1. Obligation to Issue. Subject to the terms and conditions of this Agreement, and in reliance upon the representations and warranties of the Borrower set forth herein or in any other Loan Document, the Bank hereby severally agrees to issue, from time to time during the period commencing on the Closing Date and ending on the L/C Termination Date, for the account of the Borrower through such of the Bank's branches as it and the Borrower may jointly agree, one or more Facility Letters of Credit in accordance with this Section . Notwithstanding the foregoing, the Bank shall have no obligation to issue, and shall not issue, any Facility Letter of Credit at any time if:

(a) the aggregate undrawn face amount of Facility Letters of Credit theretofore issued by the Bank, after giving effect to all requested but unissued Facility Letters of Credit, exceeds any limit imposed by law or regulation upon the Bank;

(b) the aggregate principal amount of Facility Letter of Credit Obligations with respect to Facility Letters of Credit issued by the Bank for the account of the Borrower would exceed the Bank's Letter of Credit Commitment;

(c) immediately after giving effect to the issuance of such Facility Letter of Credit, the aggregate Facility Letter of Credit Obligations would exceed the Bank's

Letter of Credit Commitment; or

(d) such Facility Letter of Credit has an expiration date (i) more than one year after the date of issuance; or (ii) after the L/C Maturity Date.

3.2. Conditions. The obligation of the Bank to issue any Facility Letter of Credit is subject to the satisfaction in full of the applicable conditions precedent set forth in Section and each of the following conditions:

(a) the Borrower shall have delivered to the Bank, at such times and in such manner as the Bank may prescribe, a Letter of Credit application, a Letter of Credit Reimbursement Agreement, and such other documents and materials as may be required pursuant to the terms thereof;

(b) the terms of the proposed Facility Letter of Credit shall not be inconsistent with any term or provision of this Agreement and otherwise shall be satisfactory to the Bank;

(c) the Guaranty Agreements shall be in full force and effect; and

(d) as of the date of issuance of such Facility Letter of Credit, no order, judgment, or decree of any court, arbitrator, or governmental authority shall purport by its terms to enjoin or restrain the Bank from issuing such Facility Letter of Credit, and no law, rule, or regulation applicable to the Bank, and no request or directive (whether or not having the force of law) from any governmental authority having jurisdiction over the Bank, shall prohibit or request the Bank refrain from the issuance of Letters of Credit generally or the issuance of such Facility Letter of Credit.

3.3. Issuance of Facility Letters of Credit. (a) Except with respect to the issuance of the Letters of Credit described on Schedule attached hereto on the Closing Date, the Borrower shall give the Bank written notice (or telephonic notice confirmed in writing by the Borrower not later than the requested issuance date of the Facility Letter of Credit) of its request for the issuance of a Facility Letter of Credit no later than 11:00 a.m. four (4) Business Days prior to the date such Facility Letter of Credit is requested to be issued. Such notice shall be irrevocable and shall specify, with respect to such requested Facility Letter of Credit, the face amount, beneficiary, effective date of issuance, expiry date (which effective date and expiry date shall be a Business Day and, with respect to the expiry date, shall be no later than the Business Day immediately preceding the Revolving Termination Date), and the purpose for which such Facility Letter of Credit is to be issued. If the face amount of the requested Facility Letter of Credit is less than or equal to the Unused L/C Facility, as determined by the Bank as of the close of business on the date of its receipt of written notice of the requested issuance, the Bank shall issue such Facility Letter of Credit on the date requested by the Borrower, unless on the requested issuance date, the Bank has actual knowledge that such conditions precedent have not been met. If the Bank receives or has actual knowledge, that the conditions precedent to the issuance of a Facility Letter of Credit have not been met, then the Bank shall have no obligation to issue, and shall not issue, any Facility Letter of Credit until the Bank receives information to the effect that the condition(s) precedent have been met. Any Letter of Credit issued by the Bank in compliance with the provisions of

this Section shall be a Facility Letter of Credit, and the Standby Letters of Credit described on Schedule shall be Facility Letters of Credit.

(b) The Bank shall not extend or amend any Facility Letter of Credit unless the requirements of this Section are met as though a new Facility Letter of Credit was being requested and issued.

(c) Upon the expiration of any Facility Letter of Credit, the Borrower may re-use any portion of the Letter of Credit Commitment for the issuance of new Facility Letters of Credit prior to the L/C Termination Date.

(d) The Bank may (but has no obligation hereunder to) issue Non-Facility Letters of Credit. None of the provisions of this Section shall apply to any Letter of Credit designated by the Bank as a Non-Facility Letter of Credit.

3.4. Reimbursement Obligations; Duties of the Bank.

(a) Notwithstanding any provisions to the contrary in any Letter of Credit Reimbursement Agreement:

(i) the Borrower shall reimburse the Bank for a drawing under a Facility Letter of Credit issued by the Bank no later than the earlier of (A) the time specified in the related Letter of Credit Reimbursement Agreement; or (B) one (1) Business Day after the payment of such drawing by the Bank; and

(ii) the Borrower's Reimbursement Obligations with respect to a drawing under a Facility Letter of Credit shall bear interest from the date of such drawing to the date paid in full at the lesser of (A) the Highest Lawful Rate; or (B) the interest rate for past due Base Rate Loans.

(b) No action taken or omitted to be taken by the Bank in connection with any Facility Letter of Credit shall (i) result in any liability on the part of the Bank to the Borrower, unless the Bank's action or omission constitutes willful misconduct or gross negligence. Prior to making any payment to a beneficiary with respect to a drawing under a Facility Letter of Credit, the Bank shall be responsible only to confirm that documents required by the terms of such Facility Letter of Credit to be delivered as a condition precedent to such drawing have been delivered and that the same appear on their face to conform with the requirements thereof. The Bank may assume that documents appearing on their face to be the documents required to be delivered as a condition precedent to a drawing do in fact comply.

3.5. Payment of Reimbursement Obligations. The Borrower agrees to pay to the Bank the amount of all Reimbursement Obligations, interest, and other amounts payable to the Bank under or in connection with any Facility Letter of Credit immediately when due, irrespective of any claim, set-off, defense, or other right which the Borrower may have at any time against the Bank or any other Person.

3.6. Exoneration. As between the Borrower and the Bank, the Borrower assumes all risks of the acts and omissions of, or misuse of the Facility Letter of Credit issued by the Bank by, the respective beneficiaries of such Facility Letter of Credit. In furtherance and not in limitation of the foregoing, subject to the provisions of the

Letter of Credit applications, the Bank shall not be responsible for:

(a) the form, validity, sufficiency, accuracy, genuineness, or legal effect of any document submitted by any party in connection with the application for and issuance of a Facility Letter of Credit, even if it should in fact prove to be in any or all respects invalid, insufficient, inaccurate, fraudulent, or forged;

(b) the validity or sufficiency of any instrument transferring or assigning or purporting to transfer or assign a Facility Letter of Credit or the rights or benefits thereunder or proceeds thereof, in whole or in part, which may prove to be invalid or ineffective for any reason;

(c) failure of the beneficiary of a Facility Letter of Credit to comply duly with conditions required in order to draw upon such Facility Letter of Credit, provided that the Bank complies with the provisions of Section ;

(d) errors, omissions, interruptions, or delays in transmission or delivery of any messages, by mail, cable, telegraph, telex, or otherwise, whether or not they be in cipher;

(e) errors in interpretation of technical terms;

(f) any loss or delay in the transmission or otherwise of any document required in order to make a drawing under any Facility Letter of Credit or of the proceeds thereof;

(g) the misapplication by the beneficiary of a Facility Letter of Credit; or

(h) any consequences arising from causes beyond the control of the Bank, including, without limitation, any act or omission, whether rightful or wrongful, of any present or future de jure or de facto government or Governmental Authority. In furtherance and extension and not in limitation of the specific provisions hereinabove set forth, any action taken or omitted by the Bank under or in connection with the Facility Letters of Credit or any related certificates, if taken or omitted in good faith and not constituting gross negligence or willful misconduct, shall not put the Bank under any resulting liability to the Borrower or relieve the Borrower of any of its obligations hereunder to any such Person.

3.7. Compensation for Facility Letters of Credit.

(a) Facility Letter of Credit Fee. The Borrower agrees to pay to the Bank quarterly, in the case of a Letter of Credit issued as a Facility Letter of Credit, a facility letter of credit fee (the "Facility Letter of Credit Fee") (i) as to Facility Letters of Credit which expire on the last day of the quarter or later, in the amount of one-quarter of one percent (1/4%) of the aggregate face amount of any such Facility Letters of Credit; and (ii) as to Facility Letters of Credit which expire prior to the last day of the quarter, in the amount of one-quarter of one percent (1/4%) of the face amount of each such Facility Letter of Credit multiplied by a fraction, the numerator of which is the actual number of days in such quarter prior to expiration of such Facility Letter of Credit and the denominator of which is the actual number of days in the quarter; provided, however, notwithstanding the

foregoing, as to each Facility Letter of Credit with an outstanding face amount less than an amount that would generate at least a $300.00 per annum Facility Letter of Credit Fee, a minimum Facility Letter of Credit Fee in the amount of $300.00 shall be payable in advance on the day of the issuance of such Facility Letter of Credit, and no additional Facility Letter of Credit Fee on any such Facility Letter of Credit shall be required for the three subsequent quarters. The Borrower shall also pay to the Bank in the event of any extension or modification of a Facility Letter of Credit which extends the expiration date or increases the maximum amount available for drawing thereunder an additional fee calculated and payable on the same basis as that set forth in the first sentence of this Section with respect to any such extension or additional amount.

(b) Increased Capital. If either (i) the introduction of or any change in or in the interpretation of any law or regulation, or (ii) compliance by the Bank with any guideline or request from any central bank or other Governmental Authority (whether or not having the force of law) affects or would affect (by an amount deemed by the Bank to be material) the capital required or expected to be maintained by it or any corporation controlling it, and the Bank determines, on the basis of reasonable allocations, that the amount of such capital is increased by (an amount deemed by the Bank to be material) or is based (to a degree deemed by the Bank to be material) upon its issuance or maintenance of, or commitment to issue the Facility Letters of Credit then, upon demand by the Bank, the Borrower shall immediately pay to the Bank, from time to time as specified by the Bank, additional amounts sufficient to compensate the Bank therefor. A certificate as to such amounts submitted to the Borrower by the Bank shall, in the absence of manifest error, be conclusive and binding for all purposes.

4. INTEREST RATE PROVISIONS.

4.1. Interest Rate Determination.

(a) Except as specified in Sections and , the Loans shall bear interest on the unpaid principal amount thereof from time to time outstanding, until maturity, at a rate per annum (calculated based on a year of 360 days in the case of the Eurodollar Rate, and a year of 365 or 366 days, as the case may be, in the case of the Base Rate) as follows:

(i) The Loans shall bear interest at an annual rate equal to the lesser of (A) the rate specified in the Notice of Borrowing or the Notice of Rate Change/Continuation, as the case may be, with respect thereto or (B) the Highest Lawful Rate, from the first day to, but not including, (y) with respect to any Base Rate Loan, the Maturity Date applicable thereto and (z) with respect to any Eurodollar Rate Loan, the Expiration Date of the Rate Period then in effect with respect thereto.

(ii) So long as no Default or Event of Default has occurred and is continuing, the Borrower may (y) change the interest rates to apply to any Loan or (z) elect to continue all or any part of the outstanding principal balance of any Eurodollar Rate Loan as a Loan of such Type by giving the Bank a written notice (the "Notice of Rate Change/Continuation") specifying (A) the date on which such Loan was made; (B) the interest rate then applicable to such Loan; (C) with respect to any Eurodollar Rate Loan, the Rate Period then applicable to each such Loan; (D) the principal amount of such Loan to remain outstanding; (E) the rate of

interest and, with respect to any Eurodollar Rate Loan, the Rate Period to become applicable to such Loan on the effective date of the rate change or continuation; (F) the effective date of the rate change or continuation (the "Conversion/Continuation Date") (which shall be not less than three (3) Business Days after the date of such Notice of Rate Change/Continuation); and (G) with respect to any Eurodollar Rate Loan, the duration and Expiration Date of each such Rate Period. In the case of the conversion of all or any part of any Base Rate Loan into a Eurodollar Rate Loan or the continuation of any Eurodollar Rate Loan as a Loan of such Type, such Notice must be received by the Bank at least three (3) full Business Days prior to the Conversion/Continuation Date. Each rate so specified shall become effective on the Conversion/Continuation Date and remain in effect until the expiration of the applicable Rate Period specified in such Notice of Rate Change/Continuation.

(iii) If the Borrower shall fail to choose, as provided in clause (ii) above, the rate of interest to become effective with respect to any Eurodollar Rate Loan upon the Expiration Date of the Rate Period with respect thereto, such Loan shall bear interest at the Base Rate on and after such Expiration Date until the Borrower shall have so chosen a different rate.

(iv) Nothing contained herein shall authorize the Borrower (A) to convert any Loan into or continue any Loan as a Eurodollar Rate Loan unless the Expiration Date of the Rate Period for such Loan occurs on or before the Maturity Date applicable thereto or (B) to continue or change the interest rates applicable to any Eurodollar Rate Loan prior to the Expiration Date of the Rate Period with respect thereto.

(v) Notwithstanding anything set forth herein to the contrary, if an Event of Default has occurred and is continuing, each outstanding Eurodollar Rate Loan shall bear interest at the Base Rate on and after the Expiration Date of the Rate Period with respect thereto.

4.2. Additional Interest Rate Provisions.

(a) The Notes may be held by the Bank for the account of its Domestic Lending Office or its Eurodollar Lending Office, and may be transferred from one to the other from time to time as the Bank may determine.

(b) If the Borrower shall have chosen the Eurodollar Rate in a Notice of Borrowing or a Notice of Rate Change/Continuation and prior to the Borrowing Date or Conversion/Continuation Date, as the case may be, the Bank in good faith determines (which determination shall be conclusive) that (i) deposits in Dollars in the principal amount of such Eurodollar Rate Loan are not being offered to the Eurodollar Lending Office of the Bank in the interbank market selected by the Bank in determining the applicable Eurodollar Rate for the Rate Period applicable thereto or (ii) adequate and reasonable means do not exist for ascertaining the chosen Eurodollar Rate in respect of such Eurodollar Rate Loan or (iii) the Eurodollar Rate for any Rate Period for such Eurodollar Rate Loan will not adequately reflect the cost to the Bank of making such Eurodollar Rate Loan for such Rate Period, then such Eurodollar Rate shall not become effective as to such Eurodollar Rate Loan on such Borrowing Date or the Conversion/Continuation Date, as the case may be, or at any time thereafter until such time thereafter as the Borrower receives notice from the Bank that the circumstances giving rise to such determination no longer

apply and such Loan shall bear interest at the lesser of (i) the Base Rate or (ii) the Highest Lawful Rate.

(c) Anything in this Agreement to the contrary notwithstanding, if at any time the Bank in good faith determines (which determination shall be conclusive) that the introduction of or any change in any applicable law, rule or regulation or any change in the interpretation or administration thereof by any governmental or other regulatory authority charged with the interpretation or administration thereof shall make it unlawful for the Bank (or the Eurodollar Lending Office of the Bank) to maintain or fund any Eurodollar Rate Loan or to convert any Loan into, or to continue any Eurodollar Rate Loan as, a Eurodollar Rate Loan, hereunder, the Bank shall give notice thereof to the Borrower. With respect to any Eurodollar Rate Loan which is outstanding when the Bank so notifies the Borrower, upon such date as shall be specified in such notice, the Rate Period shall end and the lesser of (i) the Base Rate or (ii) the Highest Lawful Rate shall commence to apply in lieu of the Eurodollar Rate in respect of such Eurodollar Rate Loan. At least five (5) Business Days after such specified date, the Borrower shall pay to the Bank (y) accrued and unpaid interest on such Eurodollar Rate Loan at the Eurodollar Rate in effect at the time of such notice to but not including such specified date plus (z) such amount or amounts (to the extent that such amount or amounts would not be usurious under applicable law) as may be necessary to compensate the Bank for any direct or indirect costs and losses incurred by it (to the extent that such amounts have not been included in the Additional Costs in calculating such Eurodollar Rate), but otherwise without penalty. If notice has been given by the Bank pursuant to the foregoing provisions of this Section , then, unless and until the Bank notifies the Borrower that the circumstances giving rise to such notice no longer apply, such Eurodollar Rate shall not again apply to such Loan or any other Loan and the obligation of the Bank to convert any Loan into, or to continue any Eurodollar Rate Loan as, a Eurodollar Rate Loan shall be suspended. Any such claim by the Bank for compensation under clause (z) above shall be accompanied by a certificate setting forth the computation upon which such claim is based, and such certificate shall be conclusive and binding for all purposes, absent manifest error.

(d) The Borrower will indemnify the Bank against, and reimburse the Bank on demand for, any loss, cost or expense incurred or sustained by the Bank (including, without limitation, any loss or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by the Bank to fund or maintain any Eurodollar Rate Loan) as a result of (i) any Additional Costs incurred by the Bank; (ii) any payment or repayment (whether authorized or required hereunder or otherwise) of all or a portion of any Eurodollar Rate Loan on a day other than the last day of a Rate Period for such Loan; (iii) any payment or prepayment (whether required hereunder or otherwise) of any Eurodollar Rate Loan made after the delivery of a Notice of Borrowing or a Notice of Rate Change/Continuation, as the case may be, but before the applicable Borrowing Date or a Conversion/Continuation Date, as the case may be, if such payment or prepayment prevents the proposed borrowing from becoming fully effective; or (iv) after receipt by the Bank of a Notice of Borrowing or a Notice of Rate Change/Continuation, as the case may be, the failure of any Eurodollar Rate Loan to be made or effected by the Bank due to any condition precedent to a borrowing not being satisfied by the Borrower or due to any other action or inaction of the Borrower. The Bank shall deliver to the Borrower a statement reasonably setting forth

the amount and manner of determining such loss, cost or expense, which statement shall be conclusive and binding for all purposes, absent manifest error.

(e) (i) If, after the date of this Agreement, the Bank shall have determined that the adoption of any applicable law, rule or regulation regarding capital adequacy, or any change therein, or any change in the interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by the Bank with any request or directive regarding capital adequacy (whether or not having the force of law) of any such authority, central bank or comparable agency, has or would have the effect of reducing the rate of return on the Bank's capital as a consequence of its obligations hereunder to a level below that which the Bank could have achieved but for such adoption, change or compliance (taking into consideration the Bank's policies with respect to capital adequacy) by an amount deemed by the Bank to be material, then the Borrower shall pay to the Bank such additional amount or amounts as will compensate the Bank for such reduction.

(ii) A certificate of the Bank setting forth such amount or amounts as shall be necessary to compensate the Bank as specified in subparagraph (i) above shall be delivered as soon as practicable to the Borrower and shall be conclusive and binding, absent manifest error. The Borrower shall pay the Bank the amount shown as due on any such certificate within fifteen (15) days after the Bank delivers such certificate. In preparing such certificate, the Bank may employ such assumptions and allocations of costs and expenses as it shall in good faith deem reasonable and may use any reasonable averaging and attribution method.

5. PREPAYMENTS AND OTHER PAYMENTS.

5.1. Required Prepayments.

(a) The Borrower agrees that, on each August 6 and February 6 during the term of the Loans, commencing on August 6, 1993 and continuing until February 6, 1997, and on each May 6, August 6, November 6, and February 6, commencing on May 6, 1997 and continuing until the Revolving Maturity Date, the Borrower shall make mandatory prepayments in an amount equal to Adjusted Excess Cash Flow to the extent of Adjusted Excess Cash Flow for the immediately preceding Quarter-Annual Period, to be applied in the following order: (i) to the outstanding principal balance of the Revolving Credit Loans; and (ii) the balance, to the outstanding principal balance of the Term Loan.

(b) The Borrower agrees that if at any time as a result of the reduction of the Revolving Loan Commitment pursuant to Section the aggregate principal amount of Revolving Credit Loans outstanding exceeds the amount of the Revolving Loan Commitment after giving effect to such reduction, the Borrower shall make a prepayment of principal in an amount at least equal to such excess.

(c) The Borrower agrees that if at any time it or the Bank determines that: (i) the aggregate principal amount of Loans outstanding and (ii) the face amount of Facility Letters of Credit issued hereunder, exceed the Commitment, the Borrower shall make a prepayment of principal of the Loans in an amount at least equal to such excess. The prepayment shall be applied to reduce the outstanding principal amount of the Revolving Credit Loans.

(d) In the event that the Borrower consummates the sale of the Land described in and pursuant to the terms of the Phoenix Purchase Agreement to Phoenix Holdings, Ltd., the Borrower shall pay an amount equal to the then outstanding principal balance on the Loans out of the sale proceeds resulting from the sale of such Land to the Bank for application to the Loans in such manner as the Bank shall determine.

5.2. Optional Prepayments. The Borrower shall have the right at any time and from time to time to prepay any of the Notes selected by it, in whole or in part, provided that:

(a) each partial prepayment shall be in an aggregate principal amount of at least $100,000.00 and if to be applied to the Term Note, shall be applied to the principal installments thereof in the inverse order of their due dates;

(b) the Borrower shall give the Bank prior written notice of each prepayment proposed to be made pursuant to this Section , specifying the principal amount of the Notes to be prepaid, the prepayment date and the account of the Borrower to be charged if such prepayment is to be so effected. Notice of such prepayment having been given, the principal amount of the Notes specified in such notice, together with interest thereon to the date of prepayment, shall become due and payable on such prepayment date; and

5.3. Prepayment of Eurodollar Rate Loans. Anything herein to the contrary notwithstanding, the Borrower may not pay or prepay any Eurodollar Rate Loan prior to the end of the Rate Period applicable thereto, except upon payment to the Bank of a breakage fee in an amount determined by the Bank, in its sole discretion, based upon the costs incurred by the Bank as a result of such payment or prepayment.

5.4. Place of Payment or Prepayment. All payments and prepayments made in accordance with the provisions of this Agreement or of the Notes or of the Letter of Credit Reimbursement Agreements in respect of commitment fees or of principal or interest on the Notes shall be made to the Bank at its Domestic Lending Office no later than 11:00 a.m. (Houston time), in immediately available funds.

5.5. No Prepayment Premium or Penalty. Each prepayment pursuant to Section or shall be without premium or penalty.

5.6. No Reborrowing. The Borrower shall have no right to reborrow any amount prepaid pursuant to Sections 5.1(a), , and .

5.7. Taxes. All payments (whether of principal, interest, reimbursements or otherwise) under this Agreement or on the Notes or in respect of Facility Letter of Credit Obligations shall be made by the Borrower without set-off or counterclaim and shall be made free and clear of and without deduction for any present or future tax, levy, impost or any other charge, if any, of any nature whatsoever now or hereafter imposed by any taxing authority. If the making of such payments is prohibited by law, unless such a tax, levy, impost or other charge is deducted or withheld therefrom, the Borrower shall pay to the Bank, on the date of each such payment, such additional amounts as may be necessary in order that the net amounts received by the Bank after such deduction or withholding shall equal the amounts which would have been

received if such deduction or withholding were not required.

5.8. Reduction or Termination of the Revolving Loan Commitment. The Borrower may at any time or from time to time reduce or terminate the Revolving Loan Commitment by giving not less than five (5) full Business Days' prior written notice to such effect to the Bank, provided that any partial reduction shall be in the amount of $100,000.00 or a multiple thereof. Any reduction in the Revolving Loan Commitment shall be effective on the date specified in the Borrower's notice with respect to such reduction. After each such reduction, the commitment fee shall be calculated upon the Revolving Loan Commitment as so reduced. The Revolving Loan Commitment shall automatically terminate on the Revolving Termination Date or in the event of acceleration of the maturity date of the Revolving Note. Each reduction of the Revolving Loan Commitment hereunder shall be irrevocable.

6. COMMITMENT FEE AND OTHER FEES.

6.1. Facility Fee. The Borrower agrees to pay to the Bank a Facility Fee in the amount of one-half of one percent (1/2%) of the sum of the Term Loan Commitment and the Revolving Credit Commitment, such Facility Fee to be payable in full on the Closing Date.

6.2. Commitment Fee. The Borrower agrees to pay to the Bank a commitment fee computed on a daily basis of a year of 365 or 366 days, as the case may be, from the date of the first Revolving Credit Loan to, but not including, December 20, 1996, at the rate of one-quarter of one percent (1/4%) per annum on the daily average unused amount of the Revolving Loan Commitment, and from December 20, 1996 to but not including, the Revolving Termination Date, at the rate of .375 percent (.375%) per annum on the daily average unused amount of the Revolving Loan Commitment, such commitment fee to be payable quarterly in arrears on the sixth (6th) day of each May, August, November and February, commencing on May 6, 1992 and concluding on the Revolving Termination Date.

6.3. Facility Letter of Credit Fee. The Borrower agrees to pay to the Bank a Facility Letter of Credit Fee as set forth in Section .

6.4. Fees Not Interest; Nonpayment. The fees described in this Agreement represent compensation for services rendered and to be rendered separate and apart from the lending of money or the provision of credit and do not constitute compensation for the use, detention, or forbearance of money, and the obligation of the Borrower to pay each fee described herein shall be in addition to, and not in lieu of, the obligation of the Borrower to pay interest, other fees described in this Agreement, and expenses otherwise described in this Agreement. Fees shall be payable when due in Dollars and in immediately available funds. All fees, including, without limitation, the commitment fee referred to in Section , shall be non-refundable, and shall, to the fullest extent permitted by law, bear interest, if not paid when due, at a rate per annum equal to the lesser of (a) two percent (2%) above the Base Rate or (b) the Highest Lawful Rate.

7. APPLICATION OF PROCEEDS. The Borrower agrees that (i) the proceeds of the Term Loan shall be used to acquire the Circle C Tract, and (ii) the proceeds of the Revolving Credit Loans shall be used to pay Operating Expenses of the Borrower; provided that none of the proceeds of the Revolving Credit Loans shall be utilized by the Borrower to make (x) principal and interest payments on the Term Loan;

(y) interest payments on the Revolving Credit Loans; and/or (z) payments of any kind on the subordinated Debt described in Section 11.2(f) of the Credit Agreement. Notwithstanding any provision contained in the Credit Agreement, upon and after December 12, 1996, the Revolving Loan capability may only be utilized by the Borrower for the purpose of borrowing, in the event that the closing of the Phoenix Purchase fails to occur, an amount equal to the amount of the MUD Proceeds required to be deposited into the registry of the court pursuant to Section 6(e) of the Phoenix Purchase Agreement (as long as capacity exists under the Revolving Loan Commitment to that extent).

8. REPRESENTATIONS AND WARRANTIES. The Borrower represents and warrants that:

8.1. Organization and Qualification. The Borrower (a) is a corporation duly organized, validly existing, and in good standing under the laws of its state of incorporation; (b) has the corporate power to own its properties and to carry on its business as now conducted; and (c) is duly qualified as a foreign corporation to do business and is in good standing in every jurisdiction where such qualification is necessary.

8.2. Financial Statements. The Borrower has furnished the Bank with an unaudited financial report of the Borrower as of September 30, 1996, containing a balance sheet, statements of income and stockholder's equity and a cash flow statement, all in reasonable detail and certified by a financial officer of the Borrower to have been prepared in accordance with generally accepted accounting principles consistently applied.

8.3. Litigation. There is no action or proceeding pending or, to the knowledge of the Borrower, threatened against the Borrower before any court, administrative agency or arbitrator which might have a Material Adverse Effect. There is no outstanding judgment, order or decree affecting the Borrower before or by any administrative or Governmental Authority.

8.4. Default. The Borrower is not in default under or in violation of the provisions of any instrument evidencing any Debt or of any agreement relating thereto or any judgment, order, writ, injunction or decree of any court or any order, regulation or demand of any administrative or governmental instrumentality which default or violation might have a Material Adverse Effect.

8.5. Title to Assets. The Borrower has good and marketable title to its assets, subject to no Liens except those permitted in Section .

8.6. Payment of Taxes. The Borrower has filed all tax returns required to be filed and has paid all taxes shown on said returns and all assessments which are due. The Borrower is not aware of any pending investigation by any taxing authority or of any claims by any governmental authority for any unpaid taxes.

8.7. Conflicting or Adverse Agreements or Restrictions. The Borrower is not a party to any contract or agreement or subject to any restriction which would have a Material Adverse Effect. Neither the execution and delivery of the Loan Documents nor the consummation of the transactions contemplated thereby nor fulfillment of and compliance with the respective terms, conditions and provisions thereof will

conflict with or result in a breach of any of the terms, conditions or provisions of, or constitute a default under, or result in any violation of, or result in the creation or imposition of any Lien on any of the property of any Party pursuant to (a) the charter or bylaws applicable to each such Party; (b) any law or any regulation of any administrative or governmental instrumentality; (c) any order, writ, injunction or decree of any court; or (d) the terms, conditions or provisions of any agreement or instrument to which any such Party is a party or by which it is bound or to which it is subject.

8.8. Authorization, Validity, Etc. The Parties have the power and authority to make, execute, deliver and carry out the Loan Documents and the transactions contemplated therein and to perform their respective obligations thereunder and all such action has been duly authorized by all necessary proceedings on their part. The Loan Documents have been duly and validly executed and delivered by the Parties and constitute valid and legally binding agreements of the Parties enforceable in accordance with their respective terms, except as limited by Debtor Laws.

8.9. Investment Company Act Not Applicable. The Borrower is not an "investment company", or a company "controlled" by an "investment company", within the meaning of the Investment Company Act of 1940, as amended.

8.10. Public Utility Holding Company Act Not Applicable. The Borrower is not a "holding company", or a "subsidiary company" of a "holding company", or an "affiliate" of a "holding company", or an affiliate of a "subsidiary company" of a "holding company", or a "public utility", as such terms are defined in the Public Utility Holding Company Act of 1935, as amended.

8.11. Regulations G, T, U and X. None of the proceeds of any Loan will be used for the purpose of purchasing or carrying, directly or indirectly, any "margin stock" within the meaning of Regulation U of the Board of Governors of the Federal Reserve System ("margin stock"), or to extend credit to others for the purpose of purchasing or carrying any margin stock, or for any other purpose which would constitute this transaction a "purpose credit" within the meaning of said Regulation U, as now in effect or as the same may hereafter be in effect. The Borrower will not take or permit any action which would involve the Bank in a violation of Regulation G, Regulation T, Regulation U, Regulation X or any other regulation of the Board of Governors of the Federal Reserve System or a violation of the Securities Exchange Act of 1934, in each case as now or hereafter in effect.

8.12. ERISA. The Borrower does not maintain and is not required to contribute to any Plan. The Borrower does not currently contemplate that it will establish or contribute to any Plan.

8.13. No Financing of Corporate Takeovers. None of the proceeds of any Loan will be used to acquire any security in any transaction which is subject to Section 13 or 14 of the Securities Exchange Act of 1934, as amended.

8.14. Franchises, Co-licenses, Etc. The Borrower owns or has obtained all the material governmental permits, certificates of authority, leases, patents, trademarks, service marks, trade names, copyrights, franchises and licenses, and rights with respect thereto, required, advisable

or necessary in connection with the conduct of its business as presently conducted or as proposed to be conducted.

8.15. Line of Business. The nature of the Borrower's line of business is real estate development, marketing and sales related thereto, and the operation of clubs, swim centers and other facilities related thereto.

8.16. Environmental Matters. Except as disclosed to the Bank in writing: (i) all facilities and property owned or leased by the Borrower have been and continue to be, owned or leased and operated by the Borrower in material compliance with all Environmental Laws; (ii) there has not been any Release of Hazardous Materials at, on or under any property now or previously owned or leased by the Borrower (A) in quantities that would be required to be reported under any Environmental Law, (B) that required, or may reasonably be expected to require, the Borrower to expend funds on remediation or clean-up activities pursuant to any Environmental Law, or (C) that, singly or in the aggregate, have, or may reasonably be expected to have, a Material Adverse Effect; (iii) the Borrower has been issued and is in material compliance with all permits, certificates, approvals, orders, licenses and other authorizations relating to environmental matters necessary for its business; and (iv) there are not and in the past there have been none of the following on or in any of the assets of the Borrower or any property now or previously owned or leased by it: (A) any Hazardous Materials, (B) any generation, treatment, recycling, storage or disposal of any Hazardous Materials, (C) any underground storage tanks or surface impoundments, (D) any asbestos-containing material, or (E) any polychlorinated biphenyls (PCBs).

9. CONDITIONS. The obligation of the Bank to make each Loan or to continue any Loan as, or to convert any Loan into, a Eurodollar Rate Loan, or to issue any Facility Letter of Credit, is subject to the following conditions:

9.1. Representations True and No Defaults. (a) The representations and warranties contained in Section shall be true and correct on and as of the particular Borrowing Date or the applicable Conversion/Continuation Date, as the case may be, as though made on and as of such date; (b) the Borrower shall not be in default in the due performance of any covenant on its part contained in this Agreement; (c) no material adverse change shall have occurred with respect to the business, properties or condition (financial or otherwise) of the Borrower since the Closing Date; and (d) no Event of Default or Default shall have occurred and be continuing.

9.2. Discharge of Debt. On the Closing Date, the Borrower shall have delivered to the Bank satisfactory evidence of the payment in full and discharge of all Debt in excess of that permitted in Section .

9.3. Governmental Approvals. Prior to the Closing Date, the Borrower shall have obtained all orders, approvals or consents of all public regulatory bodies required for the making and carrying out of this Agreement, the making of the Loans pursuant hereto and the issuance of the Notes to evidence such Loans.

9.4. Compliance With Law. The business and operations of the Borrower as conducted at all times relevant to the transactions contemplated by this Agreement to and including the close of business on the Closing Date shall have

been and shall be in compliance with all applicable State and Federal laws, regulations and orders affecting the Borrower and its business and operations.

9.5. Officer's Certificate and Other Documents. On each Borrowing Date, the Bank shall have received (i) an Officer's Certificate dated the particular Borrowing Date to the effects set forth in Sections , and ; (ii) a Notice of Revolving Loan Borrowing or a Notice of Term Loan Borrowing, as the case may be, in the form attached hereto as Exhibit "C"; and (iii) such other documents and certificates relating to the transactions herein contemplated as the Bank may reasonably request.

9.6. Conversion/Continuation Documents. On the applicable Conversion/Continuation Date, the Bank shall have received (i) an Officer's Certificate dated the applicable Conversion/Continuation Date to the effects set forth in Section (a)(ii); (ii) a Notice of Rate Change/Continuation in the form attached hereto as Exhibit "D"; and (iii) such other documents and certificates relating to the transactions herein contemplated as the Bank may reasonably request.

9.7. Required Documents and Certificates. On the Second Closing Date, the Bank shall have received the following, in each case in form, scope and substance satisfactory to the Bank: (i) the Notes duly executed by the Borrower; (ii) an Officer's Certificate in the form acceptable to the Bank of each Party which is a business entity dated as of the Second Closing Date to which are attached true and correct copies of the Articles of Incorporation and Bylaws of such Party and corporate resolutions duly adopted by the Board of Directors of each Party which is a business entity authorizing the transactions contemplated by the Loan Documents; (iii) a certificate from the Secretary of State and other appropriate public officials as to the continued existence and good standing of each Party which is a business entity; (iv) a certificate from the appropriate public official of each state in which each Party which is a business entity is authorized and qualified to do business as to the due qualification and good standing of each Party which is a business entity; (v) the Guaranty Agreements executed by the appropriate parties; (vi) legal opinions in form, substance and scope satisfactory to the Bank from various counsel to the Borrower and the Guarantor; (vii) the Amended and Restated Intercreditor and Subordination Agreement, executed by the Borrower, the Guarantor, FM Properties, and the Bank; and (viii) the FTX Security Agreement, all of which shall be satisfactory to the Bank.

10. AFFIRMATIVE COVENANTS. The Borrower covenants and agrees that, so long as the Borrower may borrow hereunder and until payment in full of the Notes, the Borrower will:

10.1. Financial Statements and Information. Deliver to the Bank in duplicate:

(a) as soon as available, and in any event within ninety (90) days after the end of each fiscal year of the Borrower, a copy of the unaudited financial report of the Borrower as of the end of such fiscal year and for the period then ended, containing a balance sheet, statements of income and stockholders' equity, and a cash flow statement, all in reasonable detail and certified by a financial officer of the Borrower, to have been prepared in accordance with generally accepted accounting principles consistently applied, except as may be explained in such certificate; provided that, in the

event that Borrower prepares an annual audited report of the Borrower for such fiscal year containing a balance sheet, statements of income and stockholders' equity, Borrower shall supply such annual audited report to the Bank as soon as available. The Borrower will obtain from such accountants and deliver to the Bank at the time said audited financial statements are delivered the written statement of the accountants that in making the examination necessary to said certification they have obtained no knowledge of any Event of Default or Default, or if such accountants shall have obtained knowledge of any such Event of Default or Default, they shall state the nature and period of existence thereof in such statement; provided that such accountants shall not be liable directly or indirectly to the Bank for failure to obtain knowledge of any such Event of Default or Default;

(b) as soon as available, and in any event within forty-five (45) days after the end of each quarterly accounting period in each fiscal year of the Borrower (including the fourth quarter), an unaudited financial report of the Borrower as at the end of such quarter and for the period then ended, containing a balance sheet, statements of income and stockholder's equity and a cash flow statement, all in reasonable detail and certified by a financial officer of the Borrower to have been prepared in accordance with generally accepted accounting principles consistently applied, except as may be explained in such certificate;

(c) copies of all statements and reports sent to stockholders of the Borrower or filed with the Securities and Exchange Commission;

(d) copies of all financial and other information supplied by the Borrower to any Guarantor; and

(e) such additional financial or other information as the Bank may reasonably request.

Together with each delivery of financial statements required by clauses (a) and (b) above, the Borrower will deliver to the Bank an Officer's Certificate in a form satisfactory to the Bank stating that there exists no Event of Default or Default, or, if any such Event of Default or Default exists, stating the nature thereof, the period of existence thereof and what action the Borrower has taken or proposes to take with respect thereto. The Bank is authorized to deliver a copy of any financial statement delivered to it to any regulatory body having jurisdiction over it.

10.2. Lease Schedule. Deliver to the Bank, together with each delivery of financial statements under Section , a current, complete schedule of all agreements to rent or lease any property (personal, real or mixed) to which the Borrower is a party lessee, showing the total amounts payable under each such agreement, the amounts and due dates of payments thereunder and containing a description of the rented or leased property, and all other information the Bank may request, all in a form satisfactory to the Bank.

10.3. Books and Records. Maintain proper books of record and account in accordance with sound accounting practices in which true, full and correct entries will be made of all its dealings and business affairs.

10.4. Insurance. Maintain insurance with financially sound, responsible and reputable companies in such types and amounts and against such casualties, risks and contingencies as is customarily carried by owners of similar

businesses and properties, and furnish to the Bank, together with each delivery of financial statements under Section , an Officer's Certificate containing full information as to the insurance carried.

10.5. Maintenance of Property. Cause its property to be maintained, preserved, protected and kept in good repair, working order and condition so that the business carried on in connection therewith may be conducted properly and efficiently.

10.6. Inspection of Property and Records. Permit any person designated by the Bank in writing, at the Bank's expense, to visit and inspect any of the properties, books and financial records of the Borrower and discuss its affairs and finances with its principal officers, all at such times as the Bank may reasonably request.

10.7. Existence, Laws, Obligations. Maintain its corporate existence, comply with all statutes and governmental regulations and pay all taxes, assessments, governmental charges, claims for labor, supplies, rent and other obligations which if unpaid might become a Lien against the property of the Borrower, except liabilities being contested in good faith.

10.8. Notice of Certain Matters. Notify the Bank immediately upon acquiring knowledge of the occurrence of any of the following events: (a) the institution or threatened institution of any lawsuit or administrative proceeding affecting the Borrower; (b) the occurrence of any material adverse change in the assets, liabilities, financial condition, business or affairs of the Borrower; or (c) the occurrence of any Event of Default or any Default.

10.9. ERISA. In the event that the Borrower establishes a Plan or Plans, at all times:

(a) Maintain and keep in full force and effect each Plan;

(b) Make contributions to each Plan in a timely manner and in an amount sufficient to comply with the minimum funding standards requirements of ERISA;

(c) Comply with all applicable provisions of ERISA;

(d) File all reports required by ERISA and the Code to be filed with respect to each Plan;

(e) Meet all requirements with respect to funding the Plans imposed by ERISA or the Code;

(f) Insure that the value of the Plans' benefits guaranteed under Title IV of ERISA on the date hereof does not exceed the value of such Plans' assets allocable to such benefits at any time during the term of the Loan;

(g) Immediately upon acquiring knowledge of any "reportable event" or of any "prohibited transaction" (as such terms are defined in the Code) in connection with any Plan, furnish the Bank with a statement executed by the president or chief financial officer of the Borrower setting forth the details thereof and the action which the Borrower proposes to take with respect thereto and, when known, any action taken by the Internal Revenue Service with respect thereto;

(h) Notify the Bank promptly upon receipt by the Borrower of any notice of the institution of any proceeding or other action which may result in the termination of any Plan and furnish to the Bank copies of such notice;

(i) Acquire and maintain in amounts satisfactory to the Bank from either the Pension Benefit Guaranty Corporation or authorized private insurers, when available, the contingent employer liability coverage insurance required under ERISA;

(j) Furnish the Bank with copies of the annual report for each Plan filed with the Internal Revenue Service not later than ten (10) days after such report has been filed; and

(k) Furnish the Bank with copies of any request for waiver of the funding standards or extension of the amortization periods required by Sections 303 and 304 of ERISA or Section 412 of the Code promptly after the request is submitted to the Secretary of the Treasury, the Department of Labor or the Internal Revenue Service, as the case may be.

10.10. Compliance with Environmental Laws. At all times:

(a) use and operate all of its facilities and properties in material compliance with all Environmental Laws, keep all necessary permits, approvals, orders, certificates, licenses and other authorizations relating to environmental matters in effect and remain in material compliance therewith, handle all Hazardous Materials in material compliance with all applicable Environmental Laws and dispose of all Hazardous Materials generated by the Borrower or at any property owned or leased by it at facilities or with carriers that maintain valid permits, approvals, certificates, licenses or other authorizations for such disposal under applicable Environmental Laws;

(b) promptly notify the Bank and provide copies upon receipt of all written claims, complaints, notices or inquiries relating to the condition of the facilities and properties of the Borrower or its compliance with Environmental Laws; and

(c) provide such information and certifications which the Bank may reasonably request from time to time to evidence compliance with this Section 10.10.

10.11. Settlement Statements. Deliver to the Bank, within ten (10) days of any closing of the Phoenix Purchase, a copy of the settlement statement or other closing statement executed by the Borrower and the purchaser and showing the purchase price paid for the real property purchased in the Phoenix Purchase.

10.12. Payment Calculations. Deliver to the Bank on each January 15, April 15, July 15 and October 15 during the terms of the Loans, commencing on July 15, 1995, together with the prepayment on the Loans required pursuant to Subsection 5.1(a) of the Credit Agreement, financial information sufficient to show the Borrower's calculation of Excess Cash Flow and Adjusted Excess Cash Flow for the immediately preceding Quarter-Annual Period.

11. NEGATIVE COVENANTS. So long as the Borrower may borrow hereunder and until payment in full of the Notes, except with the written consent of the Bank:

11.1. Mortgages, Etc. The Borrower will not create or permit to exist any Lien (including the charge upon assets purchased under a conditional sales agreement, purchase money mortgage, security agreement or other title retention agreement) upon any of its assets, whether now owned or hereafter acquired, or assign or otherwise convey any right to receive income, except:

(a) Liens for taxes not yet due or which are being contested in good faith by appropriate proceedings;

(b) Other Liens incidental to the conduct of its business or the ownership of its assets which were not incurred in connection with the borrowing of money or the obtaining of advances or credit, and which do not in the aggregate materially detract from the value of such assets or materially impair the use thereof in the operation of such business; and

(c) Liens held by Freeport-McMoRan Inc. and FM Properties on real and personal property located in Travis County, Texas, and Hays County, Texas identified to the Bank by the Borrower as the property previously owned by Circle C Development Joint Venture (the "Circle C Tract").

(d) [intentionally omitted]

11.2. Debt. The Borrower will not incur or permit to exist any Funded Debt or Current Debt, except:

(a) Debt evidenced by the Notes and Facility Letter of Credit Obligations;

(b) Endorsements in the ordinary course of business of negotiable instruments in the course of collection;

(c) Debt of the Borrower existing on the Closing Date (and disclosed to the Bank), which is secured by Liens permitted by the provisions of Section ;

(d) [intentionally omitted]

(e) [intentionally omitted]

(f) Secured Debt of the Borrower owed to FM Properties as evidenced by that certain Revolving Promissory Note in the original principal amount of $10,000,000.00, dated July 17, 1995 (which principal amount may be increased to $12,000,000.00), subordinated to the Loans, the Reimbursement Obligations, and the existence of any Commitment, accruing interest at a rate acceptable to the Bank, and upon such terms and provisions as have been approved by the Bank, including without limitation, provisions to the effect that (i) no payment of principal or interest may be made upon such secured Debt in the event that the Borrower is in default under the Credit Agreement; (ii) no prepayment or accelerated payments of principal may be made on such secured Debt; (iii) no payment on such secured Debt shall be paid at final maturity (whether or not such final maturity is established by an instrument renewing or extending such Debt) until the Loans, the Reimbursement Obligations and all of the Borrower's obligations under the Credit Agreement have been paid in full (whether or not such Loans, Reimbursement Obligations or other obligations have been at any time renewed and extended by the Bank) and any Commitment terminated; (iv) Revolving Credit Loan proceeds shall not be used to make any payment of

principal or interest on such secured Debt; and (v) the secured Debt shall amortize beginning September 30, 1995, with payments equal to the lesser of Excess Cash Flow (to the extent available) and twelve and one-half percent (12 1/2 percent) of the outstanding principal balance of such secured Debt being made on each January 15, April 15, July 15, and October 15 during the term of such secured Debt; (vi) the maturity date of such secured Debt shall be February 6, 1997; and (vii) Borrower may make interest or principal payments on such secured Debt only to the extent that Excess Cash Flow is available to make such payment, and to the extent that Excess Cash Flow is not available to make a particular interest and/or principal payment, then such interest or principal shall not be paid but shall be added to the next regularly scheduled interest and/or principal payment, as applicable, and such inability to make any such payment shall not constitute a default or event of default under the loan documents relating to such secured Debt until the Loans, the Reimbursement Obligations, and all of the Borrower's obligations have been paid in full under the Credit Agreement and the Commitment terminated; and

(g) Debt of the Borrower consisting of a borrowing of the MUD Proceeds out of escrow or consisting of a borrowing from FM Properties in an amount equal to the amount of MUD Proceeds borrowed by FM Properties.

11.3. Loans, Advances and Investments. The Borrower will not make or have outstanding any loan or advance to, or own or acquire any stock or securities of or equity interest in, any Person, except:

(a) (i) readily marketable securities issued or fully guaranteed by the United States of America or commercial paper rated "Prime 1" by Moody's Investors Service, Inc. or A-1 by Standard and Poor's Corporation with maturities of not more than one hundred eighty (180) days from the date of issue; (ii) certificates of deposit or repurchase contracts with financial institutions acceptable to the Bank on terms satisfactory to the Bank, all of the foregoing not having a maturity of more than one (1) year from the date of issuance thereof; and (iii) readily marketable securities received in settlement of liabilities created in the ordinary course of business; and

(b) travel advances in the ordinary course of business to officers and employees.

11.4. Merger, Consolidation, Etc. (a) The Borrower will not merge or consolidate with any other Person or sell, lease, transfer or otherwise dispose of (whether in one transaction or a series of transactions, or whether as a result of foreclosure of the liens described in Section 11.1(c) hereof or pursuant to the Option Agreement) all or a substantial part of its assets or acquire (whether in one transaction or a series of transactions) all or a substantial part of the assets of any Person; provided, however that (i) so long as the Borrower complies with the provisions of Subsection 5.1(d) of the Credit Agreement, the Borrower may sell all commercial properties included in the Circle C Tract in Travis County, Texas owned by the Borrower, to Phoenix Holdings, Ltd., pursuant to the Phoenix Purchase Agreement; and (ii) the Borrower may transfer all commercial properties owned by the Borrower to, merge into, or consolidate with, (A) FM Properties, (B) a wholly-owned subsidiary of FM Properties, (C) a new entity owned in part by FM Properties, Inc. and in part by FM Properties, or (D) a new entity acceptable to the Bank in its sole discretion (the party

described in (A), (B), (C), or (D) immediately foregoing, except for a party that purchases stock in the Borrower, the "Transactional Party"), so long as (X) the Transactional Party (if other than FM Properties) owns no assets other than such commercial properties, and (Y) the Transactional Party (including FM Properties, if FM Properties is the Transactional Party) assumes payment of the Loans, the Letters of Credit Reimbursement Obligations and all other obligations of the Borrower under the Loan Documents, upon such terms and conditions as are acceptable to the Bank, including without limitation, the execution of an assumption agreement by the Transactional Party in a form acceptable to the Bank, delivery of legal opinions in form, substance and scope satisfactory to the Bank from various counsel to the Transactional Party and the Guarantor, and delivery of an officer's certificate with such organizational information and representations relating thereto as is acceptable to the Bank and evidencing resolutions or consents from the governing body of the entity or other appropriate Person; and (a) shares of stock of the Borrower shall be owned exclusively by one or more of the following: (i) the Guarantor; or (ii) any parent corporation of, sister corporation of, or subsidiary of, the Guarantor; provided that shares of stock of the Borrower may be owned by other Persons, with the prior written consent of the Bank which the Bank shall not unreasonably withhold.

11.5. Supply and Purchase Contracts. The Borrower will not enter into or be a party to any contract for the purchase of materials, supplies or other property if such contract requires that payment for such materials, supplies or other property shall be made regardless of whether or not delivery is ever made or tendered of such materials, supplies and other property.

11.6. Discount or Sale of Receivables. The Borrower will not discount or sell with recourse, or sell for less than the face value thereof, any of its notes receivable, receivables under leases or other accounts receivable.

11.7. Change in Accounting Method. The Borrower will not make any change in the method of computing depreciation for either tax or book purposes or any other material change in accounting method without the Bank's prior written approval.

11.8. Sale of Inventory. The Borrower will not make any sale, lease or other disposition of inventory except in a prudent manner, based upon the prevailing fair market value of the inventory, and on terms substantially similar to those which would be involved in a third-party, arms-length transaction.

11.9. Securities Credit Regulations. The Borrower will not take or permit any action which might cause the Loans or the Facility Letter of Credit Obligations or this Agreement to violate Regulation G, Regulation T, Regulation U, Regulation X or any other regulation of the Board of Governors of the Federal Reserve System or a violation of the Securities Exchange Act of 1934, in each case as now or hereafter in effect.

11.10. Leases. The Borrower will not be a party to any lease of real property with a value in excess of $2,500,000.00, except upon the prior written consent of the Bank.

11.11. Nature of Business; Management. The

Borrower will not change its line of business or enter into any business which is substantially different from the business in which it is presently engaged or permit any material change in its management.

11.12. Transactions with Related Parties. The Borrower will not enter into any transaction or agreement with any officer, director or holder of any outstanding capital stock of the Borrower (or any Affiliate of any such Person) or any Person which has an option to purchase outstanding shares of the Borrower, unless the same is upon terms substantially similar to those obtainable from wholly unrelated sources. The Bank hereby consents to Borrower's execution of the Option Agreement; provided, however that the Borrower shall not transfer the Circle C Tract to FM Properties, pursuant to the Option Agreement, without the Bank's prior written consent which may be given or withheld at the Bank's sole discretion, except in compliance with Section 11.4 of the Credit Agreement. The Bank hereby consents to the Borrower's entering into a loan transaction as borrower with FM Properties to the extent permitted under Section 11.2(f) of the Credit Agreement.

11.13. Contingent Liabilities. The Borrower will not guarantee directly or indirectly the performance or payment of, or purchase or agree to purchase, or assume or contingently agree to become or be secondarily liable in respect of, any obligation or liability of any other Person except as permitted by Section .

11.14. Hazardous Materials. The Borrower will not (a) cause or permit any Hazardous Materials to be placed, held, used, located, or disposed of on, under or at any of the Borrower's property or any part thereof by any Person in a manner which could reasonably be expected to have a Material Adverse Effect; (b) cause or permit any part of any of the Borrower's property to be used as a manufacturing, storage or dump site for Hazardous Materials, where such action could reasonably be expected to have a Material Adverse Effect; or (c) cause or suffer any Liens to be recorded against any of the Borrower's property as a consequence of, or in any way related to, the presence, remediation, or disposal of Hazardous Materials in or about any of the Borrower's property, including any so-called state, federal or local "superfund" lien relating to such matters.

11.15. Subordinated Debt. The Borrower shall not make any payment of principal or interest on the secured subordinated Debt permitted under Section 11.2(f) of the Credit Agreement, except as permitted under the subordination provisions contained in the agreements establishing or evidencing such secured Debt and approved by the Bank. The Borrower shall not amend or modify any provisions of any instrument evidencing the subordinated Debt described in the two preceding sentences, without the prior written consent of the Bank.

11.16. Phoenix Purchase Agreement. The Phoenix Purchase Agreement shall not be amended, without the prior written consent of the Bank (which consent shall not be unreasonably withheld), to provide for a closing date of the Phoenix Purchase that is later than the Maturity Date or to provide for consideration for the Phoenix Purchase the net proceeds of which would be insufficient to repay the Loans in full.

12. EVENTS OF DEFAULT; REMEDIES. If any of

the following events shall occur, then the Bank may (i) by notice to the Borrower, declare the Commitment of the Bank and the obligation of the Bank to make Loans hereunder to be terminated, whereupon the same shall forthwith terminate, and/or (ii) declare the Notes and all interest accrued and unpaid thereon, and all other amounts payable under the Notes and this Agreement, to be forthwith due and payable, whereupon the Notes, all such interest and all such other amounts, shall become and be forthwith due and payable without presentment, demand, protest, or further notice of any kind (including, without limitation, notice of default, notice of intent to accelerate and notice of acceleration), all of which are hereby expressly waived by the Borrower; provided, however, that with respect to any Event of Default described in Section hereof, (A) the Commitment of the Bank and the obligation of the Bank to make Loans hereunder shall automatically be terminated and (B) the entire unpaid principal amount of the Notes, all interest accrued and unpaid thereon, and all such other amounts payable under the Notes and this Agreement, shall automatically become immediately due and payable, without presentment, demand, protest, or any notice of any kind (including, without limitation, notice of default, notice of intent to accelerate and notice of acceleration), all of which are hereby expressly waived by the Borrower.

12.1. Failure to Pay Principal. The Borrower does not pay, repay or prepay any principal of any Note within three (3) days after due; or

12.2. Failure to Pay Interest. The Borrower does not pay interest on any Note within five (5) days after due; or

12.3. Failure to Pay Commitment Fee or Other Amounts. The Borrower does not pay any commitment fee, the Facility Letter of Credit Fee, the Facility Fee, or any other obligation or amount payable under this Agreement or the Notes or any Letter of Credit Reimbursement Agreement when due; or

12.4. Failure to Pay Other Debt. The Borrower does not pay principal or interest on any other Debt when due, except with respect to trade debt in an amount less than $100,000.00 as to which the Borrower has a good faith dispute (the "Excepted Trade Debt"); provided, however, that with respect to trade debt in excess of $100,000.00, the Borrower may, with the prior written consent of the Bank dispute in good faith such trade debt without such failure to pay such trade debt constituting an Event of Default hereunder; or the holder of such other Debt (other than the Excepted Trade Debt) declares, or may declare, such Debt due prior to its stated maturity because of the Borrower's default thereunder; or

12.5. Misrepresentation or Breach of Warranty. Any representation or warranty made by the Borrower herein or otherwise furnished to the Bank in connection with this Agreement shall be incorrect, false or misleading in any material respect when made; or

12.6. Violation of Negative Covenants. The Borrower violates any covenant, agreement or condition contained in Section ; or

12.7. Violation of Other Covenants, Etc. The Borrower violates any other covenant, agreement or condition contained herein (other than the covenants, agreements and

conditions set forth or described in Sections , , , and above) and such violation shall not have been remedied within thirty (30) days after the occurrence thereof except that (i) with respect to Defaults under covenants relating to environmental matters, such a Default shall not be an Event of Default unless the Default is not susceptible of cure or unless the Borrower ceases diligently to cure a Default which is susceptible to being cured; and (ii) with respect to Defaults under covenants relating to compliance with governmental requirements relating to development, such a Default shall not be an Event of Default unless Borrower ceases diligently to cure such Default or such Default shall not have been remedied within ninety (90) days after the occurrence thereof; or

12.8. Bankruptcy and Other Matters. The Borrower (i) makes an assignment for the benefit of creditors; or (ii) admits in writing its inability to pay its debts generally as they become due; or (iii) generally fails to pay its debts as they become due; or (iv) files a petition or answer seeking for itself, or consenting to or acquiescing in, any reorganization, arrangement, composition, readjustment, liquidation, dissolution, or similar relief under any applicable Debtor Law (including, without limitation, the Federal Bankruptcy Code); or (v) there is appointed a receiver, custodian, liquidator, fiscal agent, or trustee of the Borrower or of the whole or any substantial part of its assets; or (vi) any court enters an order, judgment or decree approving a petition filed against the Borrower seeking reorganization, arrangement, composition, readjustment, liquidation, dissolution, or similar relief under any Debtor Law and either such order, decree or judgment so filed against it is not dismissed or stayed (unless and until such stay is no longer in effect) within thirty (30) days of entry thereof or an order for relief is entered pursuant to any such law; or

12.9. Dissolution. Any order is entered in any proceeding against the Borrower decreeing the dissolution, liquidation, winding-up or split-up of the Borrower, and such order remains in effect for thirty (30) days; or

12.10. Undischarged Judgment. Final judgment, or judgments in the aggregate, for the payment of money in excess of $20,000.00 shall be rendered against the Borrower and the same shall remain undischarged for a period of thirty (30) days during which execution shall not be effectively stayed; or

12.11. Security Documents. Any Party violates any covenant, agreement or condition contained in the Security Documents or any default or event of default otherwise occurs thereunder; or

12.12. Failure to Maintain Guaranty. Any Guaranty Agreement by any Guarantor is or becomes, or the Borrower or any Guarantor claims that any Guaranty Agreement is unenforceable or ineffective, or any Guarantor defaults under any such Guaranty Agreement; or

12.13. Environmental Matters. The occurrence of any of the following events which, in the sole opinion of the Bank, could result in liability to the Borrower under any Environmental Law or the creation of a Lien on any property of the Borrower in favor of any governmental authority or any other Person for any liability under any Environmental Law or for damages arising from costs incurred by such Person in response to a Release or threatened

Release of Hazardous Materials into the environment: (i) the Release of Hazardous Materials at, upon, under or within the property owned or leased by the Borrower or any contiguous property; (ii) the receipt by the Borrower of any summons, claim, complaint, judgment, order or similar notice that it is not in compliance with or that any governmental authority is investigating its compliance with any Environmental Law; (iii) the receipt by the Borrower of any notice or claim to the effect that it is or may be liable for the Release or threatened Release of Hazardous Materials into the environment; or (iv) any governmental authority incurs costs or expenses in response to the Release of any Hazardous Material which affects in any way the properties of the Borrower.

12.14. Other Remedies. In addition to and cumulative of any rights or remedies expressly provided for in this Section , if any one or more Events of Default shall have occurred, the Bank may proceed to protect and enforce its rights hereunder by any appropriate proceedings. The Bank may also proceed either by the specific performance of any covenant or agreement contained in this Agreement or the other Loan Documents or by enforcing the payment of the Notes or by enforcing any other legal or equitable right provided under this Agreement or the other Loan Documents or otherwise existing under any law in favor of the holder of the Notes.

12.15. Remedies Cumulative. No remedy, right or power conferred upon the Bank is intended to be exclusive of any other remedy, right or power given hereunder or now or hereafter existing at law, in equity, or otherwise, and all such remedies, rights and powers shall be cumulative.

13. MISCELLANEOUS.

13.1. Representation by the Bank. The Bank represents that it is its present intention, as of the date of its acquisition of the Notes, to acquire the Notes for its account or for the account of its Affiliates, and not with a view to the distribution or sale thereof, and, subject to any applicable laws, the disposition of the Bank's property shall at all times be within its control. The Notes have not been registered under the Securities Act of 1933, as amended (the "Securities Act"), and may not be transferred, sold or otherwise disposed of except (a) in a registered offering under the Securities Act; (b) pursuant to an exemption from the registration provisions of the Securities Act; or (c) if the Securities Act shall not apply to the Notes or the transactions contemplated by the Loan Documents. Nothing in this Section shall affect the characterization of the Loans and the transactions contemplated hereunder as commercial lending transactions.

13.2. Amendments, Waivers, Etc. No amendment or waiver of any provision of any Loan Document, nor consent to any departure by the Borrower therefrom, shall in any event be effective unless the same shall be writing and signed by the Borrower and the Bank, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given. No failure or delay on the part of the Bank in exercising any power or right hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such a right or power, preclude any other or further exercise thereof or the exercise of any other right or power. No course of dealing between the Borrower and the Bank shall

operate as a waiver of any right of the Bank. No modification or waiver of any provision of this Agreement, the Notes or any other Loan Document nor consent to any departure by the Borrower therefrom shall in any event be effective unless the same shall be in writing, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. No notice to or demand on the Borrower in any case shall entitle the Borrower to any other or further notice or demand in similar or other circumstances.

13.3. [intentionally omitted]

13.4. Reimbursement of Expenses. Any provision hereof to the contrary notwithstanding, and whether or not the transactions contemplated by this Agreement shall be consummated, the Borrower agrees to reimburse the Bank for its reasonable out-of-pocket expenses, including the reasonable fees and expenses of counsel to the Bank, in connection with such transactions, or any of them, or otherwise in connection with this Agreement or any other Loan Document, including the negotiation, preparation, execution, administration, modification and enforcement of this Agreement or any other Loan Document and all fees, including the reasonable fees and expenses of counsel to the Bank, costs and expenses of the Bank in connection with due diligence, transportation, computer, duplication, insurance and consultants. The Borrower agrees to pay any and all stamp and other taxes which may be payable or determined to be payable in connection with the execution and delivery of this Agreement any Note or any other Loan Document, and to save any holder of any Note harmless from any and all liabilities with respect to or resulting from any delay or omission to pay any such taxes. The obligations of the Borrower under this Section shall survive the termination of this Agreement and/or the payment of the Notes.

13.5. Lien on Real and Personal Property. At the request of the Bank, the Borrower shall grant a lien and security interest in and to all property, both real and personal, of whatever kind or nature owned by the Borrower, to the Bank and obtain subordination of any prior existing lien or security interest encumbering all or a portion of such property, in order that the Bank's lien and security interest shall be first and prior to all other liens and security interests. The Borrower shall supply the Bank with all information, instruments, permits, plans, contracts, environmental assessments, and appraisals relating to such property and otherwise assist the Bank in evaluating whether it will take a lien or security interest on the Borrower's property. The Borrower shall sign such deeds of trusts, pledges, security agreements, financing statements, certificates, consents, and agreements as the Bank may require, the Borrower shall and obtain all third-party signatures reasonably required thereon, in connection with the granting of any lien or security interest for the benefit of the Bank.

13.6. Notices. All notices and other communications provided for herein shall be in writing (including telex, facsimile, or cable communication) and shall be mailed, telecopied, telexed, cabled or delivered addressed as follows:

(a) If to the Borrower, to it at:

c/o Freeport McMoRan, Inc.
1615 Poydras Street

New Orleans, Louisiana 70112
Telephone No.: (504) 582-4144
Telecopy No.: (504) 582-4511
Attention: Mr. Robert R. Boyce

(b) If to the Bank, to it at:

Texas Commerce Bank National Association
North Building, 6th Floor
Real Estate Group
707 Travis
Houston, Texas 77002
Telephone No.: (713) 216-5133
Telecopy No.: (713) 216-7713
Attention: Mr. Brian M. Kouns

or to such other address as shall be designated by such party in a written notice to the other party. All such notices and communications shall, when mailed, telecopied, telexed, transmitted, or cabled, become effective when deposited in the mail, confirmed by telex answerback, transmitted by the telecopier, or delivered to the cable company, except that notices and communications to the Bank shall not be effective until actually received by the Bank.

13.7. Governing Law. UNLESS OTHERWISE SPECIFIED THEREIN, EACH LOAN DOCUMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS AND THE UNITED STATES OF AMERICA; provided, however, that Chapter 15 of Subtitle 3, Title 79, Revised Civil Statutes of Texas, 1925, as amended (Articles 5069-15.01 through 5069-15.11, Vernon's Texas Civil Statutes, as amended) shall not apply to this Agreement and the Revolving Note issued hereunder.

13.8. Survival of Representations, Warranties and Covenants. All representations, warranties and covenants contained herein or made in writing by the Borrower in connection herewith shall survive the execution and delivery of this Agreement and the Notes, and will bind and inure to the benefit of the respective successors and assigns of the parties hereto, whether so expressed or not, provided that the undertaking of the Bank to make Loans to the Borrower shall not inure to the benefit of any successor or assign of the Borrower. No investigation at any time made by or on behalf of the Bank shall diminish the Bank's right to rely on such representations, warranties and covenants contained herein or made in writing by the Borrower. All statements contained in any certificate or other written instrument delivered by the Borrower or by any Person authorized by the Borrower under or pursuant to this Agreement or in connection with the transactions contemplated hereby shall constitute representations and warranties hereunder as of the time made by the Borrower.

13.9. Counterparts. This Agreement may be executed in several counterparts, and by the parties hereto on separate counterparts, and each counterpart, when so executed and delivered, shall constitute an original instrument, and all such separate counterparts shall constitute but one and the same instrument.

13.10. Separability. Should any clause, sentence, paragraph or Section of this Agreement be judicially declared to be invalid, unenforceable or void, such decision shall not have the effect of invalidating or voiding the remainder of this Agreement, and the parties

hereto agree that the part or parts of this Agreement so held to be invalid, unenforceable or void will be deemed to have been stricken herefrom and the remainder will have the same force and effectiveness as if such part or parts had never been included herein. Each covenant contained in this Agreement shall be construed (absent an express contrary provision herein) as being independent of each other covenant contained herein, and compliance with any one covenant shall not (absent such an express contrary provision) be deemed to excuse compliance with one or more other covenants.

13.11. Descriptive Headings. The section headings in this Agreement have been inserted for convenience only and shall be given no substantive meaning or significance whatsoever in construing the terms and provisions of this Agreement.

13.12. Accounting Terms. All accounting terms used herein which are not expressly defined in this Agreement, or the respective meanings of which are not otherwise qualified, shall have the respective meanings given to them in accordance with generally accepted accounting principles.

13.13. Limitation of Liability. No claim may be made by the Borrower or any other Person against the Bank or the Affiliates, directors, officers, employees, attorneys, or agents of the Bank for any special, indirect, consequential, or punitive damages in respect of any claim for breach of contract arising out of or related to the transactions contemplated by this Agreement, or any act, omission, or event occurring in connection herewith and the Borrower hereby waives, releases, and agrees not to sue upon any claim for any such damages, whether or not accrued and whether or not known or suspected to exist in its favor.

13.14. Set-off. The Borrower hereby gives and confirms to the Bank a right of set-off of all moneys, securities and other property of the Borrower (whether special, general or limited) and the proceeds thereof, now or hereafter delivered to remain with or in transit in any manner to the Bank, its correspondents or its agents from or for the Borrower, whether for safekeeping, custody, pledge, transmission, collection or otherwise or coming into possession of the Bank in any way, and also, any balance of any deposit accounts and credits of the Borrower with, and any and all claims of security for the payment of the Notes and of all other liabilities and obligations now or hereafter owed by the Borrower to the Bank, contracted with or acquired by the Bank, whether such liabilities and obligations be joint, several, absolute, contingent, secured, unsecured, matured or unmatured, and the Borrower hereby authorizes the Bank at any time or times, without prior notice, to apply such money, securities, other property, proceeds, balances, credits of claims, or any part of the foregoing, to such liabilities in such amounts as it may select, whether such liabilities be contingent, unmatured or otherwise, and whether any collateral security therefor is deemed adequate or not. The rights described herein shall be in addition to any collateral security, if any, described in any separate agreement executed by the Borrower.

13.15. Sale or Assignment. The Bank reserves the right, in its sole discretion, without notice to the Borrower, to sell participations in all or any part of any Loan, the Notes, the Reimbursement Obligations, or the

Commitment evidenced by this Agreement; or the Bank may assign one hundred percent (100%) of its interest in all or any part of any Loan, the Notes, or the Commitment evidenced by this Agreement or the Reimbursement Obligations, (i) to a successor of the Bank or in connection with a sale to a governmental entity or quasi-governmental entity; or (ii) with the prior written consent of the Borrower, which consent shall not be unreasonably withheld.

13.16. Interest. All agreements between the Borrower and the Bank, whether now existing or hereafter arising and whether written or oral, are hereby expressly limited so that in no contingency or event whatsoever, whether by reason of demand being made on any Note or otherwise, shall the amount paid, or agreed to be paid, to the Bank for the use, forbearance, or detention of the money to be loaned under this Agreement or otherwise or for the payment or performance of any covenant or obligation contained herein or in any other Loan Document exceed the Highest Lawful Rate. If, as a result of any circumstances whatsoever, fulfillment of any provision hereof or of any of such documents, at the time performance of such provision shall be due, shall involve transcending the limit of validity prescribed by applicable usury law, then, ipso facto, the obligation to be fulfilled shall be reduced to the limit of such validity, and if, from any such circumstance, the Bank shall ever receive interest or anything which might be deemed interest under applicable law which would exceed the Highest Lawful Rate, such amount which would be excessive interest shall be applied to the reduction of the principal amount owing on account of the Notes or the amounts owing on other obligations of the Borrower to the Bank under any Loan Document and not to the payment of interest, or if such excessive interest exceeds the unpaid principal balance of the Notes and the amounts owing on other obligations of the Borrower to the Bank under any Loan Document, as the case may be, such excess shall be refunded to the Borrower. All sums paid or agreed to be paid to the Bank for the use, forbearance, or detention of the indebtedness of the Borrower to the Bank shall, to the extent permitted by applicable law, be amortized, prorated, allocated, and spread throughout the full term of such indebtedness until payment in full of the principal thereof (including the period of any renewal or extension thereof) so that the interest on account of such indebtedness shall not exceed the Highest Lawful Rate. The terms and provisions of this Section shall control and supersede every other provision of all agreements between the Borrower and the Bank.

13.17. Indemnification. The Borrower agrees to indemnify, defend, and save harmless the Bank and its officers, directors, employees, agents, and attorneys, and each of them (the "Indemnified Parties"), from and against all claims, actions, suits, and other legal proceedings, damages, costs, interest, charges, taxes, counsel fees, and other expenses and penalties which any of the Indemnified Parties may sustain or incur by reason of or arising out of (i) the making of any Loan hereunder, the execution and delivery of this Agreement, the Notes and the other Loan Documents and the consummation of the transactions contemplated thereby and the exercise of any of the Bank's rights under this Agreement, the Notes and the other Loan Documents or otherwise, including, without limitation, damages, costs, and expenses incurred by any of the Indemnified Parties in investigating, preparing for, defending against, or providing evidence, producing documents, or taking any other action in respect of any

commenced or threatened litigation under any federal securities law or any similar law of any jurisdiction or at common law or (ii) any and all claims or proceedings (whether brought by a private party, governmental authority, or otherwise) for bodily injury, property damage, abatement, remediation, environmental damage, or impairment or any other injury or damage resulting from or relating to the Release of any Hazardous Materials located upon, migrating into, from, or through or otherwise relating to any property owned or leased by the Borrower (whether or not the Release of such Hazardous Materials was caused by the Borrower, a tenant, or subtenant of the Borrower, a prior owner, a tenant, or subtenant of any prior owner or any other party and whether or not the alleged liability is attributable to the handling, storage, generation, transportation, or disposal of any Hazardous Materials or the mere presence of any Hazardous Materials on such property; provided that the Borrower shall not be liable to the Indemnified Parties where the Release of such Hazardous Materials occurs at any time at which the Borrower ceases to own such property); and provided further that no Indemnified Party shall be entitled to the benefits of this Section to the extent its own gross negligence or willful misconduct contributed to its loss; and provided further that it is the intention of the Borrower to indemnify the Indemnified Parties against the consequences of their own negligence. This Agreement is intended to protect and indemnify the Indemnified Parties against all risks hereby assumed by the Borrower. The obligations of the Borrower under this Section shall survive any the repayment of the Notes, the discharge and release of any Person under any Loan Document and any termination of this Agreement.

13.18. Payments Set Aside. To the extent that the Borrower makes a payment or payments to the Bank or the Bank exercises its right of setoff, and such payment or payments or the proceeds of such setoff or any part thereof are subsequently invalidated, declared to be fraudulent or preferential, set aside and/or required to be repaid to a trustee, receiver or any other Person under any Debtor Law or equitable cause, then, to the extent of such recovery, the obligation or part thereof originally intended to be satisfied, and all rights and remedies therefor, shall be revived and shall continue in full force and effect as if such payment had not been made or setoff had not occurred.

13.19. Loan Agreement Controls. If there are any conflicts or inconsistencies among this Agreement and any of the other Loan Documents, the provisions of this Agreement shall prevail and control.

13.20. HLT Classification. If the Bank or a Governmental Authority of the United States or any state thereof with supervisory authority over the Bank classifies any Loan or Facility Letter of Credit Obligation or similar extension of credit or commitment for same under this Agreement or any Note as a "highly leveraged transaction" (or successor regulatory category) under regulations or guidelines published and/or administered by bank regulatory authorities of the United States or any state thereof (an "HLT Classification"), the Bank shall notify the Borrower that the HLT Classification was made by a Governmental Authority of the United States or any state thereof with supervisory authority over the Bank. If, as a result of such HLT Classification the Bank incurs additional costs (whether regarding taxation, required levels of reserves, deposits, insurance, or capital, including any allocation of capital requirements or conditions, or similar

requirements), the Bank shall notify the Borrower of such increased costs; and the Borrower shall, within fifteen (15) days of such notice by the Bank, pay to the Bank such additional amounts as (in the Bank's sole judgment, after good faith and reasonable computation) will compensate the Bank for such increase in costs.

13.21. Capital Requirements and Yield Maintenance. If at any time after the date hereof, the Bank determines that the adoption or modification of any applicable law, rule or regulation regarding taxation, the Bank's required levels of reserves, deposits, insurance or capital (including any allocation of capital requirements or conditions), or similar requirements, or any interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation, administration or compliance of the Bank with any of such requirements, has or would have the effect of (i) increasing the Bank's costs relating to the obligations hereunder, or (ii) reducing the yield or rate of return of the Bank on the obligation hereunder, to a level below that which the Bank could have achieved but for the adoption or modification of any such requirements, the Borrower shall, within fifteen (15) days of any request by the Bank, pay to the Bank such additional amounts as (in the Bank's sole judgment, after good faith and reasonable computation) will compensate the Bank for such increase in costs or reduction in yield or rate of return of the Bank. No failure by the Bank immediately to demand payment of any additional amounts payable hereunder or under Section shall constitute a waiver of the Bank's right to demand payment of such amounts at any subsequent time. Nothing herein contained shall be construed or so operate as to require the Borrower to pay any interest, fees, costs or charges greater than is permitted by applicable law.

13.22. FINAL AGREEMENT. THIS WRITTEN AGREEMENT REPRESENTS THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

IN WITNESS WHEREOF, the parties hereto, by their respective officers thereunto duly authorized, have executed this Agreement on the dates set forth in the respective acknowledgments to be effective as of December 20, 1996.

CIRCLE C LAND CORP., a Texas corporation

By:
William H. Armstrong, III, President

TEXAS COMMERCE BANK NATIONAL ASSOCIATION,
a national banking association

By:
Brian M. Kouns, Vice President

AGREED AND CONSENTED TO AS OF THE EFFECTIVE DATE HEREOF BY GUARANTOR, WHOSE DULY AUTHORIZED OFFICER HAS SIGNED BELOW, WITH THE POWER AND AUTHORITY TO BIND THE GUARANTOR ON BEHALF OF WHOM SUCH OFFICER SIGNS, AND GUARANTOR HEREBY AFFIRMS,

ITS OBLIGATIONS UNDER THE GUARANTY AGREEMENTS:

Freeport-McMoRan Inc., a
Delaware corporation

By:
Name:
Title:

THE STATE OF TEXAS

COUNTY OF TRAVIS

BEFORE ME, the undersigned authority, a notary public, on this day personally appeared William H. Armstrong, III, President of Circle C Land Corp., a Texas corporation, known to me to be the person whose name is subscribed to the foregoing instrument and acknowledged to me that he executed the same for the purposes and consideration therein expressed and in the capacity therein stated, on behalf of said corporation.

Given under my hand and seal of office on this the ____ day of December, 1996.

Notary Public In and For the State of Texas

Typed or Printed Name of Notary

Commission Expiration Date

THE STATE OF TEXAS

COUNTY OF HARRIS

BEFORE ME, the undersigned authority, a notary public, on this day personally appeared Brian M. Kouns, Vice President of Texas Commerce Bank National Association, a national banking association, known to me to be the person whose name is subscribed to the foregoing instrument and acknowledged to me that he executed the same for the purposes and consideration therein expressed and in the capacity therein stated, on behalf of said association.

Given under my hand and seal of office on this the ____ day of December, 1996.

Notary Public In and For the State of Texas

Typed or Printed Name of Notary

Commission Expiration Date

STATE OF LOUISIANA

PARISH OF ORLEANS

On this ____ day of December, 1996, before me appeared ____________________ ___________________________, to me personally known, who, being by me duly sworn did say that he is the _________ of Freeport-McMoRan Inc., a Delaware corporation, and that the seal affixed to said instrument is the corporate seal of said corporation and that said instrument was signed and sealed in behalf of said corporation by authority of its board of directors and said ___________________________ acknowledged said instrument to be the free act and deed of said corporation.

Notary Public, State of Louisiana

(Typed or Printed Name of Notary)

SCHEDULE
STANDBY LETTERS OF CREDIT

The following Standby Letter of Credit is the only Letter of Credit that is still in effect on the Second Closing Date for the account of Circle C Land Corporation issued by Texas Commerce Bank National Association:

	Amount
Letter of Credit No. I-426230	$ 85,573
Dated: February 5, 1992	
Maturity: February 6, 1997	
Beneficiary: City of Austin	
Form: Subdivision	

EXHIBIT "A"
AMENDED AND RESTATED TERM NOTE

$15,628,358.00 December 20, 1996

FOR VALUE RECEIVED, the undersigned, CIRCLE C LAND CORP., a corporation organized under the laws of Texas (the "Borrower"), HEREBY PROMISES TO PAY to the order of TEXAS COMMERCE BANK NATIONAL ASSOCIATION, a national banking association (the "Bank"), on or before February 28, 1998 (the "Maturity Date"), the principal sum of Fifteen Million Six Hundred Twenty-Eight Thousand Three Hundred Fifty-Eight and No/100 Dollars ($15,628,358.00) in accordance with the terms and provisions of that certain Amended and Restated Credit Agreement dated as of December 20, 1996 by and between the Borrower and the Bank (the "Credit Agreement"; capitalized terms used herein and not otherwise defined herein shall have the meanings ascribed to such terms in the Credit Agreement).

The outstanding principal balance of this Amended and Restated Term Note (this "Term Note") shall be due and payable on the Maturity Date and as otherwise provided in the Credit Agreement. The Borrower promises to pay interest on the unpaid principal balance of this Term Note from the date of the Loan evidenced by this Term Note until the

principal balance thereof is paid in full. Interest shall accrue on the outstanding principal balance of this Term Note from and including the date of the Loan evidenced by this Term Note to but not including the Maturity Date at the rate or rates, and shall be due and payable on the dates, set forth in the Credit Agreement. Any amount not paid when due with respect to principal (whether at stated maturity, by acceleration or otherwise), costs or expenses, or, to the extent permitted by applicable law, interest, shall bear interest from the date when due to and excluding the date the same is paid in full, payable on demand, at the rate provided for in Section 2.1(b) of the Credit Agreement.

Payments of principal and interest, and all amounts due with respect to costs and expenses, shall be made in lawful money of the United States of America in immediately available funds, without deduction, set-off or counterclaim to the Bank not later than 11:00 a.m. (Houston time) on the dates on which such payments shall become due pursuant to the terms and provisions set forth in the Credit Agreement.

If any payment of principal or interest on this Term Note shall become due on a Saturday, Sunday, or public holiday on which the Bank is not open for business, such payment shall be made on the next succeeding Business Day and such extension of time shall in such case be included in computing interest in connection with such payment.

In addition to all principal and accrued interest on this Term Note, the Borrower agrees to pay (a) all reasonable costs and expenses incurred by all owners and holders of this Term Note in collecting this Term Note through any probate, reorganization, bankruptcy or any other proceeding and (b) reasonable attorneys' fees when and if this Term Note is placed in the hands of an attorney for collection after default.

All agreements between the Borrower and the Bank, whether now existing or hereafter arising and whether written or oral, are hereby expressly limited so that in no contingency or event whatsoever, whether by reason of demand being made on this Term Note or otherwise, shall the amount paid, or agreed to be paid, to the Bank for the use, forbearance, or detention of the money to be loaned under the Credit Agreement and evidenced by this Term Note or otherwise or for the payment or performance of any covenant or obligation contained in the Credit Agreement, this Term Note or in any other Loan Document exceed the Highest Lawful Rate. If, as a result of any circumstances whatsoever, fulfillment of any provision hereof or of any of such documents, at the time performance of such provision shall be due, shall involve transcending the limit of validity prescribed by applicable usury law, then, ipso facto, the obligation to be fulfilled shall be reduced to the limit of such validity, and if, from any such circumstance, the Bank shall ever receive interest or anything which might be deemed interest under applicable law which would exceed the Highest Lawful Rate, such amount which would be excessive interest shall be applied to the reduction of the principal amount owing on account of this Term Note or the amounts owing on other obligations of the Borrower to the Bank under any Loan Document and not to the payment of interest, or if such excessive interest exceeds the unpaid principal balance of this Term Note and the amounts owing on other obligations of the Borrower to the Bank under any Loan Document, as the case may be, such excess shall be refunded to the Borrower. In determining whether or not the interest paid or payable

under any specific contingencies exceeds the Highest Lawful Rate, the Borrower and the Bank shall, to the maximum extent permitted under applicable law, (a) characterize any non-principal payment as an expense, fee or premium rather than as interest; (b) exclude voluntary prepayments and the effects thereof; and (c) amortize, prorate, allocate and spread in equal parts during the period of the full stated term of this Term Note, all interest at any time contracted for, charged, received or reserved in connection with the indebtedness evidenced by this Term Note.

This Term Note is one of the Notes provided for in, and is entitled to the benefits of, the Credit Agreement, which Credit Agreement, among other things, contains provisions for acceleration of the maturity hereof upon the happening of certain stated events, for prepayments on account of principal hereof prior to the maturity hereof upon the terms and conditions and with the effect therein specified, and provisions to the effect that no provision of the Credit Agreement or this Term Note shall require the payment or permit the collection of interest in excess of the Highest Lawful Rate. The obligations of the Borrower hereunder are guaranteed by the Guaranty Agreements.

Except as otherwise specifically provided for in the Credit Agreement, the Borrower and any and all endorsers, guarantors and sureties severally waive grace, demand, presentment for payment, notice of dishonor or default, protest, notice of protest, notice of intent to accelerate, notice of acceleration and diligence in collecting and bringing of suit against any party hereto, and agree to all renewals, extensions or partial payments hereon, with or without notice, before or after maturity.

THIS TERM NOTE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF TEXAS AND APPLICABLE FEDERAL LAW.

This Term Note shall be deemed to be a contract under the law of the State of Texas. The Borrower and the Bank further agree that, insofar as the provisions of Article 1.04, Subtitle 1, Title 79, of the Revised Civil Statutes of Texas, 1925, as amended, are relevant to the determination of the maximum rate of interest permitted by applicable law in respect of this Term Note, the indicated rate ceiling computed pursuant to Section (a) of such Article shall apply to this Term Note.

This Term Note amends and restates that certain Term Note dated February 6, 1992 executed by Borrower and payable to the order of Bank in the original principal amount of $32,000,000.00 (the "Initial Term Note"), and it is expressly agreed to and understood by the Borrower that this Term Note (i) is given in substitution for and restatement and modification of, and not as payment of, the Initial Term Note, and (ii) is in no way intended to constitute a novation of the Initial Term Note.

THIS TERM NOTE, TOGETHER WITH THE OTHER LOAN DOCUMENTS, REPRESENTS THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENT OF THE PARTIES.

THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

IN WITNESS WHEREOF, the Borrower has caused this

Term Note to be executed and delivered by its officer thereunto duly authorized effective as of the date first above written.

CIRCLE C LAND CORP., a Texas corporation

By: ________________________
William H. Armstrong, III,
President

EXHIBIT "B"
AMENDED AND RESTATED REVOLVING NOTE

$13,500,000.00 December 20, 1996

FOR VALUE RECEIVED, the undersigned, CIRCLE C LAND CORP., a corporation organized under the laws of Texas (the "Borrower"), HEREBY PROMISES TO PAY to the order of TEXAS COMMERCE BANK NATIONAL ASSOCIATION, a national banking association (the "Bank"), on or before February 28, 1998 (the "Maturity Date"), the principal sum of Thirteen Million Five Hundred Thousand and 00/100 Dollars ($13,500,000.00) or so much as may be advanced from time to time, in accordance with the terms and provisions of that certain Amended and Restated Credit Agreement dated as of December 20, 1996 by and between the Borrower and the Bank, as the same may be amended, restated or supplemented and in effect from time to time, the "Credit Agreement"; capitalized terms used herein and not otherwise defined herein shall have the meanings ascribed to such terms in the Credit Agreement).

The outstanding principal balance of this Amended and Restated Revolving Note (this "Revolving Note") shall be due and payable on the payment dates as provided in the Credit Agreement. The Borrower promises to pay interest on the unpaid principal balance of this Revolving Note from the date of any Loan evidenced by this Revolving Note (including, without limitation, any Loan previously evidenced by the Prior Notes, as hereinafter defined) until the principal balance thereof is paid in full. Interest shall accrue on the outstanding principal balance of this Revolving Note from and including the date of any Loan evidenced by this Revolving Note (including, without limitation, any Loan previously evidenced by the Prior Notes, as hereinafter defined) to but not including the Maturity Date at the rate or rates, and shall be due and payable on the dates, set forth in the Credit Agreement. Any amount not paid when due with respect to principal (whether at stated maturity, by acceleration or otherwise), costs or expenses, or, to the extent permitted by applicable law, interest, shall bear interest from the date when due to and excluding the date the same is paid in full, payable on demand, at the rate provided for in Section 2.2(b) of the Credit Agreement.

Payments of principal and interest, and all amounts due with respect to costs and expenses, shall be made in lawful money of the United States of America in immediately available funds, without deduction, set-off or counterclaim to the Bank not later than 11:00 a.m. (Houston time) on the dates on which such payments shall become due

pursuant to the terms and provisions set forth in the Credit Agreement.

If any payment of principal or interest on this Revolving Note shall become due on a Saturday, Sunday, or public holiday on which the Bank is not open for business, such payment shall be made on the next succeeding Business Day and such extension of time shall in such case be included in computing interest in connection with such payment.

In addition to all principal and accrued interest on this Revolving Note, the Borrower agrees to pay (a) all reasonable costs and expenses incurred by all owners and holders of this Revolving Note in collecting this Revolving Note through any probate, reorganization, bankruptcy or any other proceeding and (b) reasonable attorneys' fees when and if this Revolving Note is placed in the hands of an attorney for collection after default.

All agreements between the Borrower and the Bank, whether now existing or hereafter arising and whether written or oral, are hereby expressly limited so that in no contingency or event whatsoever, whether by reason of demand being made on this Revolving Note or otherwise, shall the amount paid, or agreed to be paid, to the Bank for the use, forbearance, or detention of the money to be loaned under the Credit Agreement and evidenced by this Revolving Note or otherwise or for the payment or performance of any covenant or obligation contained in the Credit Agreement, this Revolving Note or in any other Loan Document exceed the Highest Lawful Rate. If, as a result of any circumstances whatsoever, fulfillment of any provision hereof or of any of such documents, at the time performance of such provision shall be due, shall involve transcending the limit of validity prescribed by applicable usury law, then, ipso facto, the obligation to be fulfilled shall be reduced to the limit of such validity, and if, from any such circumstance, the Bank shall ever receive interest or anything which might be deemed interest under applicable law which would exceed the Highest Lawful Rate, such amount which would be excessive interest shall be applied to the reduction of the principal amount owing on account of this Revolving Note or the amounts owing on other obligations of the Borrower to the Bank under any Loan Document and not to the payment of interest, or if such excessive interest exceeds the unpaid principal balance of this Revolving Note and the amounts owing on other obligations of the Borrower to the Bank under any Loan Documents, as the case may be, such excess shall be refunded to the Borrower. In determining whether or not the interest paid or payable under any specific contingencies exceeds the Highest Lawful Rate, the Borrower and the Bank shall, to the maximum extent permitted under applicable law, (a) characterize any non-principal payment as an expense, fee or premium rather than as interest; (b) exclude voluntary prepayments and the effects thereof; and (c) amortize, prorate, allocate and spread in equal parts during the period of the full stated term of this Revolving Note, all interest at any time contracted for, charged, received or reserved in connection with the indebtedness evidenced by this Revolving Note.

This Revolving Note is one of the Notes provided for in, and is entitled to the benefits of the Credit Agreement, which Credit Agreement, among other things, contains provisions for acceleration of the maturity hereof upon the happening of certain stated events, for prepayments on account of principal hereof prior to the maturity hereof upon the terms and conditions and with the effect therein

specified, and provisions to the effect that no provision of the Credit Agreement or this Revolving Note shall require the payment or permit the collection of interest in excess of the Highest Lawful Rate. The obligations of the Borrower hereunder are guaranteed by the Guaranty Agreements. It is contemplated that by reason of prepayments or repayments hereon prior to the Maturity Date, there may be times when no indebtedness is owing hereunder prior to such date, but notwithstanding such occurrences, this Revolving Note shall remain valid and shall be in full force and effect as to Loans made pursuant to the Credit Agreement subsequent to each such occurrence.

Except as otherwise specifically provided for in the Credit Agreement, the Borrower and any and all endorsers, guarantors and sureties severally waive grace, demand, presentment for payment, notice of dishonor or default, protest, notice of protest, notice of intent to accelerate, notice of acceleration and diligence in collecting and bringing of suit against any party hereto, and agree to all renewals, extensions or partial payments hereon, with or without notice, before or after maturity.

THIS REVOLVING NOTE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF TEXAS AND APPLICABLE FEDERAL LAW.

This Revolving Note shall be deemed to be a contract under the law of the State of Texas. The Borrower and the Bank further agree that, insofar as the provisions of Article 1.04, Subtitle 1, Title 79, of the Revised Civil Statutes of Texas, 1925, as amended, are relevant to the determination of the maximum rate of interest permitted by applicable law in respect of this Revolving Note, the indicated rate ceiling computed pursuant to Section (a) of such Article shall apply to this Revolving Note.

This Revolving Note amends and restates that certain Revolving Note dated as of September 1, 1993, executed by the Borrower and payable to the order of the Bank in the face amount of $13,500,000.00 (the "Previous Note"). The Previous Note amended and restated that certain Revolving Note dated as of February 6, 1992, executed by the Borrower and payable to the order of the Bank in the face amount of $8,500,000.00 (the "Initial Note"), and it is expressly understood and agreed to by the Borrower that this Revolving Note (i) is given in substitution for and restatement and modification of, and not as payment of, the Previous Note and the Initial Note (collectively, the "Prior Notes"), and (ii) is in no way intended to constitute a novation of the Previous Note or the Initial Note.

THIS REVOLVING NOTE, TOGETHER WITH THE OTHER LOAN DOCUMENTS, REPRESENTS THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENT OF THE PARTIES.

THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

IN WITNESS WHEREOF, the Borrower has caused this Revolving Note to be executed and delivered by its officer thereunto duly authorized effective as of the date first above written.

CIRCLE C LAND CORP., a Texas corporation

By: ___________________________
William H. Armstrong, III,
President

EXHIBIT "C"
NOTICE OF BORROWING

The undersigned hereby certifies that he is the Chief Executive Officer or the Chief Financial Officer of CIRCLE C LAND CORP., a corporation organized under the laws of Texas (the "Borrower"), and that as such he is authorized to execute this Notice of Borrowing on behalf of the Borrower. With reference to that certain Amended and Restated Credit Agreement dated as of December 20, 1996 (as same may be amended, modified, increased, supplemented and/or restated from time to time, the "Credit Agreement") entered into by and between the Borrower and TEXAS COMMERCE BANK NATIONAL ASSOCIATION, a national banking association (the "Bank"), the undersigned further certifies, represents and warrants on behalf of the Borrower that to his best knowledge and belief after reasonable and due investigation and review, all of the following statements are true and correct (each capitalized term used herein having the same meaning given to it in the Credit Agreement unless otherwise specified):

(a) The Borrower requests that the Bank advance to the Borrower the aggregate sum of $___________ by no later than __________, 19__. Immediately following such Loans, the aggregate outstanding balance of the Revolving Credit Loans shall equal $________. The Borrower requests that the principal amount for the Bank of the Loans bear interest as follows:

(i) The principal amount of the Revolving Credit Loan, if any, which shall bear interest at the Base Rate requested to be made by the Bank is $________.

(ii) The principal amount of the Revolving Credit Loan, if any, which shall bear interest at the Eurodollar Rate for which the initial Rate Period shall be one month requested to be made by the Bank is $ ________.

(iii) The principal amount of the Revolving Credit Loan, if any, which shall bear interest at the Eurodollar Rate for which the initial Rate Period shall be two months requested to be made by the Bank is $ ________.

(iv) The principal amount of the Revolving Credit Loan, if any, which shall bear interest at the Eurodollar Rate for which the initial Rate Period shall be three months requested to be made by the Bank is $ ________.

(v) The principal amount of the Term Loan, if any, which shall bear interest at the Base Rate requested to be made by the Bank is $ ________.

(vi) The principal amount of the Term Loan, if any, which shall bear interest at the Eurodollar Rate for which the initial Rate Period shall be one month requested to be made by the Bank is $ ________.

(vii) The principal amount of the Term Loan, if any,

which shall bear interest at the Eurodollar Rate for which the initial Rate Period shall be two months requested to be made by the Bank is $________.

(viii) The principal amount of the Term Loan, if any, which shall bear interest at the Eurodollar Rate for which the initial Rate Period shall be three months requested to be made by the Bank is $ ________.

(b) As of the date hereof, and as a result of the making of the requested Loans, there does not and will not exist any Default or Event of Default.

(c) The representations and warranties contained in Section of the Credit Agreement are true and correct in all material respects as of the date hereof and shall be true and correct upon the making of the requested Loans, with the same force and effect as though made on and as of the date hereof and thereof.

(d) No change that would cause a material adverse effect on the business, operations or condition (financial or otherwise) of the Borrower has occurred since the date of the most recent financial statements provided to the Bank dated as of ________, 19__.

(e) The demand deposit account of the Borrower at the Bank's Applicable Lending Office into which the proceeds of the borrowing are to be deposited is Account No. _______________ in the Borrower's name. Alternatively, the funds are to be transferred by wire in accordance with the following wire transfer instructions:

;

or delivered to _______________________________ in the form of a cashier's check made payable to the order of _______________________________________.

(f) The Expiration Date of each Rate Period specified in (a) above shall be the last day of such Rate Period.

EXECUTED AND DELIVERED this ___ day of __________, 19___.

CIRCLE C LAND CORP.

By:

Name:

Title: Chief Executive Officer/Chief Financial Officer

EXHIBIT "D"

NOTICE OF RATE CONVERSION/CONTINUATION

TO:TEXAS COMMERCE BANK NATIONAL ASSOCIATION, a national banking association (the "Bank") pursuant to that certain Amended and Restated Credit Agreement dated as of December ____, 1996 (as same may be amended, modified, increased, supplemented and/or restated from time to time,

the "Credit Agreement"), entered into by and between CIRCLE C LAND CORP. (the "Borrower") and the Bank.

Pursuant to Section (ii) of the Credit Agreement, this Notice of Rate Change/Continuation (the "Notice") represents the Borrower's election to [insert one or more of the following]:

[1.Use if converting Eurodollar Rate Loans to Base Rate Loans.]

Convert $_____________ in aggregate principal amount of Eurodollar Rate Loans with a current Rate Period ending on________, 19__, to Base Rate Loans on____________, 19__. [and]

[2.Use if converting Base Rate Loans to Eurodollar Rate Loans.]

Convert $_____________ in aggregate principal amount of Base Rate Loans to Eurodollar Rate Loans on _________________, 19__. The initial Rate Period for such Eurodollar Rate Loans is requested to be a [one] [two] [three] (__) month period.

[3a.Use if continuing Eurodollar Rate Loans] or

[3b.Use with number 1, if converting a portion of Eurodollar Rate Loans to Base Rate Loans and continuing the balance as Eurodollar Rate Loans] or

[3c.Use with number 2 if converting a portion of Base Rate Loans to Eurodollar Loans and continuing Eurodollar Rate Loans]

Continue $_____________ in aggregate principal amount of Eurodollar Rate Loans with a current Rate Period ending on ___________________, 19____, as Eurodollar Rate Loans having a Rate Period of [one] [two] [three] [six] months.

4.Borrower hereby certifies that no Default or Event of Default has occurred and is continuing under the Credit Agreement.

Unless otherwise defined herein, terms defined in the Credit Agreement shall have the same meanings in this Notice.

Dated: By:

Name:

Title:

EXHIBIT "E"

AMENDED AND RESTATED GUARANTY AGREEMENT

This AMENDED AND RESTATED GUARANTY AGREEMENT (this "Guaranty") is made to be effective as of December 20, 1996

by FREEPORT-McMoRan INC., a Delaware corporation (the "Guarantor"), in favor of TEXAS COMMERCE BANK NATIONAL ASSOCIATION, a national banking association, and its successors and assigns (the "Bank").

PRELIMINARY STATEMENT. The Bank and Circle C Land Corp., a Texas corporation (the "Borrower"), have entered into that certain Credit Agreement dated as of February 6, 1992 (the "Agreement"). The Agreement has been amended by (i) that certain First Amendment to Credit Agreement dated to be effective as of June 11, 1992, executed by the Borrower and the Bank (the "First Amendment"); (ii) that certain Second Amendment to Credit Agreement dated to be effective as of November 16, 1992, executed by Borrower and the Bank (the "Second Amendment"); (iii) that certain Third Amendment to Credit Agreement dated to be effective as of May 5, 1993, executed by the Borrower and the Bank (the "Third Amendment"); (iv) that certain Fourth Amendment to Credit Agreement and Revolving Note dated to be effective as of September 1, 1993, executed by the Borrower and the Bank (the "Fourth Amendment"); (v) that certain Fifth Amendment to Credit Agreement dated to be effective as of February 2, 1994, executed by the Borrower and the Bank (the "Fifth Amendment"); (vi) that certain Sixth Amendment to Credit Agreement dated to be effective as of July 17, 1995, executed by the Borrower and the Bank (the "Sixth Amendment"; and (vii) that certain Seventh Amendment to Credit Agreement dated to be effective as of December 12, 1996, executed by the Borrower and the Bank (the "Seventh Amendment"); the Agreement as amended by the First Amendment, Second Amendment, Third Amendment, Fourth Amendment, Fifth Amendment, Sixth Amendment and Seventh Amendment, the "Initial Credit Agreement"). Of even date herewith, the Bank and Borrower have entered into that certain Amended and Restated Credit Agreement (such Amended and Restated Credit Agreement, as it may hereafter be amended from time to time, the "Credit Agreement"), which amends and restates the Initial Credit Agreement.

The Guarantor entered into that certain Guaranty Agreement effective as of February 6, 1992, for the benefit of the Bank, as amended by that certain First Amendment to Guaranty Agreements, dated to be effective as of June 11, 1992 and executed by the Guarantor on its behalf and as successor by merger to Longhorn Properties, Inc., a Delaware corporation, and the Bank (the Guaranty Agreement as amended, the "Prior Guaranty"). The Prior Guaranty guaranteed the Borrower's obligations under the Initial Credit Agreement.

In connection with the spin off of certain assets of the Guarantor to Freeport-McMoRan Copper & Gold Inc., a Delaware corporation, the Guarantor entered into that certain Amended and Restated Guaranty Agreement effective as of July 17, 1995, for the benefit of the Bank, (the "Prior Restated Guaranty") which amended and restated the Prior Guaranty. The Prior Guaranty was amended and restated to limit the Prior Guaranty (as amended and restated) to all obligations of the Borrower other than principal and interest on the Notes, and in exchange therefor, the Guarantor executed the FTX Guaranty Agreement, dated as of July 17, 1995, and the FTX Security Agreement. Such FTX Guaranty Agreement has been amended and restated as of December 20, 1996, by that certain Amended and Restated FTX Guaranty Agreement, executed by Guarantor (the "FTX Guaranty"). The FTX Guaranty Agreement guarantees the principal and interest on the Notes which are secured as more fully described therein. This Guaranty amends and

restates the Prior Restated Guaranty, which amended and restated the Prior Guaranty. Guarantor guarantees certain of the Borrower's obligations under the Credit Agreement under this Guaranty.

From the making of the Loans by the Bank to the Borrower pursuant to the terms and conditions set forth in the Credit Agreement, the Guarantor will derive substantial benefit, whether directly or indirectly, from the making of this Guaranty. It is a condition precedent to the transfer of funds described above and the making of the Loans under the Credit Agreement that the Guarantor shall have executed and delivered this Guaranty.

All terms used herein and not otherwise defined herein shall have the meanings assigned to them in the Credit Agreement.

NOW, THEREFORE, in consideration of the premises and other good and valuable consideration, the adequacy, receipt and sufficiency of which are hereby acknowledged, the Guarantor hereby agrees as follows:

SECTION 1. Guaranty. The Guarantor hereby unconditionally and irrevocably (a) guarantees the punctual payment when due, whether at stated maturity, by acceleration, by prepayment or otherwise, of all obligations of the Borrower now or hereafter existing under the Credit Agreement, the Notes, the Letter of Credit Reimbursement Agreement, and all other Loan Documents to which the Borrower is a party, including, without limitation, the Reimbursement Obligations and the fees payable by the Borrower pursuant to the terms of the Credit Agreement other than the principal and interest on the Notes, and (b) agrees to pay any and all reasonable expenses (including, without limitation, reasonable counsel fees and expenses) incurred by the Bank in enforcing any rights under this Guaranty (all of the above, other than principal and interest on the Notes, being hereinafter collectively called the "Obligations").

SECTION 2. Guaranty Absolute. The Guarantor guarantees that the Obligations will be paid strictly in accordance with the terms of the Credit Agreement, the Notes, the Letter of Credit Reimbursement Agreement, and all other Loan Documents, regardless of any law, regulation or order now or hereafter in effect in any jurisdiction affecting any of such terms or the rights of the Bank with respect thereto. The liability of the Guarantor under this Guaranty shall be absolute and unconditional, to the extent permitted by applicable law, irrespective of:

(a) any lack of validity or enforceability of or defect or deficiency in the Credit Agreement, the Notes, the Letter of Credit Reimbursement Agreement, or any of the other Loan Documents;

(b) any change in the time, manner, terms or place of payment of, or in any other term of, all or any of the Obligations, or any other amendment or waiver of or any consent to departure from the Credit Agreement, the Notes, the Letter of Credit Reimbursement Agreement, or any of the other Loan Documents;

(c) any sale, exchange, release or non-perfection of any Property hereafter standing as security for the liabilities hereby guaranteed or any liabilities incurred directly or indirectly hereunder or any set-off against any

of said liabilities, or any release or amendment or waiver of or consent to departure from any other guaranty, for all or any of the Obligations;

(d) any change in the existence, structure or ownership of the Guarantor or the Borrower, or any insolvency, bankruptcy, reorganization or other similar proceeding affecting the Borrower or its assets;

(e) the existence of any claim, set-off or other rights which the Guarantor may have at any time against the Borrower, the holder or holders of the Notes or any Note, or any other Person, whether or not arising in connection with this Guaranty, the Credit Agreement, the Notes, the Letter of Credit Reimbursement Agreement, or any other Loan Document;

(f) any other circumstance which might otherwise constitute a defense available to, or a discharge of, the Borrower or any other Person (including any guarantor) in respect of the Obligations, other than payment in full by the Borrower of the Obligations.

This Guaranty shall continue to be effective or be reinstated, as the case may be, if at any time any payment of any of the Obligations is annulled, set aside, invalidated, declared to be fraudulent or preferential, rescinded or must otherwise be returned, refunded or repaid by the Bank upon the insolvency, bankruptcy, dissolution, liquidation or reorganization of the Borrower, or any other guarantor, or upon or as a result of the appointment of a receiver, intervenor or conservator of, or trustee or similar officer for, the Borrower or any other guarantor or any substantial part of the property of the Borrower or any other guarantor or otherwise, all as though such payment or payments had not been made. The obligations of the Guarantor under this Guaranty shall not be subject to reduction, termination or other impairment by reason of any setoff, recoupment, counterclaim or defense or for any other reason.

SECTION 3. Continuing Guaranty. This is a continuing Guaranty, and all extensions of credit and financial accommodations heretofore, concurrently herewith or hereafter made by the Bank to the Borrower which constitute Obligations or are made in connection with the Obligations and all indebtedness of the Borrower now owned or hereafter acquired by the Bank which constitute Obligations or are made in connection with the Obligations shall be conclusively presumed to have been made or acquired in acceptance hereof.

SECTION 4. Notice. The Bank agrees to give the following notices to the Guarantor before payment is due hereunder by the Guarantor: (i) five (5) days' written notice for any Event of Default set forth in Sections 12.1, 12.2, 12.3, and 12.4 of the Credit Agreement; (ii) fifteen (15) days' written notice for an Event of Default set forth in Sections 12.5, 12.6, 12.7, 12.10, 12.11, 12.12, and 12.13 of the Credit Agreement; and (iii) no notice for any Event of Default set forth in Sections 12.8 and 12.9 of the Credit Agreement. If the Event of Default remains unremedied on the expiration of the applicable time period, the Bank may at such time pursue the Guarantor under the terms of this Guaranty without further notice or demand.

SECTION 5. Waiver. This is an absolute Guaranty of payment and not of collection, and the Guarantor hereby

waives 0.1 promptness, diligence, notice of acceptance, presentment, demand, protest, notice of protest and dishonor, notice of intent to accelerate, notice of acceleration and any other notice with respect to any of the Obligations and this Guaranty, except as set forth in Section hereof; and 0.1 any requirement that the Bank exhaust any right or take any action against the Borrower or any other Person or entity or that the Borrower or any other Person or entity be joined in any action hereunder. Should the Bank seek to enforce the obligations of the Guarantor hereunder by action in any court, the Guarantor waives any necessity, substantive or procedural, that a judgment previously be rendered against the Borrower or any other Person, or that any action be brought against the Borrower or any other Person, or that the Borrower or any other Person should be joined in such cause. Such waiver shall be without prejudice to the Bank at its option to proceed against the Borrower or any other Person, whether by separate action or by joinder.

SECTION 6. Several Obligations. The obligations of the Guarantor hereunder are several from the Borrower or any other Person, including without limitation the other guarantors who are parties to the Guaranties, and are primary obligations concerning which the Guarantor is the principal obligor. The Guarantor agrees that this Guaranty shall not be discharged except by complete performance of the obligations of the Borrower or any other Person under the Notes, the Credit Agreement, the Letter of Credit Reimbursement Agreement, and any other Loan Document to which the Borrower or such Person is a party and by complete performance of the obligations of the Guarantor hereunder. The obligations of the Guarantor hereunder shall not be affected in any way by any receivership, insolvency, bankruptcy or other proceedings affecting the Borrower or any other Person or any of the Borrower's or such Person's assets, or the release or discharge of the Borrower or any other Person from the performance of any obligation contained in any promissory note or other instrument issued in connection with, evidencing or securing any indebtedness guaranteed by this instrument, whether occurring by reason of law or any other cause, whether similar or dissimilar to the foregoing.

SECTION 7. Subrogation. The Guarantor will not have any right which it may acquire by way of subrogation or similar rights under this Guaranty, by reason of any payment made hereunder or otherwise, until (i) all of the Obligations shall have been paid in full, and (ii) the Bank's Commitment under the Credit Agreement shall have been terminated. If any amount shall be paid to the Guarantor purportedly on account of any such subrogation rights at any time when all the Obligations shall not have been paid in full or at such time as the Bank's Commitment under the Credit Agreement is in effect, such amount shall be held in trust for the benefit of the Bank and shall forthwith be paid to the Bank to be applied to the Obligations in such order as the Bank shall select.

SECTION 8. Stay of Acceleration. If acceleration of the time for payment of any amount payable by the Borrower under the Credit Agreement, the Letter of Credit Reimbursement Agreement, or the Notes is stayed upon the insolvency, bankruptcy or reorganization of the Borrower, all such amounts otherwise subject to acceleration under the terms of the Credit Agreement or the Letter of Credit Reimbursement Agreement shall nonetheless be payable by the Guarantor hereunder forthwith on demand by the holder or

holders of the Notes or the obligee of the Letter of Credit Reimbursement Agreement.

SECTION 9. Representations and Warranties. The Guarantor hereby represents and warrants as follows:

(a) The Guarantor (i) is a corporation duly organized, validly existing, and in good standing under the laws of the jurisdiction of its incorporation; (ii) has the corporate power to own its Properties and to carry on its business as now conducted; and (iii) is duly qualified as a foreign corporation to do business and is in good standing in every jurisdiction where such qualification is necessary, except when the failure to so qualify would not or does not have a Material Adverse Effect.

(b) The Guarantor is not in default with respect to any indenture, loan or credit agreement or any lease or other agreement or instrument or subject to any charter, bylaw or other corporate restriction which default would have a Material Adverse Effect. Neither the execution and delivery of this Guaranty nor the consummation of the transactions contemplated hereby nor fulfillment of and compliance with the respective terms, conditions and provisions hereof or of any instruments required hereby will conflict with or result in a breach of any of the terms, conditions or provisions of, or constitute a default under, or result in any violation of, or result in the creation or imposition of any Lien on any of the Property of the Guarantor pursuant to (i) the charter or bylaws applicable to the Guarantor; (ii) any law or any regulation of any administrative or governmental instrumentality; (iii) any order, writ, injunction or decree of any court; or (iv) the terms, conditions or provisions of any agreement or instrument to which the Guarantor is a party or by which it is bound or to which it is subject.

(c) The representations and warranties of the Guarantor contained in each Loan Document to which Guarantor is a party are true and correct in all material respects so as to provide to the Bank and to permit them to realize the benefits intended to be provided by, and obtained from, each such Loan Document.

(d) The Guarantor has received, or will receive, direct or indirect benefit from the making of this Guaranty.

(e) Except as disclosed in the Guarantor's audited financial statements as of December 31, 1995, and the Guarantor's unaudited financial statements as of September 30, 1996, there is no: (a) action or proceeding pending or, to the knowledge of the Guarantor, threatened against the Borrower or the Guarantor before any court, administrative agency or arbitrator which is reasonably expected to have a Material Adverse Effect; (a) judgment outstanding against the Guarantor for the payment of money which would have a Material Adverse Effect; or (a) other outstanding judgment, order or decree affecting the Borrower or the Guarantor before or by any administrative or governmental authority, compliance with or satisfaction of which may reasonably be expected to have a Material Adverse Effect.

(f) The Guarantor is not in default under or in violation of the provisions of any instrument evidencing any Debt or of any agreement relating thereto or any judgment, order, writ, injunction or decree of any court or any order, regulation or demand of any administrative or governmental

instrumentality which default or violation might have a Material Adverse Effect.

(g) The Guarantor's execution, delivery and performance of this Guaranty and any Loan Document to which Guarantor is a party does not require the consent or approval of any Governmental Authority or any other Person. The consummation and the effectuation of the transactions contemplated under this Guaranty and any Loan Document to which Guarantor is a party do not require the consent or approval of any Governmental Authority or any other Person, except such consents and approvals as have been obtained.

(h) This Guaranty is, and all other documents and instruments executed in connection herewith when delivered will be, legal, valid and binding obligations of the Guarantor, enforceable against the Guarantor in accordance with their respective terms, except as such enforceability may be (a) limited by the effect of any Debtor Laws and (a) subject to the effect of general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

(i) The Guarantor has the corporate power and authority to make, execute, deliver and carry out this Guaranty and the transactions contemplated herein, and to perform its obligations hereunder and all such action has been duly authorized by all necessary corporate proceedings on its part. This Guaranty has been duly and validly executed and delivered by the Guarantor.

(j) The Guarantor is not in violation of any governmental requirement which violation (in the event such violation was asserted by any Person) would have a Material Adverse Effect.

(k) The Guarantor has good and marketable title to its assets.

(l) The Guarantor has filed all tax returns required to be filed and has paid all taxes shown on said returns and all assessments which are due and payable (except such as are being contested in good faith by appropriate proceedings for which adequate reserves for their payment have been provided in a manner consistent with the generally accepted accounting practices consistently applied). The Guarantor is not aware of any pending investigation by any taxing authority or of any claims by any governmental authority for any unpaid taxes, except for audits for tax years 1987 through 1989 and certain audits conducted in various states, as well as other matters reflected in the Guarantor's financial statements.

(m) The Guarantor is not an "investment company", or a company "controlled" by an "investment company", within the meaning of the Investment Company Act of 1940, as amended.

(n) The Guarantor is not a "holding company", or a "subsidiary company" of a "holding company", or an "affiliate" of a "holding company", or an affiliate of a "subsidiary company" of a "holding company", as such terms are defined in the Public Utility Holding Company Act of 1935, as amended.

(o) No Reportable Event (as defined in Section 4043(b) of ERISA) has occurred with respect to any Plan. Each Plan complies in all material respects with all applicable

provisions of ERISA, and the Guarantor has filed all reports required by ERISA and the Code to be filed with respect to each Plan. The Guarantor has no knowledge of any event which could result in a liability of the Guarantor to the Pension Benefit Guaranty Corporation. The Guarantor has met all requirements with respect to funding the Plans imposed by ERISA or the Code. Since the effective date of Title IV of ERISA, there have not been any, nor are there now existing any, events or conditions that would permit any Plan to be terminated under circumstances which would cause the lien provided under Section 4068 of ERISA to attach to any property of the Guarantor. The value of the Plans' benefits guaranteed under Title IV of ERISA on the date hereof does not exceed the value of such Plans' assets allocable to such benefits as of the date of this Guaranty and shall not be permitted to do so hereafter.

(p) The Guarantor owns or has obtained all governmental permits, certificates of authority, leases, patents, trademarks, service marks, trade names, copyrights, franchises and licenses, and rights with respect thereto, required or necessary (or, in the sole and independent judgment of the Guarantor, prudent) in connection with the conduct of its business as presently conducted or as proposed to be conducted, except for those the absence of which would not have a Material Adverse Effect.

(q) (i) All facilities and property owned or leased by the Guarantor have been and continue to be, owned or leased and operated by the Guarantor in compliance with all Environmental Laws, except for violations of Environmental Laws, which violations have no Material Adverse Effect; (ii) there has not been (during the period of the Guarantor's ownership or lease) any Release of Hazardous Materials at, on or under any property now (or, to the Guarantor's knowledge, previously) owned or leased by the Guarantor (A) that required, or may reasonably be expected to require, the Guarantor to expend funds on remediation or clean-up activities pursuant to any Environmental Law except for remediation or clean-up activities that would not be reasonably expected to have a Material Adverse Effect, or (B) that otherwise, singly or in the aggregate, has, or may reasonably be expected to have, a Material Adverse Effect; (iii) the Guarantor has been issued and is in compliance with all permits, certificates, approvals, orders, licenses and other authorizations relating to environmental matters necessary for its business, the absence of which would not have a Material Adverse Effect; and (iv) there are no polychlorinated biphenyls (PCB's) or asbestos-containing materials or surface impoundments in any of the facilities now (or, to the knowledge of the Guarantor, previously) owned or leased by the Guarantor in violation of applicable Environmental Laws, except for violations of Environmental Laws which violations have no Material Adverse Effect; (v) Hazardous Materials have not been generated, used, treated, recycled, stored or disposed of in any of the facilities or on any of the property now (or, to the knowledge of the Guarantor, previously) owned or leased by the Guarantor during the time of the Guarantor's ownership in violation of applicable Environmental Laws, except for violations of Environmental Laws which violations have no Material Adverse Effect; and (vi) no underground storage tank located on the property now (or, to the knowledge of the Guarantor, previously) owned or leased by the Guarantor has been (and to the extent currently owned or leased is) operated in violation of applicable Environmental Laws, except for violations of Environmental Laws which violations have no Material Adverse Effect.

(r) The business and operations of the Guarantor as conducted at all times relevant to the transactions contemplated by this Guaranty shall have been and shall be in compliance in all respects with all applicable State and Federal laws, regulations and orders affecting the Guarantor and the business and operations of the Guarantor, except for violations, regulations, and orders which have no Material Adverse Effect.

(s) Upon giving effect to (A) the execution of this Guaranty and (B) the consummation of the transactions contemplated under this Guaranty, the following are true and correct after reasonable investigation:

(i) The fair saleable value of the assets of the Guarantor exceeds the amount that will be required to be paid on or in respect of the existing debts and other liabilities (including, without limitation, pending or overtly threatened litigation in amounts in excess of effective insurance coverage and all other contingent liabilities) of the Guarantor, as they mature.

(ii) The net assets of the Guarantor do not constitute unreasonably small capital for the Guarantor to carry out its business as now conducted and as proposed to be conducted including the capital needs of the Guarantor, taking into account the particular capital requirements of the business conducted by the Guarantor, and projected capital requirements and capital availability thereof.

(iii) The Guarantor does not intend to incur Debt beyond its ability to pay such Debt as it matures (taking into account the timing and amounts of cash to be received by the Guarantor, and of amounts to be payable, on or in respect of, Debt of the Guarantor).

SECTION 10. Covenant. The Guarantor shall deliver to the Bank in duplicate:

(a) as soon as available, and in any event within ninety (90) days after the end of each fiscal year of the Guarantor, a copy of the audited financial report of the Guarantor as of the end of such fiscal year and for the period then ended, containing a balance sheet, statements of income and stockholders' equity, and a cash flow statement, all in reasonable detail and certified by a financial officer of the Guarantor, to have been prepared in accordance with generally accepted accounting principles consistently applied, except as may be explained in such certificate;

(b) as soon as available, and in any event within forty-five (45) days after the end of each quarterly accounting period in each fiscal year of the Guarantor (including the fourth quarter), an unaudited financial report of the Guarantor as at the end of such quarter and for the period then ended, containing a balance sheet, statements of income and stockholder's equity and a cash flow statement, all in reasonable detail and certified by a financial officer of the Guarantor to have been prepared in accordance with generally accepted accounting principles consistently applied, except as may be explained in such certificate;

(c) copies of all statements and reports sent to stockholders of the Guarantor or filed with the Securities and Exchange Commission; and

(d) such additional financial or other information as the Bank may reasonably request.

SECTION 11. Amendments, Etc. No amendment or waiver of any provision of this Guaranty nor consent to any departure by the Guarantor therefrom shall in any event be effective unless the same shall be in writing and signed by the Bank and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

SECTION 12. Notices, Etc. All notices and other communications provided for hereunder shall be in writing (including telegraphic, telex, facsimile or cable communication) and mailed, telegraphed, telexed, transmitted, cabled or delivered, if to the Guarantor, at its address:

1615 Poydras Street
New Orleans, Louisiana 70112
Attention: Robert R. Boyce
Telephone No.: (504) 582-4144
Telecopy No.: (504) 582-4511

with copies to:

Charles E. Holmes
1615 Poydras Street
New Orleans, Louisiana 70112
Telephone No.: (504) 582-1982
Telecopy No.: (504) 582-4139

and the Borrower as set forth in Section 14.6 of the Credit Agreement; if to the Bank, at the address for the Bank's Domestic Lending Office, as the case may be, set forth in the Credit Agreement, or, as to each party, at such other address as shall be designated by such party in a written notice to the other party. All such notices and communications shall be effective three (3) days after deposit in the mail, postage pre-paid, or when delivered to the telegraph company, confirmed by telex answerback, transmitted by telecopier or delivered to the cable company, respectively.

SECTION 13. No Waiver; Remedies. No failure on the part of the Bank to exercise, and no delay in exercising, any right hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any right hereunder preclude any other or further exercise thereof or the exercise of any other right. The remedies herein provided are cumulative and not exclusive of any remedies provided by law.

SECTION 14. Right of Set-off. Upon the occurrence and during the continuance of any Event of Default, the Bank is hereby authorized at any time and from time to time, without notice to the Guarantor (any such notice being expressly waived by the Guarantor) to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other indebtedness at any time owing by the Bank to or for the credit or the account of the Guarantor against any and all of the obligations of the Guarantor now or hereafter existing under this Guaranty, irrespective of whether or not the Bank shall have made any demand under this Guaranty and although such obligations may be contingent and unmatured. The rights of the Bank under

this Section 14 are in addition to other rights and remedies (including, without limitation, other rights of set-off) which the Bank may have. The right of set-off contained herein shall not extend to funds of the Guarantor on account at The Chase Manhattan Bank (National Association), a New York banking corporation, located at One Chase Manhattan Plaza, New York, New York 10081.

SECTION 15. Costs, Expenses and Taxes. The Guarantor agrees to pay, and cause to be paid, on demand (a) all costs and expenses of the Bank in connection with the preparation, execution, delivery, modification, amendment, filing, and recording of this Guaranty and any of the documents or instruments evidencing the Obligations and any other agreements or documents delivered in connection with any of the Obligations, including, without limitation, the reasonable fees and out-of-pocket expenses of counsel for the Bank with respect thereto and with respect to advising the Bank as to its rights and responsibilities under this Guaranty; (a) all costs and expenses, if any (including reasonable counsel fees and expenses), in connection with the enforcement (whether through negotiations, legal proceedings or otherwise) of this Guaranty; and (a) all costs and expenses of the Bank in connection with due diligence, transportation, and duplication incurred in connection with or reasonably related to the transactions contemplated hereunder. The Guarantor agrees to pay interest on any expenses or other sums due to the Bank hereunder that are not paid when due at a rate per annum equal to the Highest Lawful Rate. In addition, the Guarantor shall pay any and all stamp and other taxes payable or determined to be payable in connection with the execution and delivery of this Guaranty and any of the documents or instruments evidencing the Obligations, and agrees to save the Bank harmless from and against any and all liabilities with respect to or resulting from any delay in paying or omission to pay such taxes. The agreements of the Guarantor contained in this Section shall survive the payment of all other amounts owing hereunder or under any of the other Obligations.

SECTION 16. Indemnity. To the fullest extent permitted by applicable law, the Guarantor agrees to indemnify, protect and save harmless the Bank from and against any and all claims, losses, liabilities costs and expenses of any kind or nature whatsoever, arising out of, or resulting from (a) this Guaranty, the Credit Agreement, the Notes, the Loan Documents (including, without limitation, enforcement of this Guaranty, the Credit Agreement, the Notes, the Loan Documents), Borrower's activities in connection with the Guaranty, the Credit Agreement, the Note, the Loan Documents, or Borrower's Property, and the actions of any employee, officer, director, agent, shareholder, invitee, licensee, contractor, or manager of Borrower or the Bank in connection therewith (collectively, the "Indemnified Liabilities"), to the extent that the Indemnified Liabilities arise out of or by reason of claims made by any Person, including the Bank, except claims, losses or liabilities resulting from the gross negligence or willful misconduct of the Bank; provided that it is the intention of the Guarantor to indemnify the Bank and parties related to the Bank hereinbefore described against the consequences of their own negligence.

SECTION 17. Separability. Should any clause, sentence, paragraph, subsection or Section of this Guaranty be judicially declared to be invalid, unenforceable or void, such decision will not have the effect of invalidating or

voiding the remainder of this Guaranty, and the parties hereto agree that the part or parts of this Guaranty so held to be invalid, unenforceable or void will be deemed to have been stricken herefrom and the remainder will have the same force and effectiveness as if such part or parts had never been included herein.

SECTION 18. Captions. The captions in this Guaranty have been inserted for convenience only and shall be given no substantive meaning or significance whatever in construing the terms and provisions of this Guaranty.

SECTION 19. Continuing Guaranty; Transfer of Notes. This Guaranty is a continuing guaranty and shall 0.1 remain in full force and effect until payment in full of the Obligations and all other amounts payable under this Guaranty; 0.1 be binding upon the Guarantor, its successors and assigns; and 0.1 inure to the benefit of and be enforceable by the Bank and its respective successors, transferees and assigns. Without limiting the generality of the foregoing clause (c), the Bank may assign or otherwise transfer the Notes to any other Person in accordance with the terms and provisions set forth in the Credit Agreement, and such other Person shall thereupon become vested with all the rights and benefits in respect thereof granted to the Bank herein or otherwise.

SECTION 20. Confirmation of Release. Upon the expiration of all time periods during which payments made pursuant to this Guaranty could be annulled, set aside, invalidated, declared to be fraudulent or preferential or otherwise returned, refunded or repaid by the Bank upon the insolvency, bankruptcy, dissolution, liquidation or reorganization of the Borrower, and at such time as the Obligations have been discharged in full, the Bank shall confirm the discharge of the Guarantor from its obligations hereunder.

SECTION 21. Limitation by Law. All rights, remedies and powers provided in this Guaranty may be exercised only to the extent that the exercise thereof does not violate any applicable provision of law, and all the provisions of this Guaranty are intended to be subject to all applicable mandatory provisions of law which may be controlling and to be limited to the extent necessary so that they will not render this Guaranty invalid, unenforceable, in whole or in part, or not entitled to be recorded, registered or filed under the provisions of any applicable law.

SECTION 22. Survival of Representations and Warranties. All representations and warranties contained in this Guaranty or made in writing by or on behalf of the Guarantor in connection herewith, shall survive the execution and delivery of this Guaranty and shall continue after the repayment of the Notes and the termination of the Commitments. Any investigation by the Bank shall not diminish in any respect whatsoever their right to rely on such representations and warranties.

SECTION 23. GOVERNING LAW; TERMS. THIS GUARANTY SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF TEXAS AND APPLICABLE FEDERAL LAW. TO THE EXTENT PERMITTED BY APPLICABLE LAW, THE GUARANTOR HEREBY SUBMITS TO THE NONEXCLUSIVE JURISDICTION OF THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF TEXAS AND ANY TEXAS STATE COURT SITTING IN HARRIS COUNTY, TEXAS FOR THE PURPOSES OF ALL LEGAL PROCEEDINGS ARISING OUT OF OR

RELATING TO THIS GUARANTY OR THE TRANSACTIONS CONTEMPLATED HEREBY.

SECTION 24. Definitions. Certain capitalized terms not otherwise defined herein shall have the respective meanings set forth in the Credit Agreement. Certain capitalized terms not otherwise defined herein or in the Credit Agreement shall have the respective meanings set forth below:

"Material Adverse Effect" shall mean any material adverse effect on (a) the financial condition, business, properties, assets, prospects or operations of the Guarantor, or (b) the ability of the Guarantor to perform its obligations under this Guaranty on a timely basis.

"Plan" shall mean any plan subject to Title IV of ERISA and maintained for employees of the Guarantor or of any member of a "controlled group of corporations," as such term is defined in the Code, of which the Guarantor is a member, or any such plan to which the Guarantor is required to contribute on behalf of its employees.

THIS GUARANTY, TOGETHER WITH THE OTHER LOAN DOCUMENTS, REPRESENTS THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES.

THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

IN WITNESS WHEREOF, the Guarantor has caused this Guaranty to be duly executed by its respective officer thereunto duly authorized, on the date set forth in the acknowledgment, to be effective as of the date first above written.

FREEPORT-McMoRan INC.,
a Delaware corporation

By:

Name:

Title:

Address:
1615 Poydras Street
New Orleans, Louisiana 70112

STATE OF LOUISIANA

PARISH OF ORLEANS

On this ____ day of December, 1996, before me appeared ___________________, to me personally known, who, being by me duly sworn did say that he is the _________________ of FREEPORT-McMoRan INC., a Delaware corporation, and that the seal affixed to said instrument is the corporate seal of said corporation and that said instrument was signed and sealed in behalf of said corporation by authority of its

board of directors and said ____________________ acknowledged said instrument to be the free act and deed of said corporation.

Notary Public, State of Louisiana

(Typed or Printed Name of Notary)

EXHIBIT "F"
FTX GUARANTY

Exhibit 10.3

FMP

AMENDED AND RESTATED SERVICES AGREEMENT

THIS AMENDED AND RESTATED SERVICES AGREEMENT (this "Agreement") is dated as of January 1, 1997, by and between FM Services Company, a Delaware corporation ("FMS"), and FM Properties Inc., a Delaware corporation ("FMP").

WHEREAS, the parties entered into a Services Agreement dated as of January 1, 1996 (the"Original Agreement") pursuant to which FMS furnished FMP and its affiliates, as that term is defined in Rule 405 under the Securities Act of 1933 (collectively, the "FMP Group"), with Services,as defined below, to support and complement the services provided by the FMP Group's officers, employees and other available resources;

WHEREAS, the parties desire to amend the Original Agreement to provide for a cost of living adjustment to the Annual Fee, as defined below, and to restate the Original Agreement as so amended.

NOW THEREFORE, in consideration of the covenants and agreements set forth herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

Section 1. Services. During the term of this Agreement FMS shall furnish the following services (collectively, the "Services") to the FMP Group: (a) accounting, treasury and financial, (b) tax, (c) insurance and risk management (including the purchase and maintenance on behalf of FMP of such insurance as FMP deems necessary or appropriate), (d) human resources (including employee benefit services), (e) management information and system support, (f) governmental relations, (g) community relations, (h) investor relations, (i) facilities management and security, (j) marketing, (k) business development, (l) executive support, (m) aviation, (n) contract administration and (o) such other services as may mutually be agreed upon by the parties hereto. Services shall be provided directly by FMS or, in the discretion of FMS, by affiliated or non-affiliated third parties.

Section 2. Administration of Services. FMS shall keep the appropriate officers and employees of FMP and other members of the FMP Group fully informed and shall cooperate with such officers and employees with respect to the performance of Services by FMS. Each member of the FMP Group shall have complete and full access to all data, records, files, statements, invoices, billings and other information generated by or in the custody of FMS relating to Services provided to such entity.

Section 3. Compensation and Reimbursement.

(a) As compensation for the performance of the Services, FMP shall pay to FMS an annual fee of $500,000, subject to the adjustment set forth in Section 10 hereof (the "Annual Fee"). The Annual Fee shall be payable in four equal payments on or before the tenth (10th) day of each calendar quarter in each year during the term of this Agreement.

(b) FMP shall reimburse FMS for all costs of goods, services or other items purchased from third parties by FMS for the FMP Group, to the extent such costs are paid by FMS ("Third Party Charges").

Section 4. Use of FMS Facilities. FMS shall provide the FMP Group with a non-exclusive right to utilize its properties and facilities, subject to such limitations, if any, as may be imposed by leases and other agreements and instruments governing the use of such properties and facilities.

Section 5. Terms of Agreement; Termination. (a) This Agreement shall commence as of the date first above written and shall continue in effect

until (i) the parties mutually agree in writing to terminate this Agreement or (ii) 90 days after receipt by FMS of written notice from FMP of its request to terminate this Agreement.

(b) Upon termination of this Agreement, FMP shall be liable for a pro rata portion of the Annual Fee and all Third Party Charges incurred in accordance with Section 3 prior to termination.

Section 6. Limitation of Liability.

(a) FMS makes no representation or warranty whatsoever, express or implied, with respect to the Services. In no event shall FMS be liable to FMP for (i) any loss, cost or expense resulting from any act or omission taken at the express direction of any member of the FMP Group or (ii) any special, indirect or consequential damages resulting from any error or omission in the performance of the Services or from the breach of this Agreement.

(b) Neither FMS nor FMP shall be liable for any loss or damage or any nonperformance, partial or whole, under this Agreement, caused by any strike, labor troubles, riot act of a public enemy, insurrection, act of God, or any law, rule or regulation promulgated by any governmental body or agency, or any demand or requisition of any governmental body or agency, or any other cause beyond the control of the parties hereto.

Section 7. Confidentiality. FMS will hold and will use its best efforts to cause its officers, directors, employees and other agents (collectively, its "Agents") to hold, in confidence, all confidential documents and information concerning the FMP Group furnished to such party in connection with this Agreement, except to the extent that such information can be shown to have been (a) previously known by such party on a nonconfidential basis, (b) in the public domain through no fault of such party or (c) later lawfully acquired by such party on a nonconfidential basis from a source other than the FMP Group; provided that FMS may disclose such information in connection with this Agreement to its Agents so long as such persons are informed by FMS of the confidential nature of such information and are directed by FMS to keep such information confidential and not to use it for any purpose other than its intended use. Notwithstanding the foregoing, FMS or its Agents may disclose such information if (i) compelled to disclose by judicial or administrative process or by other requirements of law or (ii) necessary to establish such party's position in any litigation or any arbitration or other proceeding based upon or in connection with the subject matter of this Agreement. Prior to any disclosure pursuant to the preceding sentence, FMS or its Agent(s) shall give reasonable prior notice to FMP of such intended disclosure, and if requested by FMP, FMS shall use all reasonable efforts to obtain a protective order or similar protection for such information and shall otherwise disclose only such information as is legally required. If all or any part of the Services are terminated, FMS will, and will use its best efforts to cause its Agents to, destroy or deliver to FMP, upon request, all documents and other materials, and all copies thereof, containing confidential information obtained from the FMP Group in connection with the Services so terminated.

Section 8. Technology. FMS hereby grants to FMP a royalty free, non-exclusive right and license to use (but not to sublicense outside of the FMP Group) any and all technology, whether or not patented, developed by or on behalf of FMS, relating to the business of FMP; provided that the license hereby granted shall not extend to (i) any technology developed for a person not affiliated with FMS, pursuant to an arrangement granting such person exclusive rights to such technology, or (ii) any technology developed after the termination of this Agreement.

Section 9. Dispute Resolution. FMP and FMS shall use all reasonable efforts to amicably resolve all disputes arising under this Agreement. If despite such efforts any matter cannot be amicably resolved the matter shall be referred to the Presidents of FMP and FMS who shall promptly meet for the purpose of resolving such dispute. If despite such efforts and meetings the matter remains unresolved, then any affected party may refer the matter to

arbitration for final resolution in accordance with the commercial rules of the American Arbitration Association. Any matter submitted to arbitration shall be decided by a single arbitrator selected by mutual agreement of the parties (or if the parties cannot agree then such arbitrator shall be selected by the appropriate official or designee of the American Arbitration Association). Any such arbitration proceeding shall be held in New Orleans, Louisiana. Each party shall bear its own costs and expenses, and the arbitrator's fees and expenses and the costs and expenses of the proceeding itself shall be borne by the parties in such proportions as the arbitrator shall decide. The decision of the arbitrator shall be final and non-appealable, and may be enforced in any court of competent jurisdiction.

Section 10. Cost of Living Adjustment.

(a) Prior to the end of the first calendar quarter of each year during the term of this Agreement, beginning with the first calendar quarter of 1997, the Annual Fee shall be adjusted to reflect any cost of living increase (the "Cost of Living Adjustment"), as provided for in this Section 10.

(b) The Cost of Living Adjustment factor is:

1 + ((Actual inflation Base Year inflation) / Base Year inflation)
where Actual inflation = CPI-U for the December preceding the year for which the Cost of Living Adjustment is being calculated;
Base Year inflation = CPI-U for December 1995; and CPI-U = the Consumer Price Index, as published by the Bureau of Labor Statistics, U.S. Department of Labor, For All Urban Consumers, U.S.C. City Average, All Items, 1982-84=100.

(c) The Annual Fee shall be multiplied by the Cost of Living Adjustment factor as determined above, if such factor is greater than one. The Cost of Living Adjustment factor shall be determined as soon as practicable after the end of each calendar year.

(d) In the event the Bureau of Labor Statistics stops publishing the CPI-U or substantially changes its content and format, FMS will substitute another comparable index published at least annually by a mutually agreeable source. If the Bureau of Labor Statistics merely redefines the base year for the CPI-U from 1982-84 to another year, FMP and FMS will continue to use the CPI-U, but will convert the Base Year to the new base year by using the appropriate conversion formula.

Section 11. Miscellaneous.

(a) The parties hereto are independent contractors. Nothing in this Agreement is intended or shall be deemed to constitute a partnership, agency, franchise or joint venture relationship between the parties. Neither party shall incur any debts or make any commitments upon the other, except to the extent specifically provided herein.

(b) This Agreement constitutes the entire agreement between the parties hereto with respect to the matters set forth in this Agreement. This Agreement shall not be amended, modified or supplemented except by an instrument in writing executed by each of the parties hereto.

(c) All notices and other communications hereunder shall be in writing and shall be given by hand delivery, certified or registered mail, return receipt requested or telecopy transmission with confirmation of receipt to the address of each of the parties set forth opposite the signature of such party on the signature page hereof. All notices and communications shall be deemed given upon receipt thereof.

(d) This Agreement shall be governed by and construed in accordance with the internal laws of the State of Louisiana without the application of any conflicts of laws principles.

(e) This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective successors and assigns. This Agreement

shall not be assignable by any party hereto without the prior written consent o
of the other party.

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

Address for Notices: FM SERVICES COMPANY

1615 Poydras Street
New Orleans, LA 70112 By:
Attention: General Counsel Michael J. Arnold
President

Address for Notices: FM PROPERTIES INC.

1615 Poydras Street
New Orleans, LA 70112 By:
Attention: General Counsel Richard C. Adkerson
Chairman of the Board and
Chief Executive Officer

FM PROPERTIES INC.
STOCK OPTION PLAN

SECTION 1

Purpose. The purposes of the FM Properties Inc. Stock Option Plan (the "Plan") are to promote the interests of FM Properties Inc. and its stockholders by (i) attracting and retaining officers and executive and other key employees or managers of the business of FM Properties Inc. and its subsidiaries; (ii) motivating such individuals by means of performance-related incentives to achieve longer-range performance goals; and (iii) enabling such individuals to participate in the long-term growth and financial success of FM Properties Inc. and its subsidiaries.

SECTION 2

Definitions. As used in the Plan, the following terms shall have the meanings set forth below:

"Award" shall mean any Option, Stock Appreciation Right, Limited Right or Other Stock-Based Award.

"Award Agreement" shall mean any written agreement, contract or other instrument or document evidencing any Award, which may, but need not, be executed or acknowledged by a Participant.

"Board" shall mean the Board of Directors of FM Properties Inc.

"Code" shall mean the Internal Revenue Code of 1986, as amended from time to time.

"Committee" shall mean a committee of the Board designated by the Board to administer the Plan and composed of not fewer than two directors, each of whom, to the extent necessary to comply with Rule 16b-3 only, is a "non-employee director" within the meaning of Rule 16b-3 and, to the extent necessary to comply with Section 162(m) only, is an "outside director" under Section 162(m). Until otherwise determined by the Board, the Committee shall be the Corporate Personnel Committee of the Board.

"Company" shall mean FM Properties Inc.

"Designated Beneficiary" shall mean the beneficiary designated by the Participant, in a manner determined by the Committee, to receive the benefits due the Participant under the Plan in the event of the Participant's death. In the absence of an effective designation by the Participant, Designated Beneficiary shall mean the Participant's estate.

"Eligible Individual" shall mean (i) any person providing services as an officer or an executive or key manager of the Company or a Subsidiary, whether or not employed by such entity, (ii) any employee of the Company or a Subsidiary, including any director who is also an employee of the Company or a Subsidiary, and (iii) any person who has

agreed in writing to become a person described in clauses (i) or (ii) within not more than 30 days following the date of grant of such person's first Award under the Plan.

"Exchange Act" shall mean the Securities Exchange Act of 1934, as amended from time to time.

"FTX" shall mean Freeport-McMoRan Inc.

"Incentive Stock Option" shall mean an option granted under Section 6 of the Plan that is intended to meet the requirements of Section 422 of the Code or any successor provision thereto.

"Limited Right" shall mean any right granted under Section 8 of the Plan.

"Nonqualified Stock Option" shall mean an option granted under Section 6 of the Plan that is not intended to be an Incentive Stock Option.

"Offer" shall mean any tender offer, exchange offer or series of purchases or other acquisitions, or any combination of those transactions, as a result of which any person, or any two or more persons acting as a group, and all affiliates of such person or persons, shall own beneficially more than 40% of the Shares outstanding (exclusive of Shares held in the Company's treasury or by the Company's Subsidiaries).

"Offer Price" shall mean the highest price per Share paid in any Offer that is in effect at any time during the period beginning on the ninetieth day prior to the date on which a Limited Right is exercised and ending on and including the date of exercise of such Limited Right. Any securities or property that comprise all or a portion of the consideration paid for Shares in the Offer shall be valued in determining the Offer Price at the higher of (i) the valuation placed on such securities or property by the person or persons making such Offer, or (ii) the valuation, if any, placed on such securities or property by the Committee or the Board.

"Option" shall mean an Incentive Stock Option or a Nonqualified Stock Option.

"Other Stock-Based Award" shall mean any right or award granted under Section 9 of the Plan.

"Participant" shall mean any Eligible Individual granted an Award under the Plan.

"Partnership" shall mean FM Properties Operating Co.

"Person" shall mean any individual, corporation, partnership, association, joint-stock company, trust, unincorporated organization, government or political subdivision thereof or other entity.

"Rule 16b-3" shall mean Rule 16b-3 promulgated by the SEC under the Exchange Act, or any successor rule or regulation thereto as in effect from time to time.

"SAR" shall mean any Stock Appreciation Right.

"SEC" shall mean the Securities and Exchange Commission, including the staff thereof, or any successor

thereto.

"Section 162(m)" shall mean Section 162(m) of the Code and all regulations promulgated thereunder as in effect from time to time.

"Shares" shall mean the shares of common stock, par value $.01 per share, of the Company, and such other securities of the Company or a Subsidiary as the Committee may from time to time designate.

"Stock Appreciation Right" shall mean any right granted under Section 7 of the Plan.

"Subsidiary" shall mean the Partnership and any corporation or other entity in which the Company possesses directly or indirectly equity interests representing at least 50% of the total ordinary voting power or at least 50% of the total value of all classes of equity interests of such corporation or other entity.

SECTION 3

Administration. The Plan shall be administered by the Committee. Subject to the terms of the Plan and applicable law, and in addition to other express powers and authorizations conferred on the Committee by the Plan, the Committee shall have full power and authority to: (i) designate Participants; (ii) determine the type or types of Awards to be granted to an Eligible Individual; (iii) determine the number of Shares to be covered by, or with respect to which payments, rights or other matters are to be calculated in connection with, Awards; (iv) determine the terms and conditions of any Award; (v) determine whether, to what extent, and under what circumstances Awards may be settled or exercised in cash, whole Shares, other whole securities, other Awards, other property or other cash amounts payable by the Company upon the exercise of that or other Awards, or canceled, forfeited or suspended and the method or methods by which Awards may be settled, exercised, canceled, forfeited or suspended; (vi) determine whether, to what extent, and under what circumstances cash, Shares, other securities, other Awards, other property, and other amounts payable by the Company with respect to an Award shall be deferred either automatically or at the election of the holder thereof or of the Committee; (vii) interpret and administer the Plan and any instrument or agreement relating to, or Award made under, the Plan; (viii) establish, amend, suspend or waive such rules and regulations and appoint such agents as it shall deem appropriate for the proper administration of the Plan; and (ix) make any other determination and take any other action that the Committee deems necessary or desirable for the administration of the Plan. Unless otherwise expressly provided in the Plan, all designations, determinations, interpretations and other decisions under or with respect to the Plan or any Award shall be within the sole discretion of the Committee, may be made at any time and shall be final, conclusive and binding upon all Persons, including the Company, any Subsidiary, any Participant, any holder or beneficiary of any Award, any stockholder of the Company and any Eligible Individual.

SECTION 4

Eligibility. Any Eligible Individual who is not a member of the Committee shall be eligible to be granted an Award.

SECTION 5

(a) Shares Available for Awards. Subject to adjustment as provided in Section 5(b):

(i) Calculation of Number of Shares Available. The number of Shares with respect to which Awards may be granted under the Plan shall be 850,000. If, after the effective date of the Plan, an Award granted under the Plan expires or is exercised, forfeited, canceled or terminated without the delivery of Shares, then the Shares covered by such Award or to which such Award relates, or the number of Shares otherwise counted against the aggregate number of Shares with respect to which Awards may be granted, to the extent of any such expiration, exercise, forfeiture, cancellation or termination without the delivery of Shares, shall again be, or shall become, Shares with respect to which Awards may be granted. Notwithstanding the foregoing and subject to adjustment as provided in Section 5(b), the aggregate number of Shares in respect of which Awards may be granted under the Plan to any Eligible Individual shall not exceed 250,000 in any year.

(ii) Substitute Awards. Any Shares delivered by the Company, any Shares with respect to which Awards are made by the Company, or any Shares with respect to which the Company becomes obligated to make Awards, through the assumption of, or in substitution for, outstanding awards previously granted by an acquired company or a company with which the Company combines, shall not be counted against the Shares available for Awards under the Plan.

(iii) Sources of Shares Deliverable Under Awards. Any Shares delivered pursuant to an Award may consist of authorized and unissued Shares or of treasury Shares, including Shares held by the Company or a Subsidiary and acquired in the open market or otherwise obtained by the Company or a Subsidiary.

(b) Adjustments. In the event that the Committee determines that any dividend or other distribution (whether in the form of cash, Shares, Partnership interests, Subsidiary securities, other securities or other property), recapitalization, stock split, reverse stock split, reorganization, merger, consolidation, split-up, spin-off, combination, repurchase or exchange of Shares or other securities of the Company, issuance of warrants or other rights to purchase Shares or other securities of the Company, or other similar corporate transaction or event affects the Shares such that an adjustment is determined by the Committee to be appropriate to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan, then the Committee may, in its sole discretion and in such manner as it may deem equitable, adjust any or all of (i) the number and type of Shares (or other securities or property) with respect to which Awards may be granted, (ii) the number and type of Shares (or other securities or property) subject to outstanding Awards, and (iii) the grant or exercise price with respect to any Award or, if deemed appropriate, make provision for a cash payment to the holder of an outstanding Award or, if deemed appropriate, adjust outstanding Awards to provide the rights contemplated by Section 9(b) hereof; provided, in each case, that with respect to Awards of Incentive Stock Options no such adjustment shall be authorized to the extent that such authority would cause the Plan to violate Section 422(b)(1) of the Code or any

successor provision thereto; and provided further, that the number of Shares subject to any Award denominated in Shares shall always be a whole number.

SECTION 6

(a) Stock Options. Subject to the provisions of the Plan, the Committee shall have sole and complete authority to determine the Eligible Individuals to whom Options shall be granted, the number of Shares to be covered by each Option, the option price therefor and the conditions and limitations applicable to the exercise of the Option. The Committee shall have the authority to grant Incentive Stock Options, Nonqualified Stock Options or both. In the case of Incentive Stock Options, the terms and conditions of such grants shall be subject to and comply with such rules as may be required by Section 422 of the Code, as from time to time amended, and any implementing regulations. Except in the case of an Option granted in assumption of or substitution for an outstanding award of a company acquired by the Company or with which the Company combines, the exercise price of any Option granted under this Plan shall not be less than 100% of the fair market value of the underlying Shares on the date of grant.

(b) Exercise. Each Option shall be exercisable at such times and subject to such terms and conditions as the Committee may, in its sole discretion, specify in the applicable Award Agreement or thereafter, provided, however, that in no event may any Option granted hereunder be exercisable after the expiration of 10 years after the date of such grant. The Committee may impose such conditions with respect to the exercise of Options, including without limitation, any condition relating to the application of Federal or state securities laws, as it may deem necessary or advisable.

(c) Payment. No Shares shall be delivered pursuant to any exercise of an Option until payment in full of the option price therefor is received by the Company. Such payment may be made in cash, or its equivalent, or, if and to the extent permitted by the Committee, by applying cash amounts payable by the Company upon the exercise of such Option or other Awards by the holder thereof or by exchanging whole Shares owned by such holder (which are not the subject of any pledge or other security interest), or by a combination of the foregoing, provided that the combined value of all cash, cash equivalents, cash amounts so payable by the Company upon exercises of Awards and the fair market value of any such whole Shares so tendered to the Company, valued (in accordance with procedures established by the Committee) as of the effective date of such exercise, is at least equal to such option price.

SECTION 7

(a) Stock Appreciation Rights. Subject to the provisions of the Plan, the Committee shall have sole and complete authority to determine the Eligible Individuals to whom Stock Appreciation Rights shall be granted, the number of Shares to be covered by each Stock Appreciation Right, the grant price thereof and the conditions and limitations applicable to the exercise thereof. Stock Appreciation Rights may be granted in tandem with another Award, in addition to another Award, or freestanding and unrelated to any other Award. Stock Appreciation Rights granted in tandem with or in addition to an Option or other Award may be granted either at the same time as the Option or other

Award or at a later time. Stock Appreciation Rights shall not be exercisable after the expiration of 10 years after the date of grant. Except in the case of a Stock Appreciation Right granted in assumption of or substitution for an outstanding award of a company acquired by the Company or with which the Company combines, the grant price of any Stock Appreciation Right granted under this Plan shall not be less than 100% of the fair market value of the Shares covered by such Stock Appreciation Right on the date of grant or, in the case of a Stock Appreciation Right granted in tandem with a then outstanding Option or other Award, on the date of grant of such related Option or Award.

(b) A Stock Appreciation Right shall entitle the holder thereof to receive an amount equal to the excess, if any, of the fair market value of a Share on the date of exercise of the Stock Appreciation Right over the grant price. Any Stock Appreciation Right shall be settled in cash, unless the Committee shall determine at the time of grant of a Stock Appreciation Right that it shall or may be settled in cash, Shares or a combination of cash and Shares.

SECTION 8

(a) Limited Rights. Subject to the provisions of the Plan, the Committee shall have sole and complete authority to determine the Eligible Individuals to whom Limited Rights shall be granted, the number of Shares to be covered by each Limited Right, the grant price thereof and the conditions and limitations applicable to the exercise thereof. Limited Rights may be granted in tandem with another Award, in addition to another Award, or freestanding and unrelated to any Award. Limited Rights granted in tandem with or in addition to an Award may be granted either at the same time as the Award or at a later time. Limited Rights shall not be exercisable after the expiration of 10 years after the date of grant and shall only be exercisable during a period determined at the time of grant by the Committee beginning not earlier than one day and ending not more than ninety days after the expiration date of an Offer. Except in the case of a Limited Right granted in assumption of or substitution for an outstanding award of a company acquired by the Company or with which the Company combines, the grant price of any Limited Right granted under this Plan shall not be less than 100% of the fair market value of the Shares covered by such Limited Right on the date of grant or, in the case of a Limited Right granted in tandem with a then outstanding Option or other Award, on the date of grant of such related Option or Award.

(b) A Limited Right shall entitle the holder thereof to receive an amount equal to the excess, if any, of the Offer Price on the date of exercise of the Limited Right over the grant price. Any Limited Right shall be settled in cash, unless the Committee shall determine at the time of grant of a Limited Right that it shall or may be settled in cash, Shares or a combination of cash and Shares.

SECTION 9

(a) Other Stock-Based Awards. The Committee is hereby authorized to grant to Eligible Individuals an "Other Stock-Based Award", which shall consist of an Award, the value of which is based in whole or in part on the value of Shares, that is not an instrument or Award specified in Sections 6 through 8 of this Plan. Other Stock-Based Awards may be awards of Shares or may be denominated or payable in, valued in whole or in part by reference to, or otherwise

based on or related to, Shares (including, without limitation, securities convertible or exchangeable into or exercisable for Shares), as deemed by the Committee consistent with the purposes of the Plan. The Committee shall determine the terms and conditions of any such Other Stock-Based Award. Except in the case of an Other Stock-Based Award granted in assumption of or in substitution for an outstanding award of a company acquired by the Company or with which the Company combines, the price at which securities may be purchased pursuant to any Other Stock-Based Award granted under this Plan, or the provision, if any, of any such Award that is analogous to the purchase or exercise price, shall not be less than 100% of the fair market value of the securities to which such Award relates on the date of grant.

(b) Dividend Equivalents. In the sole and complete discretion of the Committee, an Award, whether made as an Other Stock-Based Award under this Section 9 or as an Award granted pursuant to Sections 6 through 8 hereof, may provide the holder thereof with dividends or dividend equivalents, payable in cash, Shares, Partnership interests, Subsidiary securities, other securities or other property on a current or deferred basis.

SECTION 10

(a) Amendments to the Plan. The Board may amend, suspend or terminate the Plan or any portion thereof at any time, provided that no amendment shall be made without stockholder approval if such approval is necessary to comply with any tax or regulatory requirement. Notwithstanding anything to the contrary contained herein, the Committee may amend the Plan in such manner as may be necessary for the Plan to conform with local rules and regulations in any jurisdiction outside the United States.

(b) Amendments to Awards. The Committee may amend, modify or terminate any outstanding Award with the holder's consent at any time prior to payment or exercise in any manner not inconsistent with the terms of the Plan, including without limitation, (i) to change the date or dates as of which an Award becomes exercisable, or (ii) to cancel an Award and grant a new Award in substitution therefor under such different terms and conditions as it determines in its sole and complete discretion to be appropriate.

(c) Adjustment of Awards Upon the Occurrence of Certain Unusual or Nonrecurring Events. The Committee is hereby authorized to make adjustments in the terms and conditions of, and the criteria included in, Awards in recognition of unusual or nonrecurring events (including, without limitation, the events described in Section 5(b) hereof) affecting the Company, or the financial statements of the Company or any Subsidiary, or of changes in applicable laws, regulations, or accounting principles, whenever the Committee determines that such adjustments are appropriate to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan.

(d) Cancellation. Any provision of this Plan or any Award Agreement to the contrary notwithstanding, the Committee may cause any Award granted hereunder to be canceled in consideration of a cash payment or alternative Award made to the holder of such canceled Award equal in value to such canceled Award. The determinations of value

under this subparagraph shall be made by the Committee in its sole discretion.

SECTION 11

(a) Delegation. Subject to the terms of the Plan and applicable law, the Committee may delegate to one or more officers of the Company the authority, subject to such terms and limitations as the Committee shall determine, to grant Awards to, or to cancel, modify or waive rights with respect to, or to alter, discontinue, suspend, or terminate Awards held by, Eligible Individuals who are not officers or directors of the Company for purposes of Section 16 of the Exchange Act, or any successor section thereto, or who are otherwise not subject to such Section.

(b) Award Agreements. Each Award hereunder shall be evidenced by a writing delivered to the Participant that shall specify the terms and conditions thereof and any rules applicable thereto, including but not limited to the effect on such Award of the death, retirement or other termination of employment of the Participant and the effect thereon, if any, of a change in control of the Company or any Subsidiary.

(c) Withholding. A Participant may be required to pay to the Company, and the Company shall have the right to deduct from all amounts paid to a Participant (whether under the Plan or otherwise), any taxes required by law to be paid or withheld in respect of Awards hereunder to such Participant. The Committee may provide for additional cash payments to holders of Awards to defray or offset any tax arising from the grant, vesting, exercise or payment of any Award.

(d) Transferability. No Awards granted hereunder may be transferred, pledged, assigned or otherwise encumbered by a Participant except: (i) by will; (ii) by the laws of descent and distribution; (iii) pursuant to a domestic relations order, as defined in the Code, if permitted by the Committee and so provided in the Award Agreement or an amendment thereto; or (iv) as to Options only, if permitted by the Committee and so provided in the Award Agreement or an amendment thereto, (a) to Immediate Family Members, (b) to a partnership in which Immediate Family Members, or entities in which Immediate Family Members are the sole owners, members or beneficiaries, as appropriate, are the only partners, (c) to a limited liability company in which Immediate Family Members, or entities in which Immediate Family Members are the sole owners, members or beneficiaries, as appropriate, are the only members, or (d) to a trust for the sole benefit of Immediate Family Members. "Immediate Family Members" shall be defined as the spouse and natural or adopted children or grandchildren of the Participant and their spouses. To the extent that an Incentive Stock Option is permitted to be transferred during the lifetime of the Participant, it shall be treated thereafter as a Nonqualified Stock Option. Any attempted assignment, transfer, pledge, hypothecation or other disposition of Awards, or levy of attachment or similar process upon Awards not specifically permitted herein, shall be null and void and without effect. The designation of a Designated Beneficiary shall not be a violation of this Section 11(d).

(e) Share Certificates. All certificates for Shares or other securities delivered under the Plan pursuant to any Award or the exercise thereof shall be subject to

such stop transfer orders and other restrictions as the Committee may deem advisable under the Plan or the rules, regulations, and other requirements of the SEC, any stock exchange upon which such Shares or other securities are then listed, and any applicable federal or state laws, and the Committee may cause a legend or legends to be put on any such certificates to make appropriate reference to such restrictions.

(f) No Limit on Other Compensation Arrangements. Nothing contained in the Plan shall prevent the Company from adopting or continuing in effect other compensation arrangements, which may, but need not, provide for the grant of options, stock appreciation rights and other types of Awards provided for hereunder (subject to stockholder approval of any such arrangement if approval is required), and such arrangements may be either generally applicable or applicable only in specific cases.

(g) No Right to Employment. The grant of an Award shall not be construed as giving a Participant the right to be engaged or employed by or retained in the employ of FTX, the Company or any Subsidiary. FTX, the Company or any Subsidiary may at any time dismiss a Participant from engagement or employment, free from any liability or any claim under the Plan, unless otherwise expressly provided in the Plan or in any Award Agreement or any agreement relating to the engagement or employment of the Participant by FTX, the Company or any Subsidiary. No Eligible Individual, Participant or other person shall have any claim to be granted any Award, and there is no obligation for uniformity of treatment of Eligible Individuals, Participants or holders or beneficiaries of Awards.

(h) Governing Law. The validity, construction, and effect of the Plan, any rules and regulations relating to the Plan and any Award Agreement shall be determined in accordance with the laws of the State of Delaware.

(i) Severability. If any provision of the Plan or any Award is or becomes or is deemed to be invalid, illegal, or unenforceable in any jurisdiction or as to any Person or Award, or would disqualify the Plan or any Award under any law deemed applicable by the Committee, such provision shall be construed or deemed amended to conform to applicable laws, or if it cannot be construed or deemed amended without, in the determination of the Committee, materially altering the intent of the Plan or the Award, such provision shall be stricken as to such jurisdiction, Person or Award and the remainder of the Plan and any such Award shall remain in full force and effect.

(j) No Trust or Fund Created. Neither the Plan nor any Award shall create or be construed to create a trust or separate fund of any kind or a fiduciary relationship between the Company and a Participant or any other Person. To the extent that any Person acquires a right to receive payments from the Company pursuant to an Award, such right shall be no greater than the right of any unsecured general creditor of the Company.

(k) No Fractional Shares. No fractional Shares shall be issued or delivered pursuant to the Plan or any Award, and the Committee shall determine whether cash, other securities or other property shall be paid or transferred in lieu of any fractional Shares or whether such fractional Shares or any rights thereto shall be canceled, terminated, or otherwise eliminated.

(l) Headings. Headings are given to the subsections of the Plan solely as a convenience to facilitate reference. Such headings shall not be deemed in any way material or relevant to the construction or interpretation of the Plan or any provision thereof.

SECTION 12

Effective Date of the Plan. The Plan shall be effective as of the date of its approval by the Board, provided the Plan is approved by the stockholders of the Company at the first annual meeting of stockholders of the Company occurring subsequent to such date.

SECTION 13

Term of the Plan. No Award shall be granted under the Plan after the tenth anniversary of the effective date of the Plan; however, unless otherwise expressly provided in the Plan or in an applicable Award Agreement, any Award theretofore granted may, and the authority of the Committee to amend, alter, adjust, suspend, discontinue, or terminate any such Award or to waive any conditions or rights under any such Award shall, extend beyond such date.

As amended effective February 20, 1997

Exhibit 23.1

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporated by reference of our reports included herein or incorporated by reference in this Form 10-K, into FM Properties Inc.'s previously filed Registration Statement on Form S-8 (File No. 33-78798).

Arthur Andersen LLP

New Orleans, Louisiana

March 24, 1997

Exhibit 24.1

FM PROPERTIES INC.

SECRETARY'S CERTIFICATE

I, Michael C. Kilanowski, Jr., Secretary of FM Properties Inc. (the "Corporation"), a Delaware corporation, do hereby certify that the following resolution was duly adopted by the Board of Directors of the Corporation at a meeting held on February 10, 1993, and that such resolution has not been amended, modified or rescinded and is in full force and effect:

> RESOLVED, that any report, registration statement or other form filed on behalf of this corporation pursuant to the Securities Exchange Act of 1934, or any amendment to such report, registration statement or other form, may be signed on behalf of any director or officer of this corporation pursuant to a power of attorney executed by such director or officer.

IN WITNESS WHEREOF, I have hereunto signed my name and affixed the seal of the Company on this the 26th day of March , 1997.

(Seal)

Michael C. Kilanowski, Jr.
Secretary

Exhibit 24.2

POWER OF ATTORNEY

BE IT KNOWN: That the undersigned, in his capacity or capacities as an officer and/or a member of the Board of Directors of FM Properties Inc., a Delaware corporation (the "Company"), does hereby make, constitute and appoint WILLIAM H. ARMSTRONG, III and WILLIAM J. BLACKWELL, and each of them acting individually, his true and lawful attorney-in-fact with power to act without the others and with full power of substitution, to execute, deliver and file, for and on behalf of him, in his name and in his capacity or capacities as aforesaid, an Annual Report of the Company on Form 10-K for the year ended December 31, 1996, and any amendment or amendments thereto and any other document in support thereof or supplemental thereto, and the undersigned hereby grants to said attorneys, and each of them, full power and authority to do and perform each and every act and thing whatsoever that said attorney or attorneys may deem necessary or advisable to carry out fully the intent of the foregoing as the undersigned might or could do personally or in the capacity or capacities as aforesaid, hereby ratifying and confirming all acts and things which said attorney or attorneys may do or cause to be done by virtue of this Power of Attorney.

EXECUTED this 20 day of February, 1997.

Richard C. Adkerson
POWER OF ATTORNEY

BE IT KNOWN: That the undersigned, in his capacity or capacities as an officer and/or a member of the Board of Directors of FM Properties Inc. , a Delaware corporation (the "Company"), does hereby make, constitute and appoint RICHARD C. ADKERSON, WILLIAM H. ARMSTRONG, III and WILLIAM J. BLACKWELL, and each of them acting individually, his true and lawful attorney-in-fact with power to act without the others and with full power of substitution, to execute, deliver and file, for and on behalf of him, in his name and in his capacity or capacities as aforesaid, an Annual Report of the Company on Form 10-K for the year ended December 31, 1996, and any amendment or amendments thereto and any other document in support thereof or supplemental thereto, and the undersigned hereby grants to said attorneys, and each of them, full power and authority to do and perform each and every act and thing whatsoever that said attorney or attorneys may deem necessary or advisable to carry out fully the intent of the foregoing as the undersigned might or could do personally or in the capacity or capacities as aforesaid, hereby ratifying and confirming all acts and things which said attorney or attorneys may do or cause to be done by virtue of this Power of Attorney.

EXECUTED this 19 day of February, 1997.

James C. Leslie
POWER OF ATTORNEY

BE IT KNOWN: That the undersigned, in his capacity or capacities as an officer and/or a member of the Board of Directors of FM Properties Inc. , a Delaware corporation (the "Company"), does hereby make, constitute and appoint RICHARD C. ADKERSON and WILLIAM J. BLACKWELL, and each of them

acting individually, his true and lawful attorney-in-fact with power to act without the others and with full power of substitution, to execute, deliver and file, for and on behalf of him, in his name and in his capacity or capacities as aforesaid, an Annual Report of the Company on Form 10-K for the year ended December 31, 1996, and any amendment or amendments thereto and any other document in support thereof or supplemental thereto, and the undersigned hereby grants to said attorneys, and each of them, full power and authority to do and perform each and every act and thing whatsoever that said attorney or attorneys may deem necessary or advisable to carry out fully the intent of the foregoing as the undersigned might or could do personally or in the capacity or capacities as aforesaid, hereby ratifying and confirming all acts and things which said attorney or attorneys may do or cause to be done by virtue of this Power of Attorney.

EXECUTED this 20 day of February, 1997.

William H. Armstrong, III

POWER OF ATTORNEY

BE IT KNOWN: That the undersigned, in his capacity or capacities as an officer and/or a member of the Board of Directors of FM Properties Inc. , a Delaware corporation (the "Company"), does hereby make, constitute and appoint RICHARD C. ADKERSON and WILLIAM H. ARMSTRONG, III and each of them acting individually, his true and lawful attorney-in-fact with power to act without the others and with full power of substitution, to execute, deliver and file, for and on behalf of him, in his name and in his capacity or capacities as aforesaid, an Annual Report of the Company on Form 10-K for the year ended December 31, 1996, and any amendment or amendments thereto and any other document in support thereof or supplemental thereto, and the undersigned hereby grants to said attorneys, and each of them, full power and authority to do and perform each and every act and thing whatsoever that said attorney or attorneys may deem necessary or advisable to carry out fully the intent of the foregoing as the undersigned might or could do personally or in the capacity or capacities as aforesaid, hereby ratifying and confirming all acts and things which said attorney or attorneys may do or cause to be done by virtue of this Power of Attorney.

EXECUTED this 20 day of February, 1997.

William J. Blackwell

POWER OF ATTORNEY

BE IT KNOWN: That the undersigned, in his capacity or capacities as an officer and/or a member of the Board of Directors of FM Properties Inc. , a Delaware corporation (the "Company"), does hereby make, constitute and appoint RICHARD C. ADKERSON, WILLIAM H. ARMSTRONG, III and WILLIAM J. BLACKWELL, and each of them acting individually, his true and lawful attorney-in-fact with power to act without the others and with full power of substitution, to execute, deliver and file, for and on behalf of him, in his name and in his capacity or capacities as aforesaid, an Annual Report of the Company on Form 10-K for the year ended December 31, 1996, and any amendment or amendments thereto and any other document in support thereof or supplemental thereto, and the undersigned hereby grants to said attorneys, and each of them, full power and authority to do and perform each and every act and thing whatsoever that said attorney or attorneys may deem necessary or advisable to carry out fully the intent of the foregoing as the undersigned might or could do personally or in the capacity or capacities as aforesaid, hereby ratifying and confirming all acts and things which said attorney or attorneys may do or cause to be done by virtue of this Power of Attorney.

EXECUTED this 20 day of February, 1997.

Michael D. Madden

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