SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the Quarter Ended September 30, 1996

Commission File Number: 0-19989

FM Properties Inc.

Incorporated in Delaware 72-1211572
(IRS Employer Identification No.)

1615 Poydras Street, New Orleans, Louisiana 70112

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

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
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On September 30, 1996, there were issued and outstanding 14,285,770 shares of the registrant's Common Stock, par value $0.01 per share.

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FM PROPERTIES INC.

Part I. FINANCIAL INFORMATION

Item 1. Financial Statements.

FM PROPERTIES INC.
CONDENSED BALANCE SHEETS
(Unaudited)

	September 30, 1996	December 31, 1995
	(In Thousands)	
ASSETS		
Current assets:		
Cash and short-term investments	$ 1,789	$ 2,282
Accounts receivable and other	2,403	4,616
Income tax receivable	526	2,693
Total current assets	4,718	9,591
Real estate and facilities	123,219	180,040
Other assets	6,398	5,172
Total assets	$ 134,335	$ 194,803
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	$ 2,726	$ 8,100
Current portion of long-term debt	63,940	-
Total current liabilities	66,666	8,100
Long-term debt, less current portion	-	121,294
Other liabilities	7,080	5,886
Stockholders' equity	60,589	59,523
Total liabilities and stockholders' equity	$ 134,335	$ 194,803

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

FM PROPERTIES INC.
STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	1996	1995	1996	1995
	(In Thousands, Except Per Share Amounts)			
Revenues	$ 34,461	$ 25,497	$ 72,054	$ 41,882
Costs and expenses:				

Cost of sales, including depreciation and amortization	31,866	25,607	66,624	42,650
General and administrative expenses	558	872	1,869	3,680
Total costs and expenses	32,424	26,479	68,493	46,330
Operating income (loss)	2,037	(982)	3,561	(4,448)
Interest expense, net	(1,193)	(226)	(3,085)	(492)
Other income, net	90	3	64	7
Income (loss) before income tax benefit	934	(1,205)	540	(4,933)
Income tax benefit	526	-	526	-
Net income (loss)	$ 1,460	$ (1,205)	$ 1,066	$ (4,933)
Net income (loss) per share	$.10	$(.08)	$.07	$(.35)
Average shares outstanding	14,395	14,286	14,364	14,286

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

FM PROPERTIES INC.
STATEMENTS OF CASH FLOW
(Unaudited)

	Nine Months Ended September 30,	
	1996	1995
	(In Thousands)	
Cash flow from operating activities:		
Net income (loss)	$ 1,066	$ (4,933)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	1,465	1,842
Cost of real estate sales	59,974	37,700
(Increase) decrease in working capital:		
Accounts receivable and other	2,222	2,758
Accounts payable and accrued liabilities	(3,216)	(1,883)
Other	(30)	4,176
Net cash provided by operating activities	61,481	39,660
Cash flow from investing activities:		
Real estate and facilities	(4,620)	(22,129)

Net cash used in investing activities	(4,620)	(22,129)
Cash flow from financing activities:		
Proceeds of debt	70,000	8,000
Repayment of debt	(127,354)	(24,331)
Net cash used in financing activities	(57,354)	(16,331)
Net increase (decrease) in cash and short-term investments	(493)	1,200
Cash and short-term investments at beginning of year	2,282	1,200
Cash and short-term investments at end of period	$ 1,789	$ 2,400

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

FM PROPERTIES INC.
NOTES TO FINANCIAL STATEMENTS

1. INTEREST COSTS
Interest expense excludes capitalized interest of $0.4 million and $2.9 million in the third quarter of 1996 and 1995, respectively, and $2.7 million and $9.1 million for the first nine months of 1996 and 1995, respectively.

2. INCOME TAXES
During the third quarter of 1996, a $0.5 million tax benefit was recognized from the carryback of the current year's estimated tax loss to recoup taxes paid in previous years.

Remarks

The information furnished herein should be read in conjunction with FM Properties Inc. financial statements contained in its 1995 Annual Report to stockholders included in its Annual Report on Form 10-K.

The information furnished herein reflects all adjustments which are, in the opinion of management, necessary for a fair statement of the results for the period. All such adjustments are, in the opinion of management, of a normal recurring nature.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors and Stockholders
of FM Properties Inc.:

We have reviewed the accompanying condensed consolidated balance sheet of FM Properties Inc. (the Company), a Delaware Corporation, as of September 30, 1996, and the related condensed statements of operations for the three-month and nine-month periods ended September 30, 1996

and 1995, and the condensed statements of cash flow for the nine-month periods ended September 30, 1996 and 1995. These financial statements are the responsibility of the Company's management.

We conducted our review in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the financial statements referred to above for them to be in conformity with generally accepted accounting principles.

We have previously audited, in accordance with generally accepted auditing standards, the balance sheet of FM Properties Inc. as of December 31, 1995, and the related statements of operations, stockholders' equity and cash flow for the year then ended (not presented herein), and in our report dated January 23, 1996, based on our audit, we expressed an unqualified opinion on those financial statements. In our opinion, the information set forth in the accompanying condensed balance sheet as of December 31, 1995, is fairly stated, in all material respects, in relation to the balance sheet from which it has been derived.

ARTHUR ANDERSEN LLP

New Orleans, Louisiana
October 22, 1996

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

OVERVIEW

FM Properties Inc. (FMPO) operates through its 99.8 percent ownership of FM Properties Operating Co. (the Partnership), with 0.2 percent owned by Freeport-McMoRan Inc. (FTX) which serves as the managing general partner.

Throughout 1996, FMPO has capitalized on the enhanced sales opportunities at its Austin, Texas property holdings brought about by the positive legislative and judicial developments which occurred during 1995. FMPO's third-quarter 1996 revenues from its Austin area properties totaled $25.9 million, including the sale of the Barton Creek Country Club and Conference Resort for $25.0 million and the sale of a 24 acre undeveloped tract for $0.7 million. Several additional tracts within the Barton Creek Development are currently under contract and are scheduled to close during the remainder of 1996 and early 1997. In addition to the sales in the Austin area, third-quarter 1996 revenues also include the sale of 22 acres of undeveloped commercial property, located in the Dallas area, for $5.7 million. The sale of undeveloped tracts to sub-developers is an integral part of FMPO's business strategy. These transactions provide funds to reduce debt, lower future carrying and development costs and establish values for FMPO's remaining properties.

The State Court of Appeals in Austin recently overturned the favorable District Court ruling which invalidated the _SOS_ ordinance

in Austin; however, the appeals court upheld the lower court's favorable holding with respect to the interpretation of certain grandfather rights for platted land. A decision will be made in the near future with respect to an appeal of the case. This ruling is not expected to adversely affect any of FMPO's property holdings. The City of Austin's regulatory authority was, in effect, superseded by Texas state legislation enacted during 1995.

Included in this legislation was the creation of the Southwest Travis County Water District (District) which encompasses the land owned by Circle C Land Corp. (Circle C), a wholly owned subsidiary. In October 1996, the City of Austin 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. None of FMPO's land other than the land owned by Circle C is included in the District.

During the third quarter of 1996, FMPO reached an agreement to sell the remaining assets of Circle C for $34.0 million. The remaining assets of Circle C consist of approximately 1,000 acres of undeveloped commercial and multi-family property within the Circle C Ranch development near Austin, Texas. FMPO received a $1.0 million non-refundable cash deposit, with the balance of the purchase price to be received $30.0 million in cash and $3.0 million in a secured note at closing which is scheduled for the first quarter of 1997. The completion of this sale is however, subject to the ability of the purchaser to secure financing which may be affected by the recent litigation discussed in the preceding paragraph.

RESULTS OF OPERATIONS

	Third Quarter		Nine Months	
	1996	1995	1996	1995
	(In Millions)			
Revenues:				
Developed properties	$28.1	$21.0	$40.4	$32.4
Undeveloped properties and other	6.4	4.5	31.7	9.5
Total revenues	34.5	25.5	72.1	41.9
Operating income (loss)	2.0	(1.0)	3.6	(4.4)
Net income (loss)	1.5	(1.2)	1.1	(4.9)

Revenues from developed properties for the 1996 periods include $25.0 million from the sale of the Barton Creek Country Club and Conference Resort, as well as $3.1 million and $15.4 million from the sale of 57 and 339 single-family homesites during the third-quarter and nine-month periods of 1996, respectively. Revenues from developed properties for the 1995 periods consisted of $15.8 million from the sale of the Circle C residential properties, as well as $5.2 million and $16.6 million from the sale of 101 and 343 single-family homesites during the third-quarter and nine-month periods of 1995, respectively.

Revenues from undeveloped properties for the third-quarter and nine-month periods of 1996 represented the sale of 46 and 649 undeveloped acres, respectively, compared with the sale of 101 and 303 undeveloped acres for the year-ago periods.

General and administrative expenses declined to $0.6 million and $1.9 million for the third-quarter and nine-month periods of 1996, respectively, compared with $0.9 million and $3.7 million for the 1995 periods, continuing to reflect the benefit of steps taken in the third quarter of 1995 to reduce costs.

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

During the third quarter of 1996, FMPO recognized a $0.5 million tax benefit for the carryback of the current year's estimated tax loss to recoup federal income taxes paid in previous years.

FMPO's current business strategy includes the sale of larger undeveloped tracts of land. These transactions by their nature can cause significant variations in FMPO's revenues and operating income during a particular accounting period. As a result, significant fluctuations in FMPO's future operating results can be expected in any given quarter which may cause future operating losses to be incurred. Consequently, past operating results are not necessarily indicative of trends in profitability.

CAPITAL RESOURCES AND LIQUIDITY

During the first nine months of 1996, FMPO generated operating cash flow of $61.5 million which, after funding capital additions, enabled FMPO to reduce its debt from the beginning of the year by $57.4 million. With the cash proceeds from future property sales, including the potential sale of the remaining Circle C properties (see above), the Partnership may be able to reduce its debt further prior to its 1997 principal payment requirements ($29.1 million due February 1997 and $34.8 million due June 1997). These reductions are dependent on the future cash flow from the Partnership's assets, which is subject to numerous economic and other factors, including factors beyond FMPO's control. FMPO is presently engaged in negotiations with its commercial banks and is seeking to extend the maturities of its debt. 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 investments. An objective in arranging new financing for FMPO will be to eliminate the guarantees of its debt by FTX and Freeport-McMoRan Copper & Gold Inc. While FMPO believes any new financing will be beneficial to the long-term interests of its shareholders, an elimination of the guarantees would be expected to increase 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 real estate assets.

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

PART II--OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K.

(a) The exhibits to this report are listed in the Exhibit Index appearing on page E-1 hereof.

(b) During the quarter for which this report is filed, the registrant filed two Current Reports on Form 8-K, dated August 22, 1996 and September 12, 1996, reporting information under Item 5.

SIGNATURE

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

FM PROPERTIES INC.

By: /s/ William J. Blackwell
William J. Blackwell
Controller
(authorized signatory and
Principal Accounting Officer)

Date: November 8, 1996

FM PROPERTIES INC.
EXHIBIT INDEX

Number	Description	Sequentially Numbered Page
10.1	Purchase and Sale Agreement between FM Properties Operating Co. and Barton Creek Resort & Clubs, Inc. executed August 21, 1996.	
10.2	Purchase and Sale Agreement between Circle C Land Corp. and Phoenix Holdings, Ltd. dated May 30, 1996, the first addendum to the purchase and sale agreement dated May 30, 1996 and the second addendum to the purchase and sale agreement dated September 10, 1996.	
27.1	Financial Data Schedule	

EXHIBIT 10.1

PURCHASE AND SALE AGREEMENT

THIS PURCHASE AND SALE AGREEMENT (this "Agreement") is made by and between FM PROPERTIES OPERATING CO., a Delaware general partnership (hereinafter referred to as "Seller"), and BARTON CREEK RESORT & CLUBS, INC., a Texas corporation (hereinafter referred to as "Purchaser"), and is as follows:

W I T N E S S E T H

WHEREAS, Seller is the owner of those certain resort, conference center, and country club facilities located in Travis and Burnet Counties, Texas, commonly known as "Barton Creek Country Club and Conference Resort" and "Barton Creek Lakeside," together with certain furniture, fixtures, equipment, inventory licenses, permits, cash, cash accounts, accounts receivable, tangible and intangible assets and rights related thereto and/or used in connection with the operation of such facilities, which are collectively defined in this Agreement as the "Property"; and

WHEREAS, Seller desires to sell the Property to Purchaser, and Purchaser desires to purchase the Property from Seller, as provided in this Agreement,

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are mutually acknowledged, the parties hereto agree as follows:

ARTICLE 1.

DEFINITIONS

1.1. Definitions. All capitalized terms referenced or used in this Agreement and not specifically defined herein shall have the meaning set forth on Exhibit A.

ARTICLE 2.

PURCHASE AND SALE OF THE PROPERTY

2.1. Agreement to Purchase and Sell. In consideration of the payment by Purchaser to Seller of the sum of TWENTY-FIVE MILLION DOLLARS ($25,000,000.00), plus an amount equal to eight percent (8%) simple interest per annum on the sum of TWENTY-FIVE MILLION DOLLARS ($25,000,000.00) calculated from December 27, 1995 (the "Effective Date") through the Closing Date (collectively, the "Purchase Price"), Seller hereby agrees to sell the Property to Purchaser and Purchaser hereby agrees to purchase the Property from Seller upon the terms and conditions set forth herein.

ARTICLE 3.

TITLE, SURVEY, PERMITTED EXCEPTIONS, AND REVIEW

3.1. Title. The Title Company has issued and delivered to Purchaser a final title commitment, dated effective as of August 8, 1996, referenced as GF No. 6-19468 (the "Title Commitment"), showing Seller as the record fee title owner of the Property and the terms by which the Title Company agrees to issue to Purchaser at Closing an owner policy of title insurance (the "Title Policy") in the amount of the Purchase Price on the standard form promulgated by the State Board of Insurance of Texas, as modified pursuant to Purchaser's request, insuring Purchaser's fee simple title to the Property to be good and indefeasible, subject to the terms of such policy and the Permitted Exceptions. Purchaser has reviewed the Title Commitment and confirms that Purchaser's objections have been addressed and the Permitted Exceptions agreed to prior to the execution of this Agreement. Seller shall pay all premium and other charges and costs incident to the issuance of the Commitment and the Owner's Title Policy. Any Title Policy premium fee for deletion of the exception as to "shortages in area" shall be divided equally between the parties.

3.2. Survey. William H. Ramsey, Registered Professional Land Surveyor 4532, with Rust Lichliter/Jameson & Associates, has prepared and delivered to Purchaser, at Seller's expense, a survey of the Real Property dated August 16, 1996, referenced as Job No. 67000.901 (the "Survey"). Purchaser has reviewed the Survey and Purchaser's objections have been addressed prior to the execution of this Agreement and confirms that the Survey in its final form is acceptable to Purchaser. Seller shall pay all costs and expenses incident to the preparation and delivery of the Survey.

3.3. Permitted Exceptions. The term "Permitted Exceptions" as used in this Agreement shall refer to the list of encumbrances and other matters set forth on Attachment 2 to the Special Warranty Deed, of even date herewith by and between Seller and Purchaser (the "Deed").

3.4. Review. Purchaser confirms that Purchaser has conducted, or had the opportunity to conduct, a thorough and complete due diligence review of the Property, including, without limitation, engineering, environmental, soil, and other studies and tests on the Property and, based on that review, Purchaser has determined that the Property, subject to the representations and warranties of Seller recited herein and in the Closing Documentation (defined below) executed by Seller at Closing, is acceptable to Purchaser in all respects.

ARTICLE 4.

PAYMENT OF PURCHASE PRICE

4.1. Payment of Purchase Price. The Purchase Price shall be payable in cash, cashier's check, or wire transfer at Closing.

ARTICLE 5.

CLOSING

5.1. Date and Location. Closing shall be held on the Execution Date of this Agreement (the "Closing Date"). Closing shall be held at the offices of the Title Company, or such other location mutually acceptable to Seller and Purchaser.

5.2. Closing Documents. At Closing, Seller and Purchaser shall deliver or cause to be delivered to each other, as applicable, the documents and instruments listed on the Closing Checklist, a copy of which is attached hereto as Exhibit B, duly

executed, all of which shall be dated on or effective as of the Closing Date and any other title curative documents, release documentation, easements, or other documents executed at Closing between the parties (collectively, the "Closing Documentation").

ARTICLE 6.

CLOSING STATEMENT

6.1. Closing Statement. The settlement statement (the "Settlement Statement") has been prepared by the Title Company and executed by the parties hereto at Closing, which closing statement evidences the monetary terms of this transaction, including all closing costs.

ARTICLE 7.

INTERIM OPERATIONS AND PRORATIONS

7.1. Lease/Option Agreement. Purchaser and Seller acknowledge that the Property has been leased by Purchaser pursuant to the terms of that certain Lease/Option Agreement dated January 1, 1992 (the "Lease/Option Agreement"). The Lease/Option Agreement is being terminated effective on the Closing Date. Seller and Purchaser agree that Purchaser shall receive and retain and Seller herein assigns to Purchaser as its sole property (i) one hundred percent (100%) of all Gross Receipts, as defined in the Lease/Option Agreement, generated or prepaid from December 27, 1995 (the "Effective Date"), and (ii) Purchaser shall be responsible for the payment of all Expenses, as defined in the Lease/Option Agreement, arising and accrued during the period from the Effective Date to the Closing Date as if Purchaser had purchased the Property as of the Effective Date.

7.2. Lease Payments. In addition to the Purchase Price, Purchaser agrees to pay to Seller on the Closing Date pursuant to the termination of the Lease/Option Agreement (a) the rental amount due to Seller as of the Effective Date which totals SEVEN HUNDRED FORTY-THREE THOUSAND FIVE HUNDRED SIXTY-TWO AND NO/100 DOLLARS ($743,562.00), and (b) the sum of SIX HUNDRED THOUSAND DOLLARS ($600,000.00) representing twenty percent (20%) of the THREE MILLION DOLLARS ($3,000,000.00) received by Tenant for initiation fees in December 1995, which amounts collectively represent a full and final settlement of all sums due Landlord under the Lease Option Agreement (the "Lease Payments") as provided in the Lease Modification and Termination Agreement (the "Termination Agreement").

7.3. Capital Reserve and Working Capital. Pursuant to the terms of the Termination Agreement, the balance of any Working Capital, Capital Reserve or other cash accounts or reserves, together with Seller's right, title and interest in and to any deposits posted with third parties pertaining to the Property as of the Effective Date, are hereby assigned to Purchaser and shall be Purchaser's sole property.

7.4. Utilities. Purchaser and Seller shall cause the companies and municipalities furnishing utility services to the Real Property and the Improvements to transfer services (if applicable) to Purchaser on the morning of the Closing Date, or on a date as soon thereafter as possible, and to submit final statements for utility services for which Purchaser shall be responsible.

7.5. Taxes. Except for the sales tax audit liability

assumed by Seller pursuant to the terms and provisions of that certain Post Closing Agreement, of even date herewith, by and between Seller and Purchaser (the "Post-Closing Agreement"), all ad valorem taxes, payroll taxes, sales taxes, license taxes, liquor taxes, use taxes, and all taxes arising from and as a result of the operation of the Property that are due, or to become due, to any governmental or quasi-governmental authority, whether municipal, state, county or federal (the "Taxes") accruing prior to the Effective Date shall be paid pursuant to the terms of the Termination Agreement. Any Taxes accruing for the period after the Effective Date shall be paid by Purchaser.

ARTICLE 8.

POSSESSION OF THE PROPERTY

8.1. Possession of the Property. Possession of the Real Property, Improvements, and Tangible Personal Property shall be delivered by Seller to Purchaser at Closing.

ARTICLE 9.

SELLER'S REPRESENTATIONS AND WARRANTIES

9.1. Seller makes the following representations and warranties to Purchaser, which representations and warranties shall survive the execution and delivery of this Agreement and shall be true and correct in all material respects on the Closing Date:

9.1.1. Partnership Status. Seller is a Delaware general partnership duly organized, validly existing and in good standing under the laws of the State of Delaware, and is duly qualified and in good standing to do business in Texas; Seller has all requisite power to execute and deliver this Agreement, to consummate the transactions contemplated hereby, and to perform its obligations hereunder; the execution and delivery of this Agreement by Seller and the performance of the transactions contemplated hereby have been duly authorized by all requisite partnership and general partner corporate action on behalf of Seller, and this Agreement constitutes the legal, valid and binding obligation of Seller, enforceable in accordance with its terms, except as such enforcement may be limited by bankruptcy, insolvency, reorganization or other similar laws affecting enforcement of creditor's rights generally or by general equitable principles; and no approval or consent of any person or entity is necessary to make this Agreement a valid and binding obligation of Seller.

9.1.2. Violation of Agreement. Neither the execution and delivery of this Agreement by Seller nor Seller's performance of any obligation hereunder or the consummation of the transactions contemplated hereby (i) will constitute a violation of Seller's partnership agreement, or other governing documents or any law, ruling, regulation or order to which Seller is subject, or (ii) shall constitute a default of any term or provision or shall cause an acceleration of the performance required under any other agreement or document (a) to which Seller is a party or is otherwise bound or (b) to which the Property or any part thereof is subject.

9.1.3. Name and Logo. Subject to the license granted to Seller pursuant to the Mark License Agreement, all of Seller's right, title and interest, if any, in and to "Barton Creek Conference Resort and Country Club" and "Barton Creek Lakeside Country Club," and the logos used in connection with the logo of Barton Creek and in the operation of the Property as and where now conducted, shall be assigned to Purchaser at Closing and, to Seller's actual knowledge, the use of such names and logos by Seller in the operation of the Property as and where now conducted does not violate or infringe the rights of any other person or entity.

9.1.4. Litigation, Claims or Proceedings. Except for the (i) McFarlane suit and (ii) the Audit as defined in the Post Closing Agreement, Seller has no actual knowledge of any existing or pending actions, suits, litigation, claims, proceedings or governmental investigations with respect to any aspect of the Property or the Resort, nor, to the actual knowledge of Seller, have any such actions, suits, litigation, claims, proceedings or governmental investigations been threatened or asserted.

9.1.5. Access. Seller has no actual knowledge of any circumstance or condition existing which would result in the termination of the current access to the Real Property from existing roads.

9.1.6. Utilities, Waste and Drainage. To Seller's actual knowledge, the utility services (i) are installed and connected pursuant to valid permits and are in full compliance with all governmental regulations, (ii) are adequate for the present use and operation of the Property, and (iii) no fact or condition exists which would result in the termination or impairment in the furnishing of utility services to the Improvements.

9.1.7. Construction Claims. Except for any work and services contracted by Tenant or its employees, agents, or contractors and work and services provided in connection with the day-to-day maintenance of the Property, to Seller's actual knowledge, no work has been performed or is in progress at the Property, and no materials have been delivered to the Property that might provide the basis for a mechanic's, materialman's or other lien against the Property or any portion thereof.

9.1.8. Assessments. Except for any existing ad valorem taxes against the Real Property, Seller has received no notice and has no actual knowledge of any pending improvements, liens or special assessments to be made against the Property by any governmental agency or authority.

9.1.9. Contracts. To Seller's actual knowledge, there are no outstanding contracts, leases, or agreements of any nature to which the Resort, Purchaser or the Property is or may become subject, except for any contracts, which are (i) currently in Purchaser's name, (ii) assumed by Purchaser or being terminated at Closing, or (iii) set forth on the Permitted Exceptions.

9.1.10. Property Condition of Improvements. To

Seller's actual knowledge, the Property is not in material violation of any applicable city, county, state and federal laws, ordinances, rules, regulations and requirements, including, without limitation, those pertaining to zoning, existing conditions in or about the Property, building, safety, or environmental matters promulgated by municipal, state or federal governments, and Seller has not received any notice, written or oral, claiming any violation of any of law, ordinance or regulation or requesting or requiring the performance of any repairs, alterations or other work in order to so comply.

9.1.11. Options. There are no options or rights of first refusal or any other right to purchase the Property or any part thereof in favor of any person or entity is currently outstanding, except for the rights granted to Purchaser recited herein and the right of first refusal on Part B of Tract II, Lot 44, to be released at Closing.

9.1.12. Employees. Seller acknowledges that Purchaser is acquiring only the Property and is not obligated to retain any employee and is not assuming any employment agreement, insurance or profit sharing program of any nature between Seller and its employees.

9.1.13. Environmental Laws. Seller has not received any written notice, nor does Seller have any actual knowledge that the Property is currently in violation of or subject to any existing, pending or threatened investigation or inquiry by any governmental authority or to any remedial obligations under any applicable laws pertaining to health or the environment (hereinafter sometimes collectively called "Applicable Environmental Laws"), including, without limitation, the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended by the Superfund Amendments and Reauthorization Act of 1986 (as amended from time-to-time, hereinafter called "CERCLA"), the Resource Conservation and Recovery Act of 1976, as amended by the Used Oil Recycling Act of 1980, the Solid Waste Disposal Act Amendments of 1980, and the Hazardous and Solid Waste Amendments of 1984 (as amended from time-to-time, hereinafter called "RCRA"), the Texas Water Code and the Texas Solid Waste Disposal Act.

9.1.14. Waste Disposal Activities. Seller has no actual knowledge that the Property has been used as a garbage or refuse dump site, a landfill for waste, a waste disposal facility, a transfer station, or any other type of facility for storage, processing, treatment, or temporary or permanent disposal of waste materials, including, without limitation, solid, industrial, toxic, hazardous, radioactive, nuclear, or putrescible waste or sewage (except for normal trash and kitchen waste, and household-like waste and sanitary sewers and their contents), and there are no underground storage tanks of any kind or nature located on the Property. To Seller's actual knowledge, the Property has not been, and is not now, listed on the Environmental Protection Agency's list of violating facilities established pursuant to the Clean Water Act, the National Priorities List established pursuant to CERCLA, and there are no orders, judgments, claims, suits, actions or proceedings, including, but not

limited to, governmental investigations or requests for information (except for the normal and routine proceedings and investigations that may from time-to-time occur in connection with the issuance, renewal, modification, or monitoring of ordinary environmental operating and other permits and licenses), which could have an adverse effect upon the Property.

9.1.15. Wildlife. Except as otherwise reflected in the Section 10(a) Permit applicable to the Property, Seller has no actual knowledge of any present situation or condition relating to the Property requiring preservation of wildlife habitat.

The phrase "to Seller's actual knowledge" shall mean the actual knowledge of William H. Armstrong, III, the Vice President and Attorney-in-Fact of Seller, and John Baker, the Chief Financial Officer of Seller, and Seller shall be deemed to have knowledge of any item for which written documentation, notice, report, memorandum, or correspondence of any nature has been received from any party or governmental agency or prepared by Seller or any of its Affiliates concerning the subject matter. Purchaser acknowledges that it has been the Tenant under the Lease/Option Agreement, and, in the event Purchaser has actual knowledge prior to Closing of any defect or misrepresentation of a representation, covenant, or warranty made by Seller herein (a "Seller" Breach") and Purchaser proceeds to Closing, Purchaser waives any claim for damages, costs, or fees against Seller arising due to the Seller Breach.

ARTICLE 10.

SELLER'S COVENANTS

10.1. Seller covenants and agrees to the following, which covenants and agreements shall survive Closing, shall have been fully complied with as of the Closing Date, and shall not be deemed merged in the conveyance contemplated herein:

10.1.1. Litigation, Claims or Proceedings. In the event a lien, claim or cause of action affecting the Property or the Resort should arise after the date hereof and prior to the Closing Date and Purchaser gives Seller written notice of same, Seller shall satisfy (or contest and or provide suitable bonding reasonably acceptable to Purchaser) any such claim prior to the Closing Date and furnish Purchaser with evidence thereof.

10.1.2. Permits. Seller shall cooperate fully with Purchaser as necessary to enable Purchaser, at Purchaser's cost, unless otherwise specified herein, to procure and/or to transfer and to maintain all licenses, permits or authorizations necessary for the operation of the Property.

10.1.3. Sales Tax Audit. Pursuant to the term of the Post-Closing Agreement, Seller agrees to indemnify and hold Purchaser harmless from any claims, demands, causes of action, attorneys' fees, and other costs, including the payment of any sales tax due arising from such audit proceedings.

10.1.4. Documentation. If necessary to carry out

the intent of this Agreement, Seller shall execute and provide to Purchaser, on or after the Closing Date, any and all instruments, documents, conveyances, assignments and agreements which Purchaser may reasonably request.

10.1.5. Noninterference. If Purchaser shall keep and perform its covenants, conditions and obligations hereunder, Seller shall not interfere in any manner with Purchaser's operation, possession and ownership of the Property.

ARTICLE 11.

PURCHASER'S COVENANTS, REPRESENTATIONS, AND WARRANTIES

11.1. Purchaser makes the following covenants, representations, and warranties to Seller. Each covenant, representation, and warranty shall survive the execution and delivery of this Agreement and shall be true and correct in all material respects on the Closing Date, and no covenant, representation, or warranty shall be deemed to be merged with the conveyance herein contemplated:

11.1.1. Corporate Status. Purchaser is a corporation duly organized, validly existing and in good standing under the laws of the State of Texas, Purchaser has all requisite corporate power to execute and deliver this Agreement, to consummate the transactions contemplated hereby, and to perform its obligations hereunder; the execution and delivery of this Agreement by Purchaser and the performance of the transactions contemplated hereby have been duly authorized by all requisite corporate action on behalf of Purchaser, and this Agreement constitutes the legal, valid and binding obligation of Purchaser, enforceable in accordance with its terms, except as such enforcement may be limited by bankruptcy, insolvency, reorganization or other similar laws affecting enforcement of creditor's rights generally or by general equitable principles; and no approval or consent of any person or entity is necessary to make this Agreement a valid and binding obligation of Purchaser.

11.1.2. Title. Purchaser has been advised that Purchaser should have a title abstract covering the Property examined by attorneys of Purchaser's selection or that Purchaser should be furnished with a policy of title insurance covering the Property.

11.1.3. Violation of Agreement. Neither the execution and delivery of this Agreement, nor the consummation of the transactions contemplated hereby, will violate, conflict with or result in the breach of any term or provision of, or constitute a default under, Purchaser's articles of incorporation, bylaws, or any statute, order, judgment, writ, injunction, decree, license, permit, rule or regulation of any court or any governmental or regulatory body, or any agreement to which Purchaser is a party or by which it is bound.

11.1.4. Documentation. If necessary to carry out the intent of this Agreement, Purchaser shall execute

and provide to Seller, on or after the Closing Date, any and all instruments, documents, conveyances, assignments and agreements which Purchaser may reasonably request.

11.1.5. Litigation. Pursuant to the terms and provisions of the Post Closing Agreement, Purchaser agrees to indemnify and hold Seller harmless from any claims, demands, causes of action, attorneys' fees, or other costs arising from the McFarlane lawsuit.

11.1.6. Maintenance Standards. Purchaser agrees to operate the Club at the maintenance standard set forth in that certain Membership Agreement, of even date herewith, by and between Seller and Purchaser.

11.1.7. Warranties. Purchaser acknowledges that Purchaser has inspected the Property or independently caused the Property to be inspected on its behalf and that, except as otherwise expressly provided herein, Purchaser has not entered into this Agreement based upon any representation, warranty, agreement, statement or expression of opinion of Seller or by any person or entity acting or allegedly acting for or on behalf of Seller as to the Property or the condition of the Property. Purchaser agrees that the Property is to be sold to and accepted by Purchaser at Closing, AS IS, WHERE IS, WITH ALL FAULTS, IF ANY, AND WITHOUT ANY REPRESENTATIONS OR WARRANTIES WHATSOEVER, EXPRESS OR IMPLIED, except for the representations, warranties and covenants expressly set forth herein and in the Closing Documentation.

ARTICLE 12.

LIABILITIES AND INDEMNIFICATIONS

12.1. Liabilities. It is expressly agreed and recognized that Purchaser, in acquiring the Property conveyed hereby, does not assume any responsibility or liability whatsoever for any commitments, agreements, contracts, obligations or debts made or incurred by Seller, arising from Seller's ownership of the Property prior to the Effective Date, regardless of whether fixed, accrued or contingent, except for any obligations assumed by Purchaser in the Closing Documentation, which accrues after the Effective Date. It is further expressly agreed and recognized that Seller, in disposing of the Property to be conveyed hereby, does not assume any responsibility or liability whatsoever for any commitments, obligations or debts made or incurred by Purchaser or its successors arising from the ownership of the Property subsequent to the Effective Date, regardless of whether fixed, accrued or contingent, except for the obligations assumed by Seller in the Closing Documentation.

12.2. Indemnification by Seller. Except for the liability assumed by Purchaser pursuant to the terms of the Lease/Option Agreement and the Closing Documentation, Seller shall pay, defend and hold Purchaser and the Property harmless from and against all liability of any nature whatever, regardless of the nature in which such liability may arise, from any and all claims, actions and demands, expenses, attorneys' fees, damages, losses, liabilities, suits and/or judgments, costs and expenses, including those of any employee of Seller, whether past or present, arising from (i) Seller's ownership of the Property prior to the Effective Date (but excluding liability as a result of the acts or omissions of Purchaser or any affiliate of Purchaser), (ii) any third-party relationship with Seller,

(iii) any misrepresentation, breach of warranty and/or covenant (but excluding liability as a result of the acts or omissions of Purchaser or any affiliate of Purchaser), or nonfulfillment of any agreement on the part of Seller under this Agreement, or (iv) any misrepresentation in or omission from any certificate or other instrument furnished or to be furnished to Purchaser under this Agreement. This Section 12.2 shall survive Closing and shall in no event be deemed to merge with the conveyance herein contemplated.

12.3. Indemnification by Purchaser. Except for the liabilities retained by Seller pursuant to the terms of the Closing Documentation, Purchaser shall pay, defend and hold Seller harmless from and against all liability of any nature whatever, regardless of the nature in which such liability may arise, for any and all claims, actions, demands, expenses, attorneys' fees, damages, losses, liabilities, suits and/or judgments, costs and expenses, including that of any employee of Purchaser or any customer, member, invitee or licensee of Purchaser arising from (i) Purchaser's operation of the Property from the Effective Date to the Closing Date and ownership of the Property after the Closing Date, including, but not limited to, all operational contracts and membership agreements entered into by Purchaser during the term of the Lease/Option Agreement and from the Effective Date to the Closing Date (but excluding liability arising as a result of the acts or omissions of Seller or any affiliate of Seller), (ii) any third-party relationship with Purchaser, (iii) any misrepresentation, breach or warranty and/or covenant (but excluding liability arising as a result of the acts or omissions of Seller or any affiliate of Seller), or nonfulfillment of any agreement on the part of Purchaser under this Agreement, or (iv) any misrepresentation in or omission from any certificate or other instrument furnished or to be furnished to Seller under this Agreement. This Section 12.3 shall survive Closing and shall in no event be deemed to merge with the conveyance herein contemplated.

ARTICLE 13.

SELLER'S AND PURCHASER'S OBLIGATIONS

13.1. Independent Partnership. Purchaser recognizes and acknowledges that Seller is an independent general partnership, duly organized chartered under the laws of the State of Delaware, and Purchaser will look solely to the partnership and the general partners of the partnership, including the Managing General Partners, who are solely responsible for the obligations and liabilities of Seller recited herein, arising hereunder, or in any manner related to the transactions contemplated hereby. Purchaser further recognizes and acknowledges that no other entity or entities, including, but not limited to, (i) any individual, or (ii) any other corporation affiliated with Seller which may provide services to, provide loans and funds to, negotiate for, provide personnel to, make representations on behalf of, and from time to time take actions on behalf of or for the benefit of Seller by direct dealings with Purchaser or those acting for it, is in any manner liable or responsible for the obligations and liabilities of Seller, whether recited herein, arising hereunder, or in any manner related to the transactions contemplated hereby.

13.2. Independent Corporation. Seller recognizes and acknowledges that Purchaser is an independent corporation, chartered under the laws of the State of Texas, to whom Seller will solely look and who is solely responsible for the obligations and liabilities of Purchaser recited herein, arising hereunder, or in any manner related to the transactions

contemplated hereby. Seller further recognizes and acknowledges that no other entity or entities, including, but not limited to, (i) Purchaser's parent corporation, Club Resorts Holding, Inc.; the partner, Club Corporation International; or its affiliate, Club Corporation of America, (ii) any individual, or (iii) any corporation affiliated with Purchaser which may provide services to, provide loans and funds to, negotiate for, provide personnel to, make representations on behalf of, and from time to time take actions on behalf of or for the benefit of Purchaser by direct dealings with Seller or those acting for it, is in any manner liable or responsible for the obligations and liabilities of Purchaser, whether recited herein, arising hereunder, or in any manner related to the transactions contemplated hereby.

ARTICLE 14.

DEFAULT/REMEDIES

14.1. Event of Default. If either party shall fail in the performance of or compliance with any of the covenants, agreements, terms or conditions contained in this Agreement and such failure shall continue for a period of thirty (30) days after written notice thereof from either party specifying in detail the nature of such failure, or, in the case such failure cannot with due diligence be cured within such 30-day period, if either party fails to proceed promptly and with all due diligence to cure the same and thereafter to prosecute the curing of such failure with all due diligence [it being intended that in connection with a failure not susceptible of being cured with due diligence within thirty (30) days that the time within which to cure the same shall be extended for such period as may be necessary to complete the same with all due diligence, said extension not to exceed ninety (90) days], then the party shall be in default (an "Event of Default") and the nondefaulting party shall be entitled to exercise the remedies set forth in Section 14.2 hereof.

14.2. Remedies. Upon the occurrence of an Event of Default by either party after Closing which is not cured within the time permitted provided in Section 14.1 hereof, the disputed matter shall be submitted to arbitration pursuant to the terms and conditions of Article 15 hereof.

ARTICLE 15.

ARBITRATION

15.1. Arbitration. Any controversy arising out of, or relating to, this Agreement, or the breach thereof, shall be settled by binding arbitration administered by the American Arbitration Association in accordance with its rules, and judgment upon the award rendered by the arbitrator may be entered in any court having jurisdiction. The initiating party shall give written notice to the other party of its intention to arbitrate, which notice shall contain a statement setting forth the nature of the dispute, the amount involved, if any, the remedy sought, and the hearing locale requested, and shall file at any regional office of the American Arbitration Association three (3) copies of the notice and three (3) copies of this arbitration provision, together with the appropriate filing fee, as provided by the American Arbitration Association. The arbitrator shall be selected by using the listing process under the American Arbitration Association's arbitration rules. The arbitrator shall award to the prevailing party, if any, as determined by the arbitrator, all of its costs and expenses. "Costs and expenses" shall mean all reasonable pre-award expenses

of the arbitration, including the arbitrator's fees, administrative fees, travel expenses, out-of-pocket expenses, such as copying and telephone, witness fees, and attorneys' fees. The consideration of the parties to be bound by arbitration is not only the waiver of trial by jury, but also the waiver of any rights to appeal the arbitration finding.

ARTICLE 16.

NOTICES

16.1. Notices. Any notices or other communications required or permitted hereunder shall be sufficiently given if in writing and (i) hand delivered, including delivery by courier service, (ii) sent by facsimile, or (iii) sent by certified mail, return receipt requested, postage prepaid, addressed as shown below, or to such other address as the party concerned may substitute by written notice to the other. If the notice is sent by facsimile, it must be properly addressed, reflecting the facsimile phone number of the addressee(s), and must be transmitted by a facsimile which produces a dated message confirming completion of the transmission. All notices hand delivered shall be deemed received on the date of delivery. All notices forwarded by mail meeting the requirements of (iii) above shall be deemed received on a date three (3) days (excluding Sundays and legal holidays when the U.S. mail is not delivered) immediately following date of deposit in the U.S. mail. Provided, however, the return receipt indicating the date upon which all notices were received shall be prima facie evidence that such notices were received on the date on the return receipt. Notwithstanding the foregoing, any notice of termination given by Purchaser by certified mail and sent prior to the end of the Review Period shall be effective when mailed.

If to Seller:
FM PROPERTIES OPERATING CO.
8212 Barton Club Drive
Austin, Texas 78735
Attention: Mr. William H. Armstrong, III
Facsimile: (512) 328-4275

With a required copy to:

FM PROPERTIES OPERATING CO.
1615 Poydras Street
New Orleans, Louisiana 70112
Attention: Mr. John G. Amato
Facsimile: (504) 585-3513

With a second required copy to:

Strasburger & Price, L.L.P.
600 Congress Avenue, Suite 2600
Austin, Texas 78701
Attention: Mr. Ken Jones
Facsimile: (512) 499-3660

If to Purchaser:
BARTON CREEK RESORT & CLUBS, INC.
P.O. Box 819012
Dallas, Texas 75381-9012
Attention: President
Facsimile: (214) 888-7583

With a required copy to:

ADDISON LAW FIRM,
a Professional Corporation
14901 Quorum Drive, Suite 650
Attention: Mr. Randolph D. Addison

Facsimile: (214) 960-7719

The addresses and addressees may be changed by giving notice of such change in the manner provided herein for giving notice. Unless and until such written notice is received, the last address and addressee given shall be deemed to continue in effect for all purposes. No notice to either Purchaser or Seller shall be deemed given or received unless the entity noted "With a copy to" is simultaneously delivered notice in the same manner as any notice given to either Seller or Purchaser, as the case may be.

ARTICLE 17.

MISCELLANEOUS

17.1. Exhibits. All Exhibits attached hereto are incorporated herein by this reference as if fully set forth herein.

17.2. Waiver of Consumer Rights. TO THE MAXIMUM EXTENT NOT PROHIBITED BY LAW, PURCHASER HEREBY WAIVES ALL OF THE PROVISIONS OF THE TEXAS DECEPTIVE TRADE PRACTICES-CONSUMER PROTECTION ACT (THE TEXAS BUSINESS AND COMMERCE CODE; SECTION 17.41, ET SEQ.) SAVE AND EXCEPT THE PROVISIONS OF SECTION 17.555 OF THE TEXAS BUSINESS AND COMMERCE CODE. PURCHASER WARRANTS AND REPRESENTS TO SELLER THAT (A) PURCHASER IS NOT IN A SIGNIFICANTLY DISPARATE BARGAINING POSITION AS TO ANY PROVISION OF THIS AGREEMENT OR AS TO ANY MATTER CONTAINED HEREIN, (B) PURCHASER IS A SOPHISTICATED ENTITY, AND (C) PURCHASER IS REPRESENTED BY LEGAL COUNSEL OF PURCHASER'S OWN CHOOSING IN SEEKING, ACQUIRING, AND PURCHASING THE PROPERTY AND IN NEGOTIATING THE TERMS OF THIS AGREEMENT. FURTHER, THE CONSIDERATION FOR THE PURCHASE OF THE PROPERTY IS IN EXCESS OF FIVE HUNDRED THOUSAND DOLLARS ($500,000.00). THIS WAIVER IS MADE KNOWINGLY.

17.3. Successors and Assigns; Assignment. This Agreement and the terms and provisions hereof shall inure to the benefit of and be binding upon the parties hereto and their respective successors and assigns whenever the context so requires or permits. Except as expressly provided herein, this Agreement and any documents executed in connection therewith shall not be assigned by Seller or Purchaser without the prior written consent of the other party, and any assignment without such prior written consent shall be null and void.

17.4. Confidentiality; Public Announcements. Seller covenants and agrees that unless the transaction contemplated by this Agreement actually closes and Purchaser receives the Special Warranty Deed at Closing, Seller will not disclose to any person or entity any information received or discovered by Seller concerning this Agreement or the intentions of Purchaser hereunder. If Seller discloses any such information, such disclosure shall constitute an Event of Default, whereupon Purchaser shall be entitled to exercise the remedies available to Purchaser under this Agreement as well as any other remedies available to Purchaser at law or in equity for Seller's violation of this Section, without any prior notice whatsoever; Seller hereby waives notice for purposes of this Section. The provisions of this Section shall survive Closing. Neither party hereto shall make any public announcement or press release concerning this Agreement or the transactions contemplated herein except as may be mutually agreed upon by the parties in writing; provided, however, the foregoing shall not preclude either party from disclosing to any governmental or regulatory authority such information or making press releases as may be required by applicable laws or regulations.

17.5. Survival. All statements contained in any certificate or other instrument delivered by or on behalf of either party pursuant hereto, or in connection with the transactions contemplated hereby, shall be deemed representations and warranties by the respective party presenting such statement. All covenants, representations, warranties, and agreements, including, without limitation, agreements for indemnification and post-closing adjustments, contained in this Agreement or in the documents or instruments delivered at Closing which contemplate performance by either party after Closing, shall survive Closing and shall not be deemed merged in the conveyance.

17.6. Construction, Interpretation and Severability of Agreement. This Agreement is to be performed in the State of Texas and shall be governed by and construed in accordance with the laws of the State of Texas. Any action brought to enforce or interpret this Agreement shall be brought in the court of appropriate jurisdiction in the county in which the Real Property is located. Should any provision of this Agreement require judicial interpretation, it is agreed that the court interpreting or considering same shall not apply the presumption that the terms hereof shall be more strictly construed against a party by reason of the rule or conclusion that a document should be construed more strictly against the party who itself or through its agent prepared the same. It is agreed and stipulated that all parties hereto have participated equally in the preparation of this Agreement and that legal counsel was consulted by each party before the execution of this Agreement. Except as expressly provided to the contrary herein, each section, part, term, or provision of this Agreement shall be considered severable, and if for any reason any section, part, term, or provision herein is determined to be invalid and contrary to or in conflict with any existing or future law or regulation by a court or governmental agency having valid jurisdiction, such determination shall not impair the operation of or have any other affect on other sections, parts, terms, or provisions of this Agreement as may remain otherwise intelligible, and the latter shall continue to be given full force and effect and bind the parties hereto, and said invalid sections, parts, terms, or provisions shall not be deemed to be a part of this Agreement.

17.7. No Partnership or Joint Venture; Outside Business. Nothing contained herein shall be deemed or construed by the parties hereto or by any third party as creating the relationship of (i) principal and agent, (ii) a partnership, or (iii) a joint venture between the parties hereto; it being understood and agreed that neither any provisions contained herein nor any acts of the parties hereto shall be deemed to create any relationship between the parties hereto other than the relationship of seller and purchaser. Nothing contained in this Agreement shall be construed to restrict or prevent in any manner any party or any party's affiliates, parent corporations, representatives, or principals from engaging in any other businesses or investments.

17.8. Time. Time is of the essence in this Agreement and each and all of its provisions. Any extension of time granted for the performance of any duty under this Agreement shall not be considered an extension of time for the performance of any other obligation under this Agreement.

17.9. Counterparts; Documentation. This Agreement may be executed in any number of counterparts and all of such counterparts taken together shall be deemed to constitute one and the same instrument. If necessary to carry out the intent of this Agreement, Purchaser and Seller agree to execute and provide to the other party on or after Closing any and all other instruments, documents, conveyances, assignments, and agreements which such other party may reasonably require.

17.10. Brokers. Seller shall indemnify and hold harmless Purchaser against and from all loss, cost, damage, or expense, including attorneys' fees, incurred by Purchaser in any action based upon a claim by a broker that Seller has employed or otherwise engaged such broker in connection with the transaction contemplated by this Agreement; and Purchaser shall indemnify and hold harmless Seller against and from all loss, cost, damage, or expense, including attorneys' fees, incurred by Seller in any action based upon the claim of a broker that Purchaser has employed or otherwise engaged such broker in connection with the transaction contemplated by this Agreement. The term "broker" as used herein shall include any party who claims a commission because of the sale of the Property contemplated hereby.

17.11. Captions. Captions, titles to sections, and paragraph headings used herein are for convenience of reference and shall not be deemed to limit or alter any provision hereof.

17.12. Governing Document. This Agreement shall govern in the event of any inconsistency between this Agreement and any of the Exhibits attached hereto or any other document or instrument executed or delivered pursuant hereto or in connection herewith.

17.13. Attorneys' Fees. In the event either party hereto should default under any of the provisions of this Agreement and the parties should employ attorneys or incur other expenses for the enforcement of performance or observance of any obligation or assessment on the part of the defaulting party or the defense of said allegations, the prevailing party shall be entitled to recover reasonable attorneys' fees and expenses incurred.

EXECUTED August 21, 1996 (the "Execution Date").

Seller:

FM PROPERTIES OPERATING CO.,
a Delaware general partnership

By: /s/ William H. Armstrong, III

William H. Armstrong, III,
Authorized Agent

Purchaser:

BARTON CREEK RESORT & CLUBS,
INC., a Texas corporation

By: /s/ Gregg E. Pate

Gregg E. Pate, Vice President

EXHIBIT "A"

DEFINITIONS

All capitalized terms referenced or used in the Purchase and

Sale Agreement (the "Agreement") to which this Exhibit is attached and not specifically defined therein shall have the meaning set forth below in this Exhibit A, which is attached to and made a part of the Agreement for all purposes. The section, paragraph, and exhibit references herein refer to the Sections, Paragraphs, and Exhibits in and to the Agreement.

1.1. Affiliate. The term "Affiliate" shall mean a person that directly or indirectly controls, is controlled by, or is under common control with the person in question, and any other party who owns ten percent (10%) or more of such person. For purposes of this definition, the term "control" means the ownership of ten percent (10%) or more of the beneficial interest of the voting power of the appropriate entity.

1.2. Capital Reserve. The term "Capital Reserve" shall mean those amounts at any given time allocated to an account for capital replacements and improvements within and to the Improvements, the Tangible Personal Property, and the Real Property, as more specifically reflected on the Financial Statements of the Property.

1.3. Closing. The term "Closing" shall mean the time at which Seller shall deliver the Deed to Purchaser.

1.4. Closing Date. The term "Closing Date" shall mean the date specified in Section 5.1.

1.5. Closing Documentation. The term "Closing Documentation" shall have the meaning set forth in Section 5.2.

1.6. Club. The term "Club" shall collectively mean the portion of the Resort operated as "Barton Creek Country Club," consisting of two (2) 18-hole golf courses, the clubhouse, tennis courts and related club facilities, and the "Barton Creek Lakeside" 18-hole golf course, country club and related club facilities.

1.7. Effective Date. The term "Effective Date" shall have the meaning set forth in Section 7.1.

1.8. Improvements. The term "Improvements" shall mean all improvement structures, and fixtures placed, constructed, or installed on the Real Property conveyed to Purchaser pursuant to that Bill of Sale and Assignment, of even date herewith, between Seller and Purchaser (the "Bill of Sale").

1.9. Intangible Personal Property. The term "Intangible Personal Property" shall mean all intangible personal property owned or held by Seller in connection with the Property, including, but not limited to, cash, cash accounts, security deposits, prepaid expenses, accounts receivable, membership lists, and the exclusive use of the logos, service marks, and the names "Barton Creek Country Club and Conference Resort" and "Barton Creek Lakeside," conveyed to Purchaser pursuant to the Bill of Sale and that certain Mark Assignment, of even date herewith between Seller and Purchaser.

1.10. Lease/Option Agreement. The term "Lease/Option Agreement" shall have the meaning set forth in Section 7.1.

1.11. Lease Payments. The term "Lease Payments" shall have the meaning set forth in Section 7.2.

1.12. Permitted Exceptions. The term "Permitted Exceptions" shall have the meaning as set forth in Attachment 2 to the Deed.

1.13. Personal Property. The term "Personal Property" shall mean the Intangible Personal Property and the Tangible Personal Property.

1.14. Property. The term "Property" shall mean the Improvements, the Intangible Personal Property, the Tangible Personal Property, and the Real Property owned by Seller and to be conveyed to Purchaser pursuant to the Agreement, including the Resort and the Club.

1.15. Real Property. The term "Real Property" shall have the same meaning as "Property" as such term is defined in the Deed.

1.16. Resort. The term "Resort" shall be defined as the Barton Creek Conference Center and Country Club located near Austin, Texas, with one hundred fifty (150) guest rooms, conference center, three (3) 18-hole golf courses with country club, executive fitness center/spa, tennis courts and fitness facilities.

1.17. Survey. The term "Survey" shall mean the Survey defined in Section 3.2, which has been approved by Purchaser.

1.18. Tangible Personal Property. The term "Tangible Personal Property" shall have the same meaning as "Personal Property" as such term is defined in the Bill of Sale and Assignment, of even date herewith, by and between Seller and Purchaser.

1.19. Title Company. The term "Title Company" shall mean Heritage Title Company of Austin, Inc., 98 San Jacinto Boulevard, Suite 400, Austin, Texas 78701, Attention: Ms. Phylis J. Donelson.

1.20. Title Policy. The term "Title Policy" shall mean an TLTA policy of title insurance issued by the Title Company in the amount of the Purchase Price in the form accepted by Purchaser pursuant to Section 3.1.

1.21. Working Capital. The term "Working Capital" shall mean the amount of working capital pursuant to generally accepted accounting principles shown on the Financial Statements concerning the Property for the Fiscal Year ending December 27, 1995.

EXHIBIT B

CLOSING CHECKLIST

EXHIBIT 10.2

PURCHASE AND SALE AGREEMENT

THIS PURCHASE AND SALE AGREEMENT (this "Agreement") is made by and between CIRCLE C LAND CORP., a Texas corporation ("Seller") and PHOENIX HOLDINGS, LTD., a Texas limited partnership ("Buyer").

In consideration of the mutual covenants and representations herein contained, Seller and Buyer agree as follows:

1. Purchase and Sale. Subject to the terms and conditions of this Agreement, Seller hereby agrees to sell and convey to Buyer and Buyer hereby agrees to purchase from Seller, free and clear of all liabilities except as expressly provided herein, the following (collectively, the "Property"):

(a) All of the real property owned by Seller and located within the boundaries of the Circle C Ranch and Circle West Subdivisions (collectively, "Circle C") owned by Seller, as generally described on Exhibit A attached hereto (herein collectively called the "Land").

(b) All of Seller's right, title and interest in and to all personal property, contracts, claims, receivables, assets, rights, privileges, benefits, and interests owned by Seller related to, associated with, benefitting or otherwise attributable to Circle C, including without limiting the generality of the foregoing, those items generally described on Exhibit B attached hereto.

2. Purchase Price. The purchase price for the Property (the "Purchase Price") shall be THIRTY-FOUR MILLION and NO/100 DOLLARS ($34,000,000.00). The Purchase Price shall be paid as follows:

(a) Thirty-One Million and no/100 Dollars ($31,000,000.00) shall be paid in cash or other immediately available funds at the closing (as hereinafter defined).

(b) The balance of the Purchase Price shall be paid by execution and delivery at the closing of a promissory note (the "Note") and security documents (the "Security Documents"), made payable to and for the benefit of an entity designated by Seller and in form as hereinafter specified. Purchaser, at its sole expense, shall provide Seller a mortgagee's policy of title insurance securing Seller's first lien against any real estate included as part of the Collateral. Purchaser shall cause Gary L. Bradley to individually guarantee payment of the Note, and he is executing this Agreement to acknowledge and agree to do so. The collateral securing the Note shall consist of property located within Circle C, as Buyer shall specify and Seller shall approve on or before the Approval Date (as hereinafter defined), and Buyer and Seller agree to cooperate in good faith regarding such collateral. In the event the parties fail to specify and approve such collateral by the Approval Date, this Agreement shall terminate. It is understood and acknowledged that Buyer is the owner of two tracts of land containing approximately 85.86 acres and 145.80 acres, respectively, as generally depicted on Exhibit E-1 on which is located the Circle C Golf Course (the "Golf Course"), and which are presently encumbered by liens securing certain indebtedness of Buyer. Seller and Buyer expressly agree

that at any time after the liens encumbering the Golf Course have been released, Buyer shall have the right, at its sole election and expense, to substitute the Golf Course as the collateral for the Note by executing and delivering to the holder of the Note a first lien deed of trust against the Golf Course and a mortgagee's policy of title insurance in the amount of the Note insuring Seller's first lien thereon, and with no other title encumbrances that would materially reduce the value thereof, in form approved by Seller (which approval shall not be unreasonably withheld or delayed). Upon the delivery of such deed of trust and title policy, and contemporaneously with the recording of such deed of trust, all other collateral securing the Note shall be released by the holder of the Note.

3. Earnest Money. Within two (2) business days after the Approval Date (as hereinafter defined), Buyer shall deliver to Stewart Title Austin, Inc. (the "Title Company") at 100 Congress Avenue, Suite 200, Austin, Texas 78701, Attn: John Bruce, the sum of One Million and No/100 Dollars ($1,000,000.00) in cash or other immediately available funds. All funds so delivered to the Title Company are hereinafter referred to as the "Earnest Money." The Earnest Money shall be held and disbursed by the Title Company as provided in this Contract. If Buyer fails to deposit the Earnest Money with the Title Company on or before the required date set forth herein, Seller may cancel this Contract by written notice to Buyer at any time thereafter prior to Buyer's depositing the Earnest Money with the Title Company. The Earnest Money shall be "at risk" and non-refundable to Buyer except in the event of a default by Seller in Seller's obligations hereunder. In the event this Agreement terminates for any reason other than a default by Seller or pursuant to section 4 below, the Earnest Money shall be promptly delivered to Seller and Buyer shall have no rights thereto. The Earnest Money shall be deposited by the Title Company with a national bank in Austin, Texas, in an interest-bearing account or fund approved by Buyer, and all interest accrued thereon shall be paid along with and upon final disposition of the Earnest Money as herein provided.

4. Title. Within thirty (30) days after the Effective Date hereof, Buyer shall obtain and furnish to Seller (i) a commitment for an owner's policy of title insurance (the "Commitment") in the amount of the Purchase Price issued by the Title Company indicating the status of title to the Land, (ii) legible copies of any instruments recited in the Commitment as encumbrances against the Land, and (iii) a certificate reflecting the results of a UCC financing statement search of the records of the Texas Secretary of State and Travis County (the "UCC Search"). If the Commitment, the Survey (as hereinafter defined) or the UCC Search indicates any matters that are unacceptable to Buyer, Buyer shall notify Seller of any unacceptable matters within thirty (30) days after receipt of both the Commitment and the Survey. Any matters with respect to which Buyer does not give such notice (other than any liens or security interests reflected in the Commitment or the UCC Search, all of which shall be released by Seller at or prior to the closing) shall be conclusively deemed to be approved by Buyer. Seller may, but shall have no obligation to, cure any of such unacceptable matters. In the event Seller is unable or unwilling to cure and remove such unacceptable matters (other than liens and other Schedule C items which shall be released or satisfied at or prior to the closing) within five (5) days from the date of receipt of Buyer's notice of objections, Buyer must, by notice to Seller within fifteen (15) days after the expiration of such cure period, either (i) terminate this Agreement and receive an immediate refund of the Earnest Money, or (ii) waive such objections and accept such title as Seller can deliver

without adjustment of the Purchase Price, as Buyer's sole and exclusive remedies. In the event Buyer fails to send written notice to Seller and the Title Company waiving such objections within said 15-day period, Buyer shall be conclusively deemed to have waived such uncured objections, and shall proceed with the closing in accordance with the terms of this Agreement. All matters permitted or accepted by Buyer hereunder shall be "Permitted Exceptions". The date on which Buyer finally accepts and approves (or is deemed to have accepted and approved) the Title Commitment and the Survey shall be the "Approval Date".

5. Survey. It is acknowledged that Buyer has ordered a current on-the-ground survey plat and metes and bounds descriptions of each tract comprising the Land (collectively, the "Survey"), to be prepared by Capital Surveying Company Incorporated ("CSCI"). Buyer and Seller agree to cooperate fully in obtaining the Survey as promptly as possible after the Effective Date. Seller shall supervise the completion of the Survey, and may cause the Survey to be completed by CSCI and/or such other registered public surveyor(s) as Seller may determine. Buyer agrees to be solely responsible for the cost of the Survey, whether the same is prepared by CSCI or by such other surveyor(s). The Survey shall (i) locate all improvements, fences, recorded and/or visible or apparent easements, rights-of-way, street and curb lines, (ii) specify and locate the total acres contained within each tract comprising the Land, (iii) be prepared by a public surveyor registered in the State of Texas, (iv) comply with the requirements for a Texas Surveyor's Association Category "1A" Land Title Survey, (v) contain a certificate to Buyer and the Title Company of the foregoing, and (vi) otherwise be acceptable to the Title Company for the deletion of the "survey" exception (other than "shortages in area"). Promptly upon completion of the Survey, a copy of the Survey shall be delivered to Seller, Buyer and the Title Company.

6. Representations, Warranties and Covenants.

(a) BUYER ACKNOWLEDGES AND AGREES THAT SELLER HAS NOT MADE, DOES NOT MAKE AND SPECIFICALLY NEGATES AND DISCLAIMS ANY REPRESENTATIONS, WARRANTIES (OTHER THAN THE SPECIAL WARRANTY OF TITLE AS SET OUT IN THE DEED AND OTHER DOCUMENTS CONVEYING, TRANSFERRING AND ASSIGNING THE PROPERTY), PROMISES, COVENANTS, AGREEMENTS OR GUARANTIES OF ANY KIND OR CHARACTER WHATSOEVER, WHETHER EXPRESS OR IMPLIED, ORAL OR WRITTEN, PAST, PRESENT OR FUTURE, OF, CONCERNING OR WITH RESPECT TO (A) THE VALUE, NATURE, QUALITY OR CONDITION OF THE PROPERTY, (B) THE SUITABILITY OF THE PROPERTY FOR ANY AND ALL ACTIVITIES AND USES WHICH BUYER MAY CONDUCT THEREON, (C) THE PRESENCE OR ABSENCE OF ANY HAZARDOUS MATERIALS OR OTHER ENVIRONMENTAL CONDITION, OR THE VIOLATION OF, OR THE COMPLIANCE OF OR BY, THE PROPERTY WITH ANY LAWS, RULES, ORDINANCES OR REGULATIONS OF ANY APPLICABLE GOVERNMENTAL AUTHORITY OR BODY, OR (D) ANY OTHER MATTER WITH RESPECT TO THE PROPERTY, AND BUYER EXPRESSLY WAIVES AND RELEASES ANY CLAIMS ARISING UNDER OR WITH RESPECT TO ANY OF THE FOREGOING. BUYER FURTHER ACKNOWLEDGES AND AGREES THAT HAVING BEEN GIVEN THE OPPORTUNITY TO INSPECT THE PROPERTY, BUYER IS RELYING SOLELY ON ITS OWN INVESTIGATIONS AND NOT ON ANY INFORMATION PROVIDED OR TO BE PROVIDED BY SELLER. BUYER FURTHER ACKNOWLEDGES AND AGREES THAT TO THE MAXIMUM EXTENT PERMITTED BY LAW, THE SALE OF THE PROPERTY AS PROVIDED FOR HEREIN IS MADE ON AN "AS IS" CONDITION AND BASIS WITH ALL FAULTS. IT IS UNDERSTOOD AND AGREED THAT THE PURCHASE PRICE HAS BEEN ADJUSTED BY PRIOR NEGOTIATION TO REFLECT THAT THE PROPERTY IS SOLD BY SELLER AND PURCHASED BY BUYER SUBJECT TO THE FOREGOING. THE PROVISIONS OF THIS SECTION SHALL SURVIVE THE CLOSING.

(b) Except as provided in 6.(c) below, prior to the closing (as hereinafter defined) neither Seller nor Buyer shall

submit any request for a land use change or an amendment or modification of the development restrictions imposed by or in connection with the CCMUDs (as hereinafter defined) with respect to land within Circle C to the board of the Southwest Travis County Water District ("SWTCWD") or any other governmental entity, including without limitation, the CCMUDs, without the prior written approval of the other party. It is expressly understood that the foregoing shall not affect or apply to the preparing, filing or processing of any subdivision plats, site plans or other use and/or development approval and permits with respect to any property owned by Buyer other than requests for a land use change or an amendment or modification of the development restrictions imposed by or in connection with the CCMUDs.

(c) Seller and Buyer agree that after the Approval Date, Buyer, at Buyer's sole expense and without Seller's assistance, may seek approvals from SWTCWD and the municipal utility districts in Circle C (the "CCMUDs") for land use changes, together with subdivisions, site plans, and other use and/or development approvals and permits, with respect to the following property within Circle C and to the extent necessary to effect the following sales: approximately 136.8 acres on Loop 1, to the extent required for Buyer to complete a sale to Crystal Semiconductor Corporation; approximately 27 acres on Wolf Trap, to the extent required for Buyer to complete a sale to Bethany Lutheran Church; and approximately 2 acres at Slaughter Lane and Brodie Lane (which currently has no land use designation), to the extent required for Buyer to complete a sale to Eckerd Drugs.

(d) Seller confirms and warrants that no contracts or agreements presently exist for the sale, lease or any other disposition or encumbrance with respect to any of the Property, except as set forth on the Contracts Schedule attached hereto.

(e) All proceeds from the sale of bonds issued by any of the CCMUDs prior to closing and allocable to reimbursement of eligible infrastructure (the "Escrowed Funds") shall be placed in escrow with the Title Company pursuant to an escrow agreement (the "Escrow Agreement") to be agreed to by the parties prior to the Approval Date. Seller may, at its sole election, borrow the Escrowed Funds at any time prior to closing, by delivering (i) a notice of election to Buyer and the Title Company at least ten (10) days prior to the funding of such loan and (ii) an unsecured promissory note (the "Note") payable to order of the Title Company in form approved by Buyer (which approval shall not be unreasonably withheld or delayed). The Note shall be made by FM Properties Operating Co., a Delaware general partnership, shall specify no interest to the maturity date (and the maximum legal interest rate after maturity), and shall mature and be payable on or before sixty (60) days after the date on which the closing is to occur pursuant to section 7(a) below. The Escrow Agreement shall provide that (i) in the event this transaction closes as provided herein, an amount equal to the Escrowed Funds shall be deducted from the cash portion (and credited as a reduction against) the Purchase Price, and the Escrowed Funds shall be disbursed to Seller (or if the Escrow Agent holds the Note, the Note shall be cancelled and delivered to Seller); and (ii) in the event this transaction does not close, for any reason, the Escrowed Funds shall be deposited in the registry of an appropriate court in Travis County (or if the Escrow Agent holds the Note, it shall endorse the Note, without recourse, jointly to Seller and Buyer as their interests may appear and deposit the endorsed Note in the registry of the court), and neither party shall have waived, released or in any way altered any of their rights to such proceeds by virtue of this Agreement.

7. Closing.

(a) The closing of the sale and purchase of the Property (the "closing") shall occur on the first business day following one hundred twenty (120) days after the Approval Date; provided, Buyer may extend such date by delivering to the Title Company on or before such date the sum of Two Million and No/100 ($2,000,000.00) as a non-refundable Option Fee (which shall be credited against the Purchase Price in the event of closing) in which event the closing shall occur on the first business day following one hundred sixty-five (165) days after the Approval Date. In the event this transaction fails to close for any reason other than a default by Seller, the $1,000,000.00 Earnest Money and the $2,000,000.00 Option Fee shall be immediately delivered to Seller and Buyer shall have no claim thereto. The date on which the closing occurs shall be the "Closing Date".

(b) The closing shall be held at 10:00 a.m. on the Closing Date at the main office of the Title Company at 100 Congress Avenue, Suite 200, Austin, Texas, or at such other location acceptable to both Seller and Buyer.

(c) At the closing, Seller shall deliver or cause to be delivered to Buyer the following:

(i) A Special Warranty Deed in the form attached as Exhibit C, conveying to Buyer good and indefeasible fee simple title to the Land, subject only to the Permitted Exceptions.

(ii) A General Assignment and Bill of Sale, with covenants of special warranty only, of all of the personal property, contracts, claims, receivables, assets, rights, privileges, benefits and interests owned by Seller related to, associated with, benefitting or otherwise attributable to Circle C, in the form attached as Exhibit D.

(iii) An Owner's Policy of Title Insurance issued by the Title Company to Buyer in accordance with the provisions hereof at Buyer's sole expense.

(iv) A certificate that Seller is not a "foreign person" as defined in the federal Foreign Investment in Real Property Act of 1980 in compliance with such federal law.

(v) Such other instruments and documents as Buyer or the Title Company may reasonably determine to be necessary, appropriate or desirable to consummate the closing and otherwise effectuate the provisions of this Agreement.

(d) At the closing, Buyer shall deliver or cause to be delivered the following:

(i) A cashier's check, wire transfer or other "good funds" acceptable to the Title Company in an amount of money equal to the portion of the Purchase Price to be paid in cash as provided in paragraph 2(a); provided, the Earnest Money and the Option Fee shall be applied and credited against such cash portion of the Purchase Price.

(ii) An acceptance of the Special Warranty Deed and the General Assignment and Bill of Sale.

(iii) The Note and Security Documents, in the form attached as Exhibit E.

(iv) A mortgagee's policy of title insurance insuring Seller's first lien on any real property encumbered

by the Security Documents, issued at Buyer's expense in the amount of the Note.

(v) Such other instruments and documents as Seller or the Title Company may reasonably determine to be necessary, appropriate or desirable to consummate the closing and otherwise effectuate the provisions of this Agreement.

(e) Buyer shall pay title (including title insurance premiums), survey, and other customary closing costs and expenses and Seller shall have no liability therefor. Each party shall pay its attorneys' fees.

(f) At the closing, all rents, operating revenues, operating costs and expenses, and ad valorem taxes shall be prorated as of the Closing Date. Seller shall pay and be responsible for all accounts payable, liabilities and obligations with respect to the Property arising or pertaining to all periods ending on or prior to the Closing Date, and Buyer shall be responsible for all such items for all periods after the Closing Date. Buyer may reject any contract or agreement existing on (and which Buyer has not approved prior to) Closing Date, and Seller shall be solely responsible for all liabilities and obligations under such rejected contracts and agreements. If the actual amount of such taxes are not known as of the date of the closing, the prorations shall be made on the basis of the best evidence then available, and thereafter, when actual figures are received, a cash settlement will be made between Seller and Buyer. Buyer shall assume and shall be responsible for the payment of any "roll-back" or other taxes levied or assessed against the Land as the result of the change of the use or ownership of the Land.

(g) Prior to the closing and provided Buyer is not in default hereunder, Seller shall operate and deal with the Property in the ordinary course of business, consistent with the operations of Seller on the Effective Date hereof. Without the prior written consent of Buyer, which Buyer shall not unreasonably withhold, Seller shall not grant or impose any easements, restrictions or other encumbrances upon or against the Property which will not be released at closing; apply for any new (or amend, revise, terminate or otherwise modify any existing) subdivision plan or plat, land use plan, site plan, or other permit or approval with respect to or affecting the Property unless in Seller's reasonable determination such action is necessary to protect existing entitlements or the value of the Property and Seller obtains Buyer's prior written approval thereof (which approval shall not be unreasonably withheld or delayed); or sell or lease, or enter into any contract or agreement or amendment thereto for the sale or lease, or relating to the use or development of, the Property or any part thereof or any interest therein except for sales reflected on the Contracts Schedule.

(h) At the closing, at Buyer's option and request, FM Properties, Inc. ("FMP") shall assign and transfer to Buyer all outstanding shares of stock of Seller, together with the originals of all certificates evidencing such stock with an appropriate endorsement or stock power transferring such shares to Buyer. Seller and FMP agree that Seller shall not be dissolved before the closing, and that Seller and/or FMP shall pay and be responsible for all accounts payable, liabilities and obligations of Seller arising or pertaining to all periods ending on or prior to the Closing Date, so that Seller shall have no liabilities or obligations as of the closing. FMP is a Delaware corporation and the owner of all such shares of stock, and is executing this Agreement to acknowledge and agree to this

paragraph.

8. Condemnation and Casualty Loss. Prior to the closing, risk of loss with regard to the Property shall be borne by Seller. If prior to the closing any portion of the Property is destroyed or damaged, or becomes subject to a taking by virtue of eminent domain, Seller shall notify Buyer and Buyer may, by notice to Seller within five (5) days after the date of Seller's notice, either (i) terminate this Agreement and receive the return of the Earnest Money, or (ii) proceed with the closing with no reduction in the Purchase Price and Seller shall assign to Buyer all proceeds and rights to proceeds received or receivable by Seller as a result of such damage or destruction or condemnation proceedings.

9. Default.

(a) If Seller shall default hereunder, Buyer may as Buyer's sole and exclusive remedies hereunder either (i) terminate this Agreement and receive the return of the Earnest Money and the Option Fee (if then deposited), or (ii) enforce specific performance of this Agreement.

(b) If Buyer shall default hereunder, Seller may as Seller's sole and exclusive remedy hereunder terminate this Agreement and receive the Earnest Money and the Option Fee (if then deposited) as liquidated damages (and not as a penalty).

(c) If this Agreement terminates pursuant to any provision hereof, thereafter no party shall have any further rights or obligations hereunder.

10. Commissions. There is no Real Estate Broker or Agent involved in this transaction, and there is no real estate commission owing in connection with this transaction. Each party agrees to defend, indemnify and hold the other harmless from any cost or claim for commission, fee or other compensation by reason of this transaction made by any agent, broker, entity or person alleging to be acting for or under the indemnifying party or which otherwise arises out of the acts or conduct of the indemnifying party. It is understood and acknowledged that Gary L. Bradley is a Real Estate Broker.

11. Notices. All notices, demands and requests which may be given or which are required to be given by either party to the other, and any exercise of a right of termination provided by this Agreement, shall be in writing and shall be deemed effective when either: (i) personally delivered to the intended recipient; (ii) sent, by certified or registered mail, return receipt requested, addressed to the intended recipient at the address specified below; (iii) delivered in person to the address set forth below for the party to whom the notice was given; (iv) deposited into the custody of a nationally recognized overnight delivery service such as Federal Express Corporation, Emery, or Purolator, addressed to such party at the address specified below; or (v) sent by facsimile, telegram or telex, provided that receipt for such facsimile, telegram or telex is verified by the sender and followed by a notice sent in accordance with one of the other provisions set forth above. Notices shall be effective on the date of delivery or receipt, or, if delivery is not accepted, on the earlier of the date that delivery is refused or one (1) business day after the date the notice is deposited in the mails or delivered to an overnight delivery service. For purposes of this section, the addresses of the parties for all notices are as follows (unless changed by similar notice in writing given by the particular person whose address is to be changed):

If to Seller at: 8212 Barton Club Drive
Austin, Texas 78735
Attention: William H. Armstrong, III
Fax: (512) 328-4275

with a required copy to: Mr. John G. Amato
1615 Poydras
New Orleans, Louisiana 70122
Fax: (504) 585-1603

with a required copy to: Mr. Kenneth N. Jones
Strasburger & Price, L.L.P.
2600 One American Center
600 Congress Avenue
Austin, Texas 78701-3288
Fax: (512) 499-3660

If to Buyer at: 1111 West 11th Street
Austin, Texas 78703
Fax: (512) 474-6919

with required copy to: Mr. Edward A. Kotite
Kotite & Kotite, L.L.P.
805 Third Avenue, 28th Floor
New York, New York 10022
Fax: (212) 891-3710

12. Entire Agreement. This Agreement embodies the entire agreement between the parties relative to the subject matter hereof, and there are no oral or written agreements between the parties, nor any representations made by either party relative to the subject matter hereof, which are not expressly set forth herein.

13. Amendment. This Agreement may be amended only by a written instrument executed by the party or parties to be bound thereby.

14. Time of Essence. Time is of the essence of this Agreement. If the final date of any period which is set out in any provision of this Agreement falls on a Saturday, Sunday or legal holiday under the laws of the United States or the State of Texas, then, in such event, the time of such period shall be extended to the next day which is not a Saturday, Sunday or legal holiday.

15. Governing Law. This Agreement shall be construed under and in accordance with the laws of the State of Texas and all obligations hereunder are performable in Travis County, Texas. In the event any one or more of the provisions contained in this Agreement shall for any reason be held to be invalid, illegal, or unenforceable, such invalidity, illegality or unenforceability shall not affect the remainder of this Agreement, which shall continue in full force and effect.

16. Successors and Assigns. This Agreement shall bind and inure to the benefit of Seller and Buyer and their respective heirs, executors, administrators, personal and legal representatives, successors and permitted assigns. Buyer may assign Buyer's rights under this Agreement to an entity which assumes all Buyer's obligations hereunder and in which Buyer holds at least fifty percent (50%) of the ownership interests, without the prior consent or approval of Seller. Buyer may not otherwise assign Buyer's rights under this Agreement without the express prior written consent of Seller.

17. Attorneys' Fees. Notwithstanding anything contained herein to the contrary, in the event it becomes necessary for either party hereto to file suit to enforce this Agreement or any provision contained herein, the party prevailing in such suit

shall be entitled to recover, in addition to all other remedies or damages, as provided herein, reasonable attorneys' fees incurred in such suit.

18. MUD Notice. It is acknowledged that portions of the Land is located within the CCMUDs and the Southwest Travis County Water District. Seller shall give Buyer Notices (in form attached hereto) as required by section 49.452 of the Texas Water Code, and Buyer agrees to sign and acknowledge such Notices to acknowledge the receipt thereof, as required by such statute.

19. Multiple Counterparts. This Agreement may be executed in identical counterparts which, taken together, shall constitute collectively one (1) agreement; but in making proof of this Agreement, it shall not be necessary to produce or account for more than one such counterpart.

20. Effective Date. This Agreement has been signed by Buyer on the date set forth below Buyer's signature to this Agreement. This Agreement and offer shall be null and void unless signed by Seller and delivered to Buyer within seven (7) business days from the date of Buyer's execution hereof. The Effective Date of this Agreement shall be the date this Agreement is received by the Title Company.

SELLER:

CIRCLE C LAND CORP.

By: /s/ William H. Armstrong

Name (print): William H. Armstrong

Title (print): President

Date: May 30, 1996

For purposes of paragraph 7(h) only:

FM PROPERTIES INC.

By: /s/ William H. Armstrong

Name (print): William H. Armstrong

Title (print): Authorized Agent

Date: May 30, 1996

BUYER:

PHOENIX HOLDINGS, LTD.

By: Phoenix Holdings GP, Inc.
a Texas corporation,
its General Partner

By: /s/ Gary L. Bradley

Name (print): Gary L. Bradley

Title (print): President

Date: May 21, 1996

For purposes of paragraph 2(b) only:

/s/ Gary L. Bradley

Gary L. Bradley, individually

Date: May 21, 1996

RECEIPT OF AGREEMENT

The undersigned Title Company hereby acknowledges receipt of a fully executed copy of the foregoing Agreement on May 31, 1996.

TITLE COMPANY:

Stewart Title Austin, Inc.

By: /s/ John Bruce

Name (print): John Bruce

Title (print):Commercial Division Manager

EXHIBIT A

to Purchase and Sale Agreement

Those certain tracts of land more particularly described below, and being as generally depicted on Exhibit A-1 attached hereto and made a part hereof:

Tract 101: That certain tract of land containing 57 acres, more or less, and being those tracts of land designated as Lot 1, Block M; Lots 23 and 24, Block B; Lot 43, Block A; and the proposed right of way of Allerton Avenue on the preliminary plan of CIRCLE C PHASE A filed with the City of Austin under File No. C8-84-164(A), as revised.

Tract 102: That certain tract of land containing 67 acres, more or less, and being those tracts of land designated as Lot 2, Block V; Lots 1 and 2, Block U; Lot 1, Block T; and the proposed rights of way of Allouez Avenue

and Hillside Terrace Drive on the preliminary plan of CIRCLE C PHASE B filed with the City of Austin under File No. C8-84-164(B), as revised.

Tract 103: That certain tract of land containing 62 acres, more or less, and being those tracts of land designated as Lots 2 and 3, Block W; and the proposed right of way for Escarpment Boulevard on the preliminary plan of CIRCLE C PHASE B filed with the City of Austin under File No. C8-84-164(B), as revised; and Lots 1 and 2, Block H on the preliminary plan of CIRCLE C PHASE C filed with the City of Austin under File No. C8-84-164(C), as revised.

Tract 104: That certain tract of land containing 15 acres, more or less, and being that tract of land designated as Lot 3, Block T on the preliminary plan of CIRCLE C PHASE B filed with the City of Austin under File No. C8-84-164(B), as revised.

Tract 105: That certain tract of land containing 8 acres, more or less, and being that tract of land designated as Lot 38, Block J on the preliminary plan of CIRCLE C PHASE C filed with the City of Austin under File No. C8-84-164(C), as revised.

Tract 106: That certain tract of land containing 12 acres, more or less, and being that tract of land designated as Lot 1, Block G on the preliminary plan of CIRCLE C PHASE C filed with the City of Austin under File No. C8-84-164(C), as revised.

Tract 107: That certain tract of land containing 23 acres, more or less, and being that tract of land designated as Lot 37, Block J on the preliminary plan of CIRCLE C PHASE C filed with the City of Austin under File No. C8-84-164(C), as revised.

Tract 108: That certain tract of land containing 111 acres, more or less, and being those tracts of land designated as Lots 1, 2 and 3, Block AA; Lots 1, 2, 3, and 4, Block A; and the proposed right of way of Asticou Lane on the preliminary plan of CIRCLE C PHASE C filed with the City of Austin under File No. C8-84-164(C), as revised, and that certain tract of land containing 4.9461 acres, more or less, as more particularly described on Exhibit A-2 attached hereto and made a part hereof.

Tract 109: That certain tract of land containing 20 acres, more or less, and being that tract of land designated as "Minor Waterway" in Block RR on the preliminary plan of CIRCLE C PHASE B filed with the City of Austin under File No. C8-84-164(B), as revised.

Tract 110: That certain tract of land containing 250 acres, more or less, and being those tracts of land designated as Lots 1 and 2, Block Y; Lots 67, 69, 70 and 71, Block X; and the proposed right of way of Hannon Lane (now South Bay) on the preliminary plan of CIRCLE C PHASE B filed with the City of Austin under File No. C8-84-164(B).

Tract 111: That certain tract of land containing 17 acres, more or less, and being those tracts of land designated as Lot 1, Block P on the preliminary plan of CIRCLE C PHASE C filed with the City of Austin under File No. C8-84-164(C), as revised.

Tract 112: That certain tract of land containing 50 acres, more or less, and being that tract of land designated as Lot 2, Block R on the preliminary plan of CIRCLE C PHASE C filed with the City of Austin under File No. C8-84-164(C), as revised.

Tract 113: That certain tract of land containing 39 acres, more or less, and being those tracts of land designated as Lots 2, 3, 4 and 5, Block R; and the right of way of proposed Stamplighter Avenue (now South Bay) on the preliminary plan of CIRCLE C PHASE C filed with the City of Austin under File No. C8-84-164(C), as revised.

Tract 114: That certain tract of land containing 12 acres, more or less, and being that tract of land designated as Lot 98, Block G on the preliminary plan of CIRCLE C WEST filed with the City of Austin under File No. C8-85-37, as revised.

Tract 115: That certain tract of land containing 534 acres, more or less, and being those tracts of land designated as Lots 1, 2 and 4, Block Z; Lot 2, Block CC; Lot 1, Block DD; Lot Block BB; Lots 1, 2 and 3, Block AA; and the rights of way of proposed Beechnoll Drive, Wink Drive, Davilla Drive and Yoakum Drive on the preliminary plan of CIRCLE C WEST filed with the City of Austin under File No. C8-85-37, as revised.

Upon completion of the Survey as provided for in paragraph 5 of this Agreement and Seller's and Buyer's approval of the same (which approval shall not be unreasonably withheld or delayed), the Survey shall be substituted for and shall replace the above description.

EXHIBIT B

to Purchase and Sale Agreement

1. All buildings, structures, fixtures, equipment, facilities, parking areas, and other improvements owned by Seller located on the Land (the "Improvements").

2. All personal property owned by Seller located on the Land or in the Improvements or used in connection with the use and operation thereof (the "Personalty").

3. All of Seller's right, title and interest in and to all easements, rights, privileges and appurtenances pertaining to the Land and the Improvements, including all right, title and interest of Seller in any land lying in or under any street, road, or rights-of-way (whether existing or proposed), or lying in the bed of any creek, stream or watercourse, adjacent to or adjoining the Land; and except as set forth in paragraph 14 below, all of Seller's right, title and interest in and to any permits, plats, plans, deposits, utility taps, connections or service commitments, rights to receive reimbursement for the installation of gas, electric or other utilities, or other development rights and benefits to the extent the same are associated with or pertain to Circle C (the "Appurtenances").

4. All of Seller's right, title and interest in and to all past, present and future amounts payable by or in respect of the CCMUDs, with respect to the engineering, construction, and installation of water, wastewater, drainage and other improvements constructed within the boundaries of the CCMUDs or elsewhere, or that provide service to or benefit the CCMUDs and/or Circle C, whether installed and constructed prior to or after the Effective Date hereof and whether constructed by Seller, by Seller's predecessors-in-title, or by any other party, including without limitation all pending bond applications and all proceeds payable under any pending bond issues (the "Reimbursements").

5. All of Seller's right, title and interest in and to all contracts, leases, sales agreements, warranties, guarantees, bonds or sureties owned, held, or accruing, to the extent such items are associated with or pertain to Circle C, including without limitation all contracts and agreements between Seller, or Seller's predecessors-in-title, and the CCMUDs (the "Contracts").

6. All of Seller's right, title and interest in and to all receivables, notes, accounts, proceeds, instruments, certificates, or other writings evidencing the same, and all security interests, collateral, pledges, liens, encumbrances owned or held by or for the benefit of Seller, to the extent such items are associated with or pertain to Circle C (the "Receivables").

7. All of Seller's right, title and interest in and to all site plans, surveys, soil and substrata studies, architectural drawings, plans and specifications, engineering plans and studies, landscape plans and other tests, or other studies or reports of any kind in Seller's possession or control, which are associated with or pertain to Circle C ("Plans").

8. All books, record, promotional material, data, corporate records, and other materials of any kind in Seller's possession or control, which are or have been or may be used in connection with Circle C and/or Seller ("Books and Records").

9. All of Seller's rights as the Declarant under any Declaration of Covenants, Conditions, and Restrictions with respect to any property within the CCMUDs and/or Circle C (the "Declarant's Rights").

10. All of Seller's rights in, to and under that certain Final Judgment entered in the District Court of Hays County, Texas, 22nd Judicial District Cause No. 92-0637 styled Jerry J. Quick, et al. vs. City of Austin, together with the right to use the name "Circle C Land Corp." in connection with the filing and processing of any applications for any permit, or any other matter to which the Final Judgment relates, determined by Buyer to be necessary, appropriate or helpful with respect to the use and development of the Land and the Improvements.

11. All of Seller's right, title and interest in and to the tradenames "Circle C," "Circle C Ranch," "Circle C Ranch Soccer Complex," "Circle C Soccer Complex," "Circle C Ranch Veloway," "Circle Veloway," or any other related or similar names, all registrations, copyrights or trademarks related to any such names, and all business and goodwill of Seller acquired in connection with and symbolized by the use of any such names.

12. Any and all other rights, titles, interests, privileges and

appurtenances owned by Seller and in any way related to, or used in connection with, the ownership, use, development and operation of Circle C or any of the foregoing.

13. All proceeds payable with respect to the Property (including but not limited to all proceeds from any Reimbursements, but excluding the COA Contract described on the Contracts Schedule to this Agreement) shall be paid to and held in a separate escrow (with respect to each item of the Property for which proceeds are paid) by the Title Company, and shall be deposited by the Title Company in a national bank in Austin, Texas in an interest-bearing account or fund approved by Buyer. At the closing (and conditioned thereon), each such escrow, together with all interest thereon, shall be paid to Buyer. The proceeds from the COA Contract shall be applied and credited as set forth on the Contracts Schedule.

14. Simultaneously with and as a condition to the closing, Buyer shall replace or have released the letters of credit and deposits set forth on the LOC Schedule attached hereto, in the event such items are in existence on the Closing Date and to the extent of the amount thereof on the Closing Date. Buyer and Seller shall cooperate prior to the closing as concerns such replacement or release. Upon such replacement or release, the party providing the letter of credit or deposit so replaced shall be entitled to a return of same. This provision shall survive the closing.

15. Seller shall pay and be responsible for all accounts payable, liabilities and obligations with respect to the Property arising or pertaining to all periods ending on or prior to the Closing Date, and Buyer shall be responsible for all such items for all periods after the Closing Date. Buyer may reject any contract or agreement existing on (and which Buyer has not approved prior to) the Approval Date, and Seller shall be solely responsible for all liabilities and obligations under such rejected contracts and agreements. This provision is not intended and shall not be construed to restrict or limit Buyer's indemnity obligations assumed or incurred in connection with that certain Purchase and Sale Agreement dated April 13, 1995, as amended, and related documents executed in connection with closing thereunder.

EXHIBIT C

to Purchase and Sale Agreement

SPECIAL WARRANTY DEED

THE STATE OF TEXAS S
S KNOW ALL PERSONS BY THESE PRESENTS:
COUNTY OF TRAVIS S

That CIRCLE C LAND CORP., a Texas corporation ("Grantor"), for and in consideration of the sum of TEN AND NO/100 DOLLARS ($10.00) and other valuable consideration to the undersigned paid by the Grantee herein named, the receipt and sufficiency of which are hereby acknowledged, and to secure the payment of which no lien, express or implied, is retained; has GRANTED, SOLD and CONVEYED, and by these presents does GRANT, SELL and CONVEY unto

PHOENIX HOLDINGS, LTD., a Texas limited partnership ("Grantee"), subject to the reservations and restrictions hereinafter set forth, the following-described real property in Travis County, Texas, to wit:

Those certain tract of land, more particularly described on Exhibit A attached hereto (the "Property");

TO HAVE AND TO HOLD the Property, together with all and singular the rights and appurtenances thereto in anywise belonging, unto Grantee, its successors and assigns forever; and Grantor does hereby bind itself, it successors and assigns, to WARRANT AND FOREVER DEFEND all and singular the Property unto Grantee, its successors and assigns, against every person whomsoever lawfully claiming or to claim the same or any part thereof, by, through and under Grantor, but not otherwise.

This conveyance is made by Grantor and accepted by Grantee subject to any and all easements, covenants, rights-of-way conditions, restrictions, outstanding mineral interests and royalty interests, if any, relating to the Property, to the extent, and only to the extent, that the same may still be in force and effect, and either shown of record in the office of the County Clerk of Travis County, Texas, or apparent on the Property, including without limitation those referenced on Exhibit B attached hereto.

Current ad valorem taxes on the Property having been prorated, the payment thereof for 1996 and subsequent years is assumed by Grantee. Grantee further assumes and agrees to pay any "rollback" taxes or other assessments levied against the Property as the result of any change in the use or ownership of the Property, including all periods prior to the date hereof.

EXECUTED to be effective the _____ day of _____, 1996.

CIRCLE C LAND CORP.

By:_____
Name (print):_____
Title (print):_____

Accepted by Grantee:

PHOENIX HOLDINGS, LTD.

By: Phoenix Holdings GP, Inc.
a Texas corporation,
its General Partner

By:_____
Name (print):_____
Title (print):_____

Address for Grantee:

_____
_____
_____

THE STATE OF TEXAS S
S
COUNTY OF TRAVIS S

This instrument was acknowledged before me on the _____ day of _____, 1996 by _____, _____ of CIRCLE C LAND CORP., a Texas corporation, on behalf of said corporation.

_____
Notary Public, State of Texas
Print name: _____

STATE OF TEXAS S
S
COUNTY OF TRAVIS S

This instrument was acknowledged before me on the _____ day of _____, 1996, by _____, _____ of Phoenix Holdings GP, Inc., a Texas corporation, General Partner of PHOENIX HOLDINGS, LTD., a Texas limited partnership, on behalf of said limited partnership.

_____
Notary Public, State of Texas
Print name: _____

AFTER RECORDING, RETURN TO:

Wm. Terry Bray
Graves, Dougherty, Hearon, & Moody
P.O. Box 98
Austin, Texas 78767

EXHIBIT D

to Purchase and Sale Agreement

GENERAL ASSIGNMENT AND BILL OF SALE

STATE OF TEXAS S
S
COUNTY OF TRAVIS S

That CIRCLE C LAND CORP., a Texas corporation ("Assignor"), for and in consideration of Ten Dollars ($10.00) and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and to secure the payment of which no lien or security interest is retained, has GRANTED, SOLD, ASSIGNED, TRANSFERRED, CONVEYED and DELIVERED, and by these presents does hereby GRANT, SELL, ASSIGN, TRANSFER, CONVEY and DELIVER unto PHOENIX HOLDINGS, LTD., a Texas limited partnership ("Assignee"), all of the personal property, contracts, claims, receivables, assets, rights, privileges, benefits, and interests owned by Assignor related to, associated with, benefitting or

otherwise attributable to the Circle C Ranch and Circle C West Subdivisions generally described on Exhibit A attached hereto (collectively, the "Land"):

1. All buildings, structures, fixtures, equipment, facilities, parking areas, and other improvements owned by Assignor located on the Land (the "Improvements").

2. All personal property owned by Assignor located on the Land or in the Improvements or used in connection with the use and operation thereof (the "Personalty").

3. All of Assignor's right, title and interest in and to all easements, rights, privileges and appurtenances pertaining to the Land and the Improvements, including all right, title and interest of Assignor in any land lying in or under any street, road, or rights-of-way (whether existing or proposed), or lying in the bed of any creek, stream or watercourse, adjacent to or adjoining the Land; and except as set forth on the LOC Schedule attached hereto, all of Assignor's right, title and interest in and to any permits, plats, plans, letters of credit, deposits, utility taps, connections or service commitments, rights to receive reimbursement for the installation of gas, electric or other utilities, or other development rights and benefits to the extent the same are associated with or pertain to Circle C (the "Appurtenances").

4. All of Assignor's right, title and interest in and to all past, present and future amounts payable by or in respect of the CCMUDs, with respect to the engineering, construction, and installation of water, wastewater, drainage and other improvements constructed within the boundaries of the CCMUDs or elsewhere, or that provide service to or benefit the CCMUDs and/or Circle C, whether installed and constructed prior to or after the Effective Date hereof and whether constructed by Assignor, by Assignor's predecessors-in-title, or by any other party, including without limitation all pending bond applications and all proceeds payable under any pending bond issues (the "Reimbursements").

5. All of Assignor's right, title and interest in and to all contracts, leases, sales agreements, warranties, guarantees, bonds or sureties owned, held, or accruing, to the extent such items are associated with or pertain to Circle C, including without limitation all contracts and agreements between Assignor, or Assignor's predecessors-in-title, and the CCMUDs (the "Contracts").

6. All of Assignor's right, title and interest in and to all receivables, notes, accounts, proceeds, instruments, certificates, or other writings evidencing the same, and all security interests, collateral, pledges, liens, encumbrances owned or held by or for the benefit of Assignor, to the extent such items are associated with or pertain to Circle C (the "Receivables").

7. All of Assignor's right, title and interest in and to all site plans, surveys, soil and substrata studies, architectural drawings, plans and specifications, engineering plans and studies, landscape plans and other tests, or other studies or reports of any kind in Assignor's possession or control, which are associated with or pertain to Circle C ("Plans").

8. All books, record, promotional material, data, corporate records, and other materials of any kind in Assignor's possession or control, which are or have been or may be used

in connection with Circle C and/or Assignor ("Books and Records").

9. All of Assignor's rights as the Declarant under any Declaration of Covenants, Conditions, and Restrictions with respect to any property within the CCMUDs and/or Circle C (the "Declarant's Rights").

10. All of Assignor's rights in, to and under that certain Final Judgment entered in the District Court of Hays County, Texas, 22nd Judicial District Cause No. 92-0637 styled Jerry J. Quick, et al. vs. City of Austin, together with the right to use the name "Circle C Land Corp." in connection with the filing and processing of any applications for any permit, or any other matter to which the Final Judgment relates, determined by Assignee to be necessary, appropriate or helpful with respect to the use and development of the Land and the Improvements.

11. All of Assignor's right, title and interest in and to the tradenames "Circle C," "Circle C Ranch," "Circle C Ranch Soccer Complex," "Circle C Soccer Complex," "Circle C Ranch Veloway," "Circle Veloway," or any other related or similar names, all registrations, copyrights or trademarks related to any such names, and all business and goodwill of Assignor acquired in connection with and symbolized by the use of any such names.

12. Any and all other rights, titles, interests, privileges and appurtenances owned by Assignor and in any way related to, or used in connection with, the ownership, use, development and operation of Circle C or any of the foregoing.

All of the foregoing is collectively referred to as the "Assigned Property." Without limiting the generality of the foregoing, the Assigned Property includes those items more particularly described on Exhibit B attached hereto.

The foregoing Assignment also constitutes a delegation of the performance of the duties and obligations of Assignor with respect to the Assigned Property, and Assignee accepts the foregoing Assignment subject to the terms and provisions thereof and agrees to perform the duties and obligations of Assignor thereunder.

Assignor covenants and warrants that the Assigned Property is free from all other grants, sales assignments and encumbrances; that title to the Assigned Property assigned to Assignee shall be good and indefeasible in Assignee, and the assignment and transfer thereof by Assignor is rightful; and that Assignor, its successors and assigns, shall forever warrant and defend the title to the Assigned Property hereby assigned unto Assignee, its successors and assigns, by, through or under Assignor, but not otherwise.

EXECUTED to be effective the ____ day of _____, 1996.

ASSIGNOR:

CIRCLE C LAND CORP.

By:_____
Name (print):_____
Title (print):_____

ASSIGNEE:

PHOENIX HOLDINGS, LTD.

By: Phoenix Holdings GP, Inc.
a Texas corporation,
its General Partner

By:_____
Name (print):_____
Title (print):_____

STATE OF TEXAS S
S
COUNTY OF TRAVIS S

This instrument was acknowledged before me on the ____ day of _____ 1996, by _____, _____ of CIRCLE C LAND CORP.), a Texas corporation, on behalf of said corporation.

_____
Notary Public, State of Texas
Print name: _____

STATE OF TEXAS S
S
COUNTY OF TRAVIS S

This instrument was acknowledged before me on the _____ day of _____, 1996, by _____, _____ of Phoenix Holdings GP, Inc., a Texas corporation, General Partner of PHOENIX HOLDINGS, LTD., a Texas limited partnership, on behalf of said limited partnership.

_____
Notary Public, State of Texas
Print name: _____

AFTER RECORDING, RETURN TO:
Wm. Terry Bray
Graves, Dougherty, Hearon, & Moody
P.O. Box 98
Austin, Texas 78767

EXHIBIT E

to Purchase and Sale Agreement

PROMISSORY NOTE

Austin, Texas
$3,000,000.00 _____, 1996

For value received, Phoenix Holdings, Ltd., a Texas limited partnership ("Makers," whether one or more), as principals, promise to pay to the order of Circle C Land Corp., a Texas corporation ("Holder"), at _____, or such other address as Holder may from time to time designate in writing, the

sum of Three Million and No/100 Dollars ($3,000,000.00) in legal and lawful money of the United States of America with interest on the unpaid balance thereof, from date hereof (the "Loan Date") until maturity, at a rate (the "Contract Rate") equal to the average cost of funds of FM Properties Operating Co., a Delaware general partnership, adjusted quarterly. Matured, unpaid principal and interest shall bear interest from date of maturity until paid at the highest, non-usurious rate at which Holder may lawfully and contractually require Makers to pay (the "Maximum Rate").

The principal and interest of this Note are due and payable, and Makers shall pay the indebtedness, principal and interest, evidenced by this Note (the "Indebtedness") as follows: The principal is payable on or before four (4) years from the Loan Date, and interest is payable annually as it accrues. Makers shall have the right to prepay the principal of this Note in full or in part, at any time, without premium or penalty, and interest shall immediately cease to accrue on any principal so prepaid.

This note is secured by [to be agreed upon by Seller and Buyer on or before the Approval Date, but which shall contain provisions giving Buyer the right to substitute the Golf Course as the collateral for the Note as provided in paragraph 2(b)].

Regardless of any contingency, event, or agreement between Holder and Makers, the interest contracted for, taken, received, reserved or charged, directly and indirectly, by Holder, in connection with the transaction of which this Note is a part (the "Loan Transaction"), shall never exceed the maximum, non-usurious amount Holder may contract for, take, receive, reserve and charge under applicable law. If Holder receives interest in excess of such non-usurious amount, then Holder shall either refund that excess to Makers or credit that excess, as of the time received, to the unpaid principal under this Note, at Makers' option. Holder's crediting of payments on this Note, as between interest and principal, shall be provisional until the Indebtedness is fully paid, when a final and binding crediting shall be made. In addition, the principal required to be paid by this Note shall not exceed the sum of all advances made by Holder under this Note (including, without limitation, any advances made and retained by Holder in payment of interest or fees). If any of the provisions of this paragraph conflict with any provisions in any other paragraph in this Note, or any provisions in any other agreement signed by Makers, the provisions of this paragraph shall control and govern the interpretation of this Note and any such other agreement.

If Makers fail to make timely any payment required by this Note or to perform timely any other covenant or obligation under any security document that secures payment of any of the Indebtedness, or in any guaranty agreement by which payment of any of the Indebtedness is guaranteed, Holder may, to the extent it elects, accelerate the maturity of the Indebtedness. If

Holder retains an attorney in connection with any default in payment of the Indebtedness, or in performance of any covenant or obligation described above, if Holder brings suit on this Note, then Makers shall pay to Holder, on demand, the amount of all reasonable attorneys' and/or collection fees incurred by Holder. The portion of that amount that has been demanded by Holder and not paid by Makers shall bear interest at the same rate at which interest accrues on matured, unpaid principal and interest under this Note; and interest accruing pursuant to this sentence shall be paid to Holder by Makers on demand.

Makers and each guarantor of any of the Indebtedness, (i) except as expressly provided herein, waives all notices (including, without limitation, notice of intent to accelerate, notice of acceleration and notice of dishonor), demands for payment, presentment, protest and diligence in bringing suit and in the handling of any security; and (ii) agrees that with regard to the Indebtedness, none of certain actions by or at the request of one or more of Makers, whether with or without notice and whether before or after maturity, shall release or diminish any obligation or liability owed by him, to Holder, such certain actions being as follows: any and all renewals, extensions, rearrangements, modifications (including, without limitation, changes in interest rate), partial payments, indulgences of any kind, releases of any other person(s) obligated to pay any of the Indebtedness, and releases or substitutions of security, in whole or in part. Holder agrees that upon any default under this Note or any security document that secures payment of any of the Indebtedness, Holder may accelerate the maturity of the Indebtedness only after thirty (30) days prior written notice to Makers at the address set forth below, specifying the default, during which period Makers shall have the right to cure such default.

This Note and all documents executed in connection herewith shall be subject to, governed by, and construed in accordance with, the laws of the State of Texas and the United States.

MAKERS:

PHOENIX HOLDINGS, LTD.,
a Texas limited partnership

By: Phoenix Holdings GP, Inc.,
a Texas corporation,
its General Partner

By:
Name (print):
Title (print):

Address:

For value received, I guarantee payment of the Note according to its terms to the same extent as if I were Makers of this Note. I waive all requirements of law, if any, that any collection efforts be made or that any action be brought against Makers before resorting to this guaranty.

Gary L. Bradley, Individually

EXHIBIT E

to Purchase and Sale Agreement

SECURITY DOCUMENTS

[To be agreed upon by Seller and Buyer on or before the Approval Date, but which shall contain provision giving Buyer the right to substitute the Golf Course as the collateral for the Note as provided in paragraph 2(b).]

FIRST ADDENDUM TO PURCHASE AND SALE AGREEMENT

1. Incorporation into Agreement. This First Addendum to Purchase and Sale Agreement (the "Addendum") is intended to be attached to and incorporated in that certain Purchase and Sale Agreement (the "Agreement") of even date herewith, between Seller and Buyer for all purposes. In the event of a conflict between the terms of the Agreement and those of this Addendum, the terms of this Addendum are intended and shall be construed as controlling. Capitalized terms used but not defined in this Addendum are used and defined as in the Agreement.

2. Circle C Land Corp. Stock Transfer. Notwithstanding Section 7(h) or elsewhere in the Agreement to the contrary, in the event Buyer elects to exercise its option to acquire the outstanding shares of stock of Seller (the "Circle C Stock"), the following provisions shall apply:

(i) FMP shall only be obligated to transfer its right, title and interest in and to the Circle C Stock to Buyer.

(ii) FMP shall not make any representations or warranties concerning the Circle C Stock or any associated liabilities of obligations of Seller except as set forth in (iii), immediately below.

(iii) At Closing, FMP shall only represent and warrant that during the period of time FMP has owned the Circle C Stock FMP, to its knowledge, has not transferred the Circle C Stock or encumbered the Circle C Stock with any financing encumbrance which is not being released at Closing. Once FMP has transferred the Circle C Stock to Buyer, FMP shall have no liability or obligations with respect to the Seller or the Circle C Stock other than for breach of its warranty under this subparagraph (iii).

(iv) All of the Purchase Price proceeds and any other cash, bank account deposits, or letters of credit (except all items included in the definition of Property, and, accordingly to be transferred to Buyer pursuant to the Agreement) shall be disbursed from Seller to another entity, as determined by Seller in Seller's sole discretion, prior to the transfer of the Circle C Stock from FMP to Buyer.

3. Survey Completion Deadline. Notwithstanding anything in Sections 4 or 5 or elsewhere in the Agreement to the contrary, for purposes of Section 4, the Survey will be deemed received and the Survey objection and cure periods will commence on the earlier of (i) the date the Survey is actually received by Seller; or (ii) July 20, 1996.

Executed to be effective May 30, 1996.

SELLER: FMP:

Circle C Land Corp. FM Properties Inc.

By: /s/ William H. Armstrong By:

Printed Name: William H. Armstrong Printed Name: William H. Armstrong
Title: President Title: Authorized Agent

BUYER:

Phoenix Holdings, Ltd.

By: Phoenix Holdings C.P., Inc.
a Texas corporation,
its general partner

By: /s/ Gary Bradley

Printed Name: Gary Bradley
Title: President

SECOND ADDENDUM TO PURCHASE AND SALE AGREEMENT

This Second Addendum to Purchase and Sale Agreement (this "Second Addendum") is made to be effective the date set forth below by and between CIRCLE C LAND CORP., a Texas corporation ("Seller"), and PHOENIX HOLDINGS, LTD., a Texas limited partnership ("Buyer") with respect to that certain Purchase and Sale Agreement effective May 30, 1996, as modified by a First Addendum to Purchase and Sale Agreement effective May 30, 1996 (the "Agreement") providing for the sale and purchase of certain real property owned by Seller and located within the Circle C Ranch and Circle C West subdivisions and certain contracts, rights, interests, and personal property as more particularly described therein (collectively, the "Property")
In accordance with the terms of the Agreement, Seller and Buyer hereby agree as follows:

1. Unless otherwise defined herein, all capitalized terms shall be as defined in the Agreement.

2. The property described on Exhibit A (the "Collateral Property") attached hereto and made a part hereof has been approved by Seller and Buyer as the collateral to secure the Note, as contemplated in Section 2(b) of the Agreement. The Collateral Property is currently encumbered by liens securing certain indebtedness of Buyer. At Closing, Buyer shall be required to provide Seller a first lien deed of trust encumbering the Collateral Property by execution of the Security Documents, referenced in paragraph 3 below, along with delivery of a policy of title insurance insuring Seller's first lien position, as required by the Agreement. All costs incident to releasing any existing encumbrances and issuing the title policy shall be Buyer's sole responsibility. Notwithstanding anything in this Second Addendum or elsewhere in the Agreement to the contrary, in the event, for any reason, Buyer fails, at Closing, to (i) deliver Seller the first lien deed of trust on the Collateral Property along with insurance coverage as required by this paragraph 2; or (ii) pay the entire THIRTY-FOUR MILLION AND

NO/100 DOLLARS ($34,000,000.00) in cash (avoiding the necessity of a note and first lien for the $3,000,000.00 portion of the Purchase Price), Buyer shall be in default and Seller shall be entitled to terminate this Agreement as Seller's sole and exclusive remedy, and receive the Earnest Money and the Option Fee (if then deposited) as liquidated damages.

3. The form of the Deed of Trust and the Guaranty attached hereto as Exhibit B and Exhibit C, respectively, and made a part hereof have been approved by Seller and Buyer as the Security Documents, as contemplated in Section 2(b) of the Agreement.

4. The form of the Escrow Agreement attached hereto as Exhibit D and made a part hereof has been approved by Seller and Buyer as the Escrow Agreement, as contemplated in Section 6(e) of the Agreement.

EXECUTED by the parties to be effective September 10, 1996.

SELLER:	BUYER:
CIRCLE C LAND CORP.	PHOENIX HOLDINGS, LTD.
	By: Phoenix Holdings GP, Inc., a Texas corporation, its General Partner
By: /s/ William H. Armstrong, III	
Name: William H. Armstrong, III Title: Attorney-In-Fact	By: /s/ Gary L. Bradley Gary L. Bradley, President

EXHIBIT A

Map of Collateral Property Omitted

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<MULTIPLIER> 1,000

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