F03077

Elaine Maskevich
HOLLAND & KNIGHT
Requestor's Name
315 SOUTH CALHOUN STREET
Address
Tallahassee, Florida 32301
City/State/Zip Phone #
224-7000

Office Use Only

CORPORATION NAME(S) & DOCUMENT NUMBER(S), (if known):

1. Carlson Travel Agents International, Inc.
(Corporation Name) (Document #)
2. International Franchise Group, Inc.
(Corporation Name) (Document #)
3. [illegible] 70 Merger & Name Change
(Corporation Name) (Document #)
4. 52.50 [illegible]80
(Corporation Name) (Document #)

5-23-97

☐ Walk in ☒ Pick up time 3:30 ☒ Certified Copy
☐ Mail out ☐ Will wait ☐ Photocopy ☐ Certificate of Status

FILED
97 MAY 23 PM 1:22
SECRETARY OF STATE
TALLAHASSEE, FLORIDA

	NEW FILINGS
	Profit
	NonProfit
	Limited Liability
	Domestication
	Other

	AMENDMENTS
	Amendment
	Resignation of R.A., Officer/ Director
	Change of Registered Agent
	Dissolution/Withdrawal
X	Merger

5/23/97

	OTHER FILINGS
	Annual Report
	Fictitious Name
	Name Reservation

	REGISTRATION/ QUALIFICATION
	Foreign
	Limited Partnership
	Reinstatement
	Trademark
	Other

900002192699--4
-05/28/97--01022--003
****122.50 ****122.50

Examiner's Initials	

CR2E031(1.95)

F03077

ARTICLES OF MERGER
Merger Sheet

MERGING:

CARLSON TRAVLE AGENTS INTERNATIONAL, INC., a Minnesota corp not authorized to transact business in Fla

,

INTO

INTERNATIONAL FRANCHISE GROUP, INC. which changed its name to

CARLSON TRAVEL AGENTS INTERNATIONAL, INC., a Florida corporation,
F03077

File date: May 23, 1997

Corporate Specialist: Annette Hogan

ARTICLES OF MERGER
FOR FILING WITH THE
FLORIDA SECRETARY OF STATE

The undersigned corporations, pursuant to Section 607.1107 of the Florida Business Corporation Act hereby execute the following Articles of Merger:

FILED
97 MAY 23 PM 1:22

FIRST: The names of the corporations proposing to merge and the names of the states or countries under the laws of which such corporations are organized are as follows:

Name of Corporation	State/County of Incorporation
CARLSON TRAVEL AGENTS INTERNATIONAL, INC. ("Merged Corporation")	Minnesota
INTERNATIONAL FRANCHISE GROUP, INC. ("Surviving Corporation")	Florida

SECOND: The laws of the State of Minnesota under which CARLSON TRAVEL AGENTS INTERNATIONAL, INC. is organized permit such merger and CARLSON TRAVEL AGENTS INTERNATIONAL, INC. is complying with those laws in effecting the merger.

THIRD: The plan of merger is attached hereto and incorporated herein as Annex A.

FOURTH: The effective date of the certificate of merger shall be the 22nd day of May, 1997.

FIFTH: Effective upon the filing date of the Articles of Merger, Article I of the Articles of Incorporation of INTERNATIONAL FRANCHISE GROUP, INC. is hereby amended to read as follows:

ARTICLE I

The name of this corporation shall be CARLSON TRAVEL AGENTS INTERNATIONAL, INC.

SIXTH: The plan of merger was adopted by the shareholders of CARLSON TRAVEL AGENTS INTERNATIONAL, INC., on the 14th day of April, 1997, and was adopted by the shareholders of INTERNATIONAL FRANCHISE GROUP, INC., on the 20th day of May, 1997.

Signed this 22nd day of May, 1997.

INTERNATIONAL FRANCHISE GROUP, INC.

By: _____
Roger E. Block
Chairman of the Board of Directors

CARLSON TRAVEL AGENTS INTERNATIONAL, INC.

By: _____
John Dignan
Vice President

GP:380771 v2

AGREEMENT AND PLAN OF MERGER

AGREEMENT, (hereinafter, together with the Exhibits annexed hereto the "Agreement") made and entered into as of the 15th day of April, 1997, by and among CARLSON TRAVEL GROUP, INC., a California corporation ("Purchaser"), CARLSON TRAVEL AGENTS INTERNATIONAL, INC., a Minnesota corporation and a wholly-owned indirect subsidiary of Purchaser ("Newco"), and INTERNATIONAL FRANCHISE GROUP, INC., a Florida corporation, (the "Company"), and ROGER E. BLOCK, an individual residing at 2792 Heron Place, Clearwater, Florida 34622 (the "Principal Shareholder").

RECITALS

The Boards of Directors of Purchaser and Newco and the Principal Shareholder and the Board of Directors of the Company, deeming it advisable for the mutual benefit of Purchaser, Newco and the Company and their respective shareholders that Purchaser acquire the Company by the merger of the Company and Newco under the terms and conditions hereinafter set forth (the "Merger"), have approved this Agreement and Plan of Merger (the "Agreement").

NOW, THEREFORE, in consideration of mutual covenants, agreements, representations and warranties herein contained, the parties hereby agree that the Company and Newco shall be merged and that the terms and conditions of the Merger and the mode of carrying the same into effect shall be as follows:

ARTICLE I

PLAN OF MERGER

SECTION 1.1 Actions to be Taken. Upon performance of all of the covenants and obligations of the parties contained herein and upon fulfillment (or waiver) of all of the conditions to the obligations of the parties contained herein, at the Effective Time of the Merger (as hereinafter defined) and pursuant to the Business Corporation Act of the State of Minnesota (the "MBCA") and the Florida Business Corporation Act (the "FBCA"), the following shall occur:

1.1.1 Newco shall be merged with and into the Company, which shall be the surviving corporation (the "Surviving Corporation"). The separate existence and corporate organization of Newco shall cease at the Effective Time of the Merger, and thereupon the Company and Newco shall be a single corporation, the name of which shall be Carlson Travel Agents International, Inc. The Company, as the Surviving Corporation, shall succeed, insofar as permitted by law, to all of the rights, assets, liabilities and obligations of Newco in accordance with the MBCA and FBCA.

1.1.2 The Articles of Incorporation of the Company shall be and remain the articles of incorporation of the Surviving Corporation until amended as provided by law.

1.1.3 The By-Laws of the Company shall be and remain the by-laws of the Surviving Corporation until amended as provided by law.

1.1.4 Until changed in accordance with the articles of incorporation and by-laws of the Surviving Corporation, Curtis L. Carlson and Lee Bearmon shall be the directors of the Surviving Corporation.

1.1.5 Until changed in accordance with the articles of incorporation and by-laws of the Surviving Corporation, the following persons shall be the officers of the Surviving Corporation:

Name	Office
Curtis L. Carlson	Chairman
Michael Batt	President
Pam Myhr	Vice President
John Dignan	Vice President, Chief Financial Officer
Lee Bearmon	Vice President Legal
D.M. Hamann	Vice President Tax
Gerald W. Hogan	Secretary
Dan E. Lee	Assistant Secretary

1.1.6 As soon as practicable after the terms and conditions of this Agreement have been satisfied, and upon consummation of the closing referred to in Article VIII hereof (the "Closing"), articles of merger consistent with this Agreement in the form prescribed by, and properly executed in accordance with, the MBCA and the FBCA, in form and substance satisfactory to the parties hereto and providing for immediate effectiveness of the Merger (the "Articles of Merger"), shall be filed with the Secretary of State of the State of Minnesota and the Secretary of State of the State of Florida. The Merger shall become effective on the date on which the Articles of Merger are properly filed with such Secretaries of State pursuant to the MBCA and the FBCA, and if the Articles are not filed on the same date then the Merger shall become effective on the later of the two dates of filing. As used in this Agreement, the "Effective Time of the Merger" shall mean such date.

SECTION 1.2 Common Stock of Surviving Corporation. Following the Effective Time of the Merger, each of the issued and outstanding shares of common stock of Newco shall, by virtue of the Merger and without any action on the part of Purchaser be converted into outstanding shares of common stock of the Surviving Corporation. Each share shall be fully paid and non-assessable.

SECTION 1.3 Definitions. For purposes of this Agreement, the following terms shall have the following meanings:

1.3.1 The term "Company Common Stock" shall mean the Company's common stock of $.01 par value per share.

1.3.2 The term "Company Original Preferred Stock" shall mean the Company's 10% Non-Cumulative, Convertible Preferred Stock of $100.00 par value per share.

1.3.3 The term "Company Preferred Stock B" shall mean the Company's 10% Non-Cumulative, Non-Convertible Preferred Stock of $100.00 par value per share.

1.3.4 The term "Company Preferred Stock C" shall mean the Company's 15% Non-Cumulative Preferred Stock of $100.00 par value per share.

1.3.5 The term "Company Preferred Stock" shall mean all Preferred Stock of the Company, including the Company Original Preferred Stock, the Company Preferred Stock B, and the Company Preferred Stock C.

1.3.6 The term "Number of Outstanding Common Shares" shall be the number of issued and outstanding shares of the Company Common Stock at the Effective Time of the Merger.

1.3.7 The term "Proportionate Share" shall, for each outstanding share of Company Common Stock, be the number, expressed as a decimal, obtained by dividing one (1) by the Number of Outstanding Common Shares.

1.3.8 The term "Common Closing Payment" shall mean $3,099,237, which is the amount which will be paid by Purchaser at Closing for distribution to the holders of outstanding shares of Company Common Stock after the Effective Time of Merger.

1.3.9 The term "Note" shall mean that certain promissory note substantially in the form of Exhibit A attached hereto in the principal amount of $387,405 and bearing simple interest at the rate of seven and one-half percent (7½%) per annum. The entire principal balance of the Note, together with any accrued interest, shall be due and payable on the third anniversary of the Closing Date, subject to the exercise of any rights of offset provided herein by Purchaser. Interest under the Note shall be payable every six (6) months; provided, however, that where the amount of interest payable to any recipient under the Note is less than $10.00 no payment of interest shall be made until the interest has accumulated to $10.00. In any event, if not sooner paid, all interest will be paid at the time the principal balance of the Note is due. The Note will be delivered by Purchaser at Closing to the Principal Shareholder who will hold the Note on behalf of the holders of outstanding shares of Company Common Stock at the Effective Time of Merger (the "Common Shareholders").

1.3.10 The term "Note Payment" shall mean the total amounts actually paid under the Note in accordance with and subject to the terms and provisions of this Agreement, including interest.

1.3.11 The term "Contingent Payment" shall mean the amount of the contingent payment, if and only to the extent earned, paid in accordance with the provisions of Section 1.5 hereof. As elsewhere provided herein, the Contingent Payment is subject to offset for claims that Purchaser may have arising under or in connection with this Agreement.

SECTION 1.4 Cancellation or Conversion of Company Common Stock. As of the Effective Time of the Merger, by virtue of the Merger and without any action on the part of any shareholder of the Company:

1.4.1 Treasury Shares. Any share of the Company Common Stock held in the treasury of the Company, shall be canceled and retired. No cash, securities or other consideration shall be paid or delivered in exchange for such Company Common Stock under this Agreement.

1.4.2 Conversion. Except as provided herein with respect to Dissenting Shares (as hereinafter defined) and shares canceled pursuant to Section 1.4.1 hereof, at the Effective Time of the Merger, each share of Company Common Stock which is issued and outstanding shall be converted into the right to receive cash payments as follows:

(a) An amount equal to the Proportionate Share multiplied by the Common Closing Payment. This amount will be paid after the Effective Time of Merger upon surrender of stock certificates, as provided in Section 1.4.3 below, with payment to be made within five (5) days after receipt of the stock certificates.

(b) An amount equal to the Proportionate Share multiplied by the Note Payment if and to the extent the Note Payment is paid in accordance with the terms and conditions of this Agreement. The Surviving Corporation will pay the amount of any Note Payment due to the former Common Shareholders, subject to the requirements of Section 1.4.3.

(c) An amount equal to the Proportionate Share multiplied by the Contingent Payment, if and to the extent paid hereunder. The Surviving Corporation will pay the amount of any Contingent Payment due to the former Common Shareholders, subject to the requirements of Section 1.4.3.

(Hereinafter the foregoing cash payments are sometimes collectively referred to as the "Cash Conversion Amounts".)

1.4.3 Surrender of Certificates. After the Effective Time of the Merger, each holder of an outstanding certificate or certificates theretofore representing shares of Company Common Stock converted pursuant to Section 1.4.2 hereof ("Company Common Stock Certificates"), upon surrender thereof to Purchaser as provided herein, shall be entitled to receive in exchange therefor the amounts provided in Section 1.4.2, without interest.

Until so surrendered, each outstanding Company Common Stock Certificate shall be deemed for all purposes to represent the Cash Conversion Amounts for the shares represented by the Certificate.

To surrender a certificate, a holder must deliver the certificate to Roger Block at the Company, and must deliver and warrant good and marketable title thereto, free and clear of all claims, liens, security interests, restrictions and encumbrances. Upon such surrender and exchange of such Company Stock Certificates there shall be paid to the record holders thereof the Cash Conversion Amount for the shares of Company Common Stock.

Whether or not a Company Common Stock Certificate is surrendered, from and after the Effective Time of the Merger, such Certificate shall under no circumstances evidence, represent or otherwise constitute any stock or other interest whatsoever in the Company, the Surviving Corporation or any other person, firm or corporation.

1.4.4 Dissenters. The shares of Company Common Stock held by those shareholders of the Company who have timely and properly exercised their dissenters' rights in accordance with the provisions of the FBCA applicable to dissenters' rights (the "Appraisal Laws") are referred to herein as "Dissenting Shares". Each Dissenting Share, the holder of which, as of the Effective Time of the Merger, has not effectively withdrawn or lost his dissenters' rights under the Appraisal Laws, shall not be converted into or represent a right to receive the Cash Conversion Amounts in the Merger, but the holder thereof shall be entitled only to such rights as are granted by the Appraisal Laws. Each holder of Dissenting Shares who becomes entitled to payment for his Company Common Stock pursuant to the provisions of the Appraisal Laws shall receive payment therefor from the Surviving Corporation from funds provided by Purchaser (but only after the amount thereof shall have been agreed upon or finally determined pursuant to such provisions). If any holder of Dissenting Shares shall effectively withdraw or lose his dissenters' rights under the Appraisal Laws, such Dissenting Shares shall be converted into the right to receive the Cash Conversion Amounts in accordance with the provisions hereof.

SECTION 1.5 Contingent Payment. If and only to the extent earned in accordance with the provisions of this section, Purchaser will pay an amount (the "Contingent Payment") of up to (but not to exceed) $387,405 for distribution as provided above.

The amount of the Contingent Payment which is due will be determined based on a comparison of (a) the number (the "Original Number") of TAI franchisees, as defined below, at the time of Closing (the "Original Franchisees"), to (b) the number (the "Two-Year Number") equal to (i) the number of start-up franchisees who are franchisees on the Determination Date, as defined below, including for these purposes both Original Franchisees who continue to be franchisees on said date and new start-up franchisees, as defined below, added after the closing who are still franchisees on said Date, reduced by (ii) the number of Carlson Wagonlit franchisees, as specified below, who on the Closing Date were within a non-compete area granted to an Original Franchisee, and who have ceased for any reason to be a Carlson Wagonlit franchisee by the Determination Date. If the Two-Year Number is equal to or greater than the Original Number, the $387,405 will be payable in full. If the Two-Year Number is seventy

percent (70%) or less of the Original Number, no contingent payment will be due. If the Two-Year Number is between seventy percent (70%) and one hundred percent (100%) of the Original Number, a proportionate amount of the $387,405 will be payable.

For purposes of this section, a "Carlson Wagonlit franchisee" shall mean the franchisee of the Carlson Wagonlit system; provided, however, this shall not include such franchisees who are, as of the Closing Date or the Determination Date, as applicable, either ninety (90) or more days in arrears for more than $1,000.00 or operating under expired franchise agreements. Exhibit F attached hereto specifies Carlson Wagonlit Franchisees who the parties understand are, as of the date of this Agreement, within a non-compete area granted to an Original Franchisee and who satisfy the requirements of this paragraph.

For purposes of this section, the "Determination Date" shall mean the second anniversary date of the Closing; provided, however, that if a UFOC permitting sales of start-up franchises is not in place within thirty (30) days of the Closing Date then, at the option of the Principal Shareholder to be exercised within thirty (30) days after the second anniversary of the Closing Date, the Determination Date shall be the Closing Date extended by the number of days over thirty (30) until the UFOC was in place.

A prospective franchisee shall be deemed to have become a franchisee on the first date on which both the prospective franchisee has executed a franchise agreement and has paid (including payments made by delivery of a promissory note) on a non-contingent, non-refundable basis the initial franchise fee. In this connection, it is understood that the initial franchise fee (excluding amounts charged for additional services, furniture, equipment and other start-up related expenses) charged to start-up franchisees shall not exceed $30,000 during the time period beginning on the Closing Date and ending on the Determination Date. A franchisee shall be deemed to have ceased to be a franchisee on the first date on which notice of termination to said franchisee becomes effective.

For purposes of this section, a "TAI franchisee" shall mean a franchisee of the Travel Agents International Franchise System (but not of the Travel Academy Franchise System) operated by Travel Agents International, Inc. ("TAI"), which is a wholly-owned subsidiary of the Company; and a "new start-up franchisee" shall mean a travel business franchisee who is added as a franchisee after the Effective Time of Merger who did not previously operate a retail travel agency. Therefore, travel franchisees who are independents who are added to the Carlson franchise system operated by Purchaser or its affiliates or the Travel Agents International Franchise System under Purchaser's ownership or who are converted from other franchise systems would not be considered new start-up franchisees. Similarly, franchisees who are acquired by Purchaser or its affiliates through an acquisition would not be considered new start-up franchisees.

The amount of the contingent payment, if any, payable under these provisions will be paid ninety (90) days after the Determination Date, together with simple interest on said amount at the rate of seven and one-half percent (7½%) per annum, calculated from the Closing Date. Amounts payable under this section are subject to offset for claims that Purchaser may have

under or in connection with this Agreement, as elsewhere provided herein. (An example of the operation of the Contingent Payment provisions is set forth on Exhibit G.)

SECTION 1.6 Cancellation or Conversion of Company Preferred Stock. As of the Effective Time of the Merger, by virtue of the Merger and without any action on the part of any shareholder:

1.6.1 Treasury Shares. Any shares of the Company Preferred Stock held in the treasury of the Company, shall be canceled and retired. No cash, securities, or other consideration shall be paid or delivered in exchange for such Company Preferred Stock under this Agreement.

1.6.2 Conversion. Except as provided herein with respect to Dissenting Preferred Shares (as hereinafter defined) and shares canceled pursuant to Section 1.6.1 hereof, at the Effective Time of the Merger, each share of Company Preferred Stock which is issued and outstanding shall be converted into an amount of cash equal to $100.00, which is the par value of each share of Company Preferred Stock (the "Preferred Stock Payment").

1.6.3 Surrender of Shares. After the Effective Time of the Merger, each holder of an outstanding certificate or certificates theretofore representing shares of Company Preferred Stock ("Preferred Stock Certificates"), upon surrender thereof to Purchaser, shall be entitled to receive in exchange therefor the Preferred Stock Payment.

Until so surrendered, each outstanding Preferred Stock Certificate shall be deemed for all purposes to represent the Preferred Stock Payment for the shares represented by the certificate. Upon surrender and exchange of such Preferred Stock Certificates there shall be paid to the record holders thereof the Preferred Stock Payment for the shares of Company Preferred Stock.

Whether or not a Preferred Stock Certificate is surrendered, from and after the Effective Time of the Merger such Certificate shall under no circumstances evidence, represent or otherwise constitute any stock or other interest whatsoever in the Company, the Surviving Corporation or any other person, firm or corporation.

1.6.4 Dissenters. The shares of Company Preferred Stock held by those shareholders of the Company who have timely and properly exercised their dissenters' rights in accordance with the provisions of the FBCA applicable to dissenters' rights (the "Appraisal Laws") are referred to herein as "Dissenting Preferred Shares". Each Dissenting Preferred Share, the holder of which, as of the Effective Time of the Merger, has not effectively withdrawn or lost his dissenters' rights under the Appraisal Laws, shall not be converted into or represent a right to receive the Preferred Stock Payment in the Merger, but the holder thereof shall be entitled only to such rights as are granted by the Appraisal Laws. Each holder of Dissenting Preferred Shares who becomes entitled to payment for his Company Preferred Stock pursuant to the provisions of the Appraisal Laws shall receive payment therefor from the Surviving Corporation from funds provided by Purchaser (but only after the amount thereof shall have been agreed upon or finally determined pursuant to such provisions). If any holder of Dissenting Preferred Shares shall effectively withdraw or lose his dissenters' rights under the Appraisal Laws, such Dissenting

Preferred Shares shall be converted into the right to receive the Preferred Stock Payment in accordance with the provisions hereof.

SECTION 1.7 Options. Prior to the Effective Time of the Merger, all options, warrants, or other rights to purchase or acquire shares of Company Common Stock or shares of Company Preferred Stock (hereinafter collectively "Options") which are outstanding and unexercised shall be canceled at no cost or expense to the Company and without issuing any shares therefor, so that at the Effective Time of the Merger there shall be no outstanding and unexercised outstanding Options with respect to either Company Common Stock or Company Preferred Stock.

SECTION 1.8 Further Assurances. From time to time, on and after the Effective Time of the Merger, as and when requested by Purchaser or its successors or assigns, the proper officers and directors of the Company immediately before the Effective Time of the Merger, the officers and directors of the Surviving Corporation at the time of the request, or other proper officers or directors, shall, at Purchaser's expense, and for and on behalf and in the name of the Company, or otherwise, execute and deliver all such deeds, bills of sale, assignments and other instruments and shall take or cause to be taken such further or other reasonable actions as Purchaser or their respective successors or assigns may deem necessary or desirable in order to confirm or record or otherwise transfer to the Surviving Corporation title to and possession of all the properties, rights, privileges, powers, franchises and immunities of the Company and otherwise to carry out fully the provisions and purposes of this Agreement.

ARTICLE II

REPRESENTATIONS AND WARRANTIES OF THE COMPANY AND THE PRINCIPAL SHAREHOLDER

As used herein, the "Disclosure Letter" shall mean the Disclosure Letter delivered by the Company and the Principal Shareholder to Purchaser. The Disclosure Letter shall specifically refer to the warranty or warranties to which exceptions set forth therein or matters disclosed therein relate. To avoid repetitive listings, where exceptions or matters are required to be listed by more than one section thereunder, they can be listed in subsequent sections by cross-reference. Except for exceptions set forth in reasonable detail in the Disclosure Letter and specifically referring to the warranty or warranties to which the exception relates, the Company and the Principal Shareholder hereby jointly and severally represent and warrant to, and agree with, Purchaser and Newco as of the date hereof and, except only as otherwise specifically provided herein, as of the Effective Time of Merger as if made and agreed on said date:

SECTION 2.1 Subsidiaries. The Company owns, either directly or indirectly, all of the issued and outstanding stock and other equity interest in the following corporations (collectively the "Subsidiaries" and individually a "Subsidiary"): Travel Agents International, Inc., a Florida corporation, CBM Financing Corp., a Florida corporation, First Travel Systems, Inc., a Florida

corporation, Heiress Franchising Corporation, a Florida corporation, and T.A.I. Franchising Corp., Inc., a Florida corporation.

Except for its ownership of the stock in the Subsidiaries, the Company has no equity interest in any corporation, partnership, limited liability company, joint venture or other business entity. Each Subsidiary has no equity interest in any corporation, partnership, limited liability company, joint venture or other business entity.

SECTION 2.2 **Organization**. Each of the Company and each Subsidiary is a corporation, duly organized, validly existing, and in good standing under the laws of the State of Florida, and has all requisite corporate power and authority to own its property and conduct the business in which it is engaged. The Company has previously delivered or made available to Purchaser copies of its articles of incorporation, by-laws, corporate minutes and stock transfer records, none of which has been amended since the date of such delivery, and all of which are true, current, correct and complete. The Company has previously delivered or made available to Purchaser copies of each Subsidiaries' articles of incorporation. There are no by-laws, corporate minutes, or stock transfer records for any of the Subsidiaries.

SECTION 2.3 **Capitalization**. The Company is authorized to issue only:

(a) 4,000,000 shares of Company Common Stock of $.01 par value;

(b) 5,000 shares of Company Original Preferred Stock of $100.00 par value per share;

(c) 25,000 shares of Company Preferred Stock B of $100.00 par value per share; and

(d) 25,000 shares of Company Preferred Stock C of $100.00 par value per share.

No other shares of stock, common, preferred, or otherwise, or other equity interests, are authorized.

As of the date hereof, there are 3,099,237 shares of Company Common Stock issued and outstanding (the "Outstanding Common Shares"). The Outstanding Common Shares are owned as specified on the Disclosure Letter attached hereto. All of the Outstanding Common Shares have been fully paid, have been validly issued, and are non-assessable. Holders of the Outstanding Common Shares do not have preemptive rights.

As of the date hereof, there are 3,494.36 shares of Company Preferred Stock issued and outstanding, which number is after the redemption of 2,000 shares of Company Preferred Stock owned by C.H. Block & Co. which redemption has occurred or will occur within one (1) week of the date hereof (the "Outstanding Preferred Shares"), consisting of 805.63 shares of Company Original Preferred Stock, 2,472.31 shares of Company Preferred Stock B, and 216.42 shares of

Company Preference Stock C. The Outstanding Preferred Shares are owned as specified on the Disclosure Letter. All of the Outstanding Preferred Shares have been fully paid, have been validly issued, and are non-assessable. Holders of the Outstanding Preferred Shares do not have preemptive rights or conversion rights. No shares of Company Preferred Stock C have ever been issued.

Except with respect to options covering 170,000 shares of Company Common Stock all of which are held by the Principal Shareholder, the Company does not have outstanding any options or warrants to purchase, or contracts to issue, or contracts or any other rights entitling anyone to acquire shares of its capital stock of any class or kind, or securities convertible into such shares. Prior to the Closing hereunder (which may be immediately prior to the Closing), the Principal Shareholder shall cancel and surrender said options in the manner provided above, at no cost or expense to the Company without the issuance of any shares of stock of any kind by the Company. Immediately prior to the Effective Time of the Merger, the outstanding shares of Company Common Stock shall not exceed the above-mentioned 3,099,237 Outstanding Common Shares.

The Company does not have in effect any stock purchase plan.

At the Closing and at the Effective Time of the Merger, (i) each of the Principal Shareholder and his spouse, Victoria M. Block, shall have good and marketable title to the shares of Company Common Stock and the shares of the Company Preferred Stock shown as owned by each of them, free and clear of all claims, liens and encumbrances, and (ii) there will not be outstanding any options or warrants to purchase, or contracts to issue, or contracts or any other rights entitling anyone to acquire shares of the Company's capital stock of any class or kind, or securities convertible into such shares.

SECTION 2.4 **Subsidiaries**. Each Subsidiary is authorized to issue only the shares of stock described for such Subsidiary in the chart below. Except as specified on such chart for each Subsidiary, such Subsidiary does not have any other authorized shares of stock, common, preferred, or otherwise or other equity interests.

The authorized shares of stock for each Subsidiary are as follows:

Name of Subsidiary	Type of Stock	Held by	Number of Shares Authorized	Number of Shares Issued and Outstanding
Travel Agents International, Inc.	Common	The Company	500	500
CBM Financing Corp.	Common	The Company	500	500
First Travel Systems, Inc.	Common	The Company	500	500
Heiress Franchising Corporation, Inc.	Common	The Company	500	500
Travel Agents International Franchising Corp.	Common	TAI	1,000	1,000

With respect to each Subsidiary, all issued and outstanding shares of stock are owned as specified above, and have been fully paid, have been validly issued and are non-assessable. The Company has good and marketable title to such shares, free and clear of all claims, liens and encumbrances. Holders of such shares do not have preemptive rights.

Each Subsidiary does not have outstanding any options or warrants to purchase, or contracts to issue, or contracts or any other rights entitling anyone to acquire shares of its capital stock of any class or kind or securities convertible into such shares.

SECTION 2.5 Qualification. The Company and each Subsidiary is qualified to do business as a foreign corporation in all jurisdictions in which the nature of the Company's and each Subsidiary's business, location of its assets, or other factors require it to be so qualified.

SECTION 2.6 Financial Statements.

2.6.1 The Company has delivered to Purchaser copies of the consolidated balance sheets of the Company as of December 31, 1996, and December 31, 1995, and the consolidated statements of income and retained earnings of the Company for the fiscal years ending on said dates audited and certified by KPMG Peat Marwick, certified public accountants (the "Annual Statements"), and the consolidated balance sheet of the Company as of February 28, 1997, and the consolidated statements of income and retained earnings of the Company for the fiscal period ending on said date compiled by the Company (the "Interim Statements").

The Annual Statements are true, complete and correct and have been prepared in accordance with generally accepted accounting principles consistently followed throughout the periods indicated. The Annual Statements fairly present the financial performance, condition and assets and liabilities, whether accrued, absolute, contingent or otherwise, of the Company and the

Subsidiaries as of the dates indicated and the results of operation of the Company and the Subsidiaries for the periods then ended.

The Interim Statements are true, complete and correct, have been prepared in accordance with generally accepted accounting principles, consistently followed (subject, however, to normal year-end adjustments, none of which will be materially adverse, and to the absence of footnotes), and fairly and accurately present the financial performance, condition and assets and liabilities, whether accrued, absolute, contingent or otherwise, of the Company and the Subsidiaries as of the dates indicated and the results of operations of the Company and the Subsidiaries for the periods then ended.

SECTION 2.7 Liabilities. Except (i) for guaranties of leases where the tenant is not the Company or any Subsidiary, and for computer reservation system guaranties each as disclosed in detail on the Disclosure Letter (collectively the "Guaranties"), and (ii) as and to the extent reflected or reserved against in the balance sheet dated December 31, 1996, included in the Annual Statements, the Company and each of the Subsidiaries had, as of the date of such balance sheet, no liabilities, whether accrued, absolute, contingent, liquidated or unliquidated, or otherwise. As of the date of this Agreement and as of the Closing Date, each of the Company and each Subsidiary is not, and will not be, subject to and does not, and will not, have any liabilities, whether accrued, absolute, contingent, liquidated or unliquidated, or otherwise, except (i) for the Guaranties, (ii) as disclosed in such balance sheet and (iii) except for such liabilities as have arisen in the ordinary course of business of the Company and the Subsidiaries since the date of such balance sheet, none of which newly arisen liabilities and obligations have a material adverse effect upon the Company or any Subsidiary, or its respective organization, business, properties, or financial condition.

SECTION 2.8 Real Estate. (a) The Company and each Subsidiary does not own or have title to any real estate, and has never owned or had title to any real estate, except only for the land and the Company's office building located at 9887 Fourth Street North, St. Petersburg, Florida 33702 (the "Office Real Property"), which is owned by the Company.

The Company has good and marketable title in fee simple to the Office Real Property, including the buildings and improvements thereon, free and clear of all encumbrances, charges, easements, restrictions, rights and conditions, other than as reflected in Exhibit B attached hereto.

The Company's present use of the Office Real Property, and the other assets located thereon, complies with all federal, state and local laws, regulations, zoning and other ordinances, and private restrictions which are applicable to the Office Real Property and the other assets located thereon; provided, however, that in the case of the requirements of the ADA, it is understood that certain changes may be required to the Office Real Property under the ADA if it is changed to a use other than the use as an office building or if material modifications are made to the building. The present use of the Office Real Property is not a non-conforming use under any zoning ordinance which applies to the Office Real Property and such present use and the right to repair the same does not require a conditional, special use or similar permit or variance

from any governmental authority. There are no pending, proposed or threatened changes in any zoning ordinances which apply to the Office Real Property.

Except as set forth in Exhibit B attached hereto, no condition exists and no activity has ever been conducted at the Office Real Property which has given rise to, or may give rise to, any liability under any applicable federal, state or local environmental protection, health, fire, safety or similar law, ordinance or regulation, or common law.

There are no public improvements (water, sewer, sidewalk, street, alley, curbing, etc.) affecting the Office Real Property or other assets thereon which have been completed or are in progress and for which assessments may be levied after closing. The Company and the Principal Shareholder have no knowledge of any planned improvements which may result in assessments. No condemnation or eminent domain proceeding is pending or threatened with respect to the Office Real Property or any part thereof.

All utilities, including but not limited to, telephone, city sewer, city water, electricity, and any other utilities necessary for the operations of the Office Real Property (but not gas), are available, connected and operational, and adequate for conducting the operations of the Office Real Property and the other assets thereon

Except as set forth in the Disclosure Letter, no portion of the Office Real Property is the subject of any lease or leasehold interest contract or agreement for use of the Office Real Property. The Disclosure Letter includes a listing of all leases, leasehold interest contracts and agreements, both oral and written, for use of the Office Real Property (individually an "Office Lease", collectively "Office Leases") as of April 1, 1997, including (i) all rent delinquencies and a description of any and all other tenant defaults, (ii) the name of the tenant the space occupied and the rentable area thereof, (iii) the term of the Lease, including any extension or renewal options, (iv) the monthly rental, escalations or pass-throughs and the tenant's share of operating costs, (v) whether the base rental includes utilities or other services, (vi) the security or other deposit collected and/or applied (vii) the amount of prepaid rent, if any, and (viii) any provisions concerning concessions, offsets, expansion rights, termination rights, allowances or any other extraordinary provision. All of the Office Leases are in full force and effect and no tenant is delinquent in any payments due thereunder nor is any tenant otherwise in default in the performance of its Office Lease, except as specifically set forth in the Disclosure Letter. Except as specifically set forth on the Disclosure Letter, there are no options or rights to renew, extend, expand or terminate and there are no options to purchase nor are there, nor were there, any rent concessions given to any of the tenants. Except as specifically set forth on the Disclosure Letter, all rental or other payments due under the Offices Leases as of the date hereof have been paid in full. No tenant occupying space in or on the Office Real Property has paid rent in advance for more than one month and no improvement credit or other tenant allowance of any nature is owed to any tenant nor is any landlord improvement work required, except as shown on the Disclosure Letter. There are no leasing commissions or other commissions presently due and unpaid with respect to any of the Office Leases or which could become due and payable in the future upon the exercise of any right or option contained in any Office Lease, or with respect to any contract,

license or agreement relating thereto. All security deposits from tenants are accurately shown on the Disclosure Letter and no tenant is entitled to interest on any security deposit.

Company has fully complied with the terms and conditions of all of the Office Leases and is not in default in the performance of any of them. Company will continue to fully comply with the terms and conditions of all of the Office Leases from the date hereof up to and including the date of Closing. No tenant under an Office Lease has withheld any payment under its Office Lease because of the manner by which its allocable share of real estate taxes, common area maintenance expenses or other reimbursements to Company are or have been calculated or for any other reason, nor has any tenant exercised or threatened to exercise any retention or set-off whatsoever against the rentals payable under its Office Lease. No notice has been given by any tenant of any intention to terminate its Office Lease. After the date hereof, and within five (5) days after receipt of the same, Company shall provide Purchaser with copies of any notices or communications received by Company from any tenant under any Office Lease. There is no present state of facts which, with the giving of notice or the lapse of time or both, would result in or give rise to a default by Company or, to Company's best knowledge, any tenant under an Office Lease.

The Office Real Property has direct legal access to, abuts, and is served by a publicly dedicated and maintained road known as Gandy Boulevard. This road provides a valid means of ingress and egress to and from the Office Real Property, sufficient for the present operation of the Office Real Property and the assets thereon.

Except that there is an occasional drip leak in an office on the third (top) floor of the building, the building, structures and improvements included in the Office Real Property are in good condition and repair, ordinary wear and tear excepted, and there is no material defect or wear and tear to any such building, structure or improvement, or any other deterioration, damage or defect, which would prohibit or impair the continued use of such buildings, structures or improvements for the purposes for which they are now employed, or which would require any material expenditure for repair or replacement.

Any existing easements, including, but not limited to, those upon, above or below the Office Real Property, will not interfere with Purchaser's current use of the Office Real Property and the assets thereon.

There are no underground tanks or wells on the Office Real Property, nor are their any transformers, capacitors or other appliances in use or stored upon the Office Real Property which contain PCB's. There is no urea-formaldehyde insulation and no asbestos on the Office Real Property. There is no hazardous substance or hazardous waste (hereinafter a "Hazardous Substance"), as defined in the Comprehensive Environmental Response Compensation and Liability Act of 1980 ("CERCLA"), or the Resource Conservation and Recovery Act of 1976 ("RCRA") or any other applicable federal, state or local environmental laws, statutes or regulations or as defined in 42 U.S.C. 3251, as amended, located anywhere in or on the Office Real Property. No condition exists, and no activity has ever been conducted at the Office Real Property or adjoining properties which has given rise to, or may give rise to, any liability or

obligation under any applicable federal, state or local environmental protection, health, safety, or similar law, whether statutory or common law.

Except in the ordinary course of its own business where the Company has complied with the legal requirements applicable thereto, the Company has not engaged in the business of generating, transporting, storing, treating or disposing of Hazardous Substances in or on the Office Real Property; the Office Real Property has not been used for the storing or disposal of waste or for storing or disposal of Hazardous Substances prior to or during the period that Seller has been an owner of the Office Real Property; and neither the Office Real Property nor any of its various components contains, is composed of, or emits any hazardous, toxic, or contaminated chemicals, substances, materials or pollutants or other Hazardous Substances. The Company and Principal Shareholder hereby agree, *jointly* and severally, to indemnify, save and hold harmless Purchaser from and against any and all liability which is the result of a release or threatened release of Hazardous Substances deposited, stored, disposed of, placed on or which otherwise came to be located on the Office Real Property, or which is the result of the existence or emission of any hazardous, toxic or contaminated chemicals, substances, materials or pollutants or other Hazardous Substances in, on or from the Office Real Property during or prior to the period of the Company's ownership or possession of the Office Real Property.

The Company is not a party to, and is not currently threatened with, any legal action or other proceeding before any court or administrative agency relating to or affecting the Office Real Property or any portion thereof. The Company has not been charged with, and is not under investigation regarding any violation of any law or administrative regulation, federal, state or local concerning the Office Real Property.

(b) The Company and each Subsidiary does not lease any real estate other than pursuant to the real estate leases listed on the Disclosure Letter (the "Real Estate Leases"). True, correct and complete copies of the Real Estate Leases have been delivered to Purchaser. Except as set forth in the Disclosure Letter, and, other than pursuant to the Real Estate Leases, the Company and each Subsidiary has not leased any other real estate during the past five years. Each of the Company or the Subsidiary, as appropriate, and the other party thereto is not in default under the Real Estate Leases, and there are no facts which, with notice and/or the passage of time, would constitute such a default. All buildings leased by the Company or a Subsidiary pursuant to the Real Estate Leases are in good condition, normal wear and tear excepted, and the heating, air conditioning, plumbing and electrical systems of each such building are in good operating order, ordinary wear and tear excepted. The Company and each Subsidiary has not received notice that said buildings do not comply with municipal, state and federal statutes, ordinances, rules and regulations applicable to the construction of the buildings and their actual use, and the buildings comply with said statutes, ordinances, rules and regulations. No consent is required under the Real Estate Leases in connection with the Merger.

SECTION 2.9 **Leased Tangible Personal Property**. The Company and each Subsidiary does not lease any personal property other than pursuant to (i) leases in the ordinary course of business which can be terminated on not more than 30 days notice by the Company or the Subsidiary, as appropriate, without payment of any penalty or termination payment, and (ii)

leases ("Personal Property Leases") which are listed on the Disclosure Letter, true, current, correct and complete copies of which have been delivered to Purchaser. Each of the Company or the Subsidiary, as appropriate, and the other parties thereto is not in default under any of the Personal Property Leases, and each of the Company and the Principal Shareholder is not aware of any fact which, with notice and/or passage of time, would constitute such a default. No consent is required under the Personal Property Leases in connection with the Merger.

SECTION 2.10 **Assets**. The equipment, furniture, computers, and other tangible personal property (other than inventory) owned, leased or used by the Company or any Subsidiary in its business is in good condition, normal wear and tear excepted, and is in good operating order. The Disclosure Letter attached hereto lists all furniture, equipment, and other tangible personal property of the Company or any Subsidiary (other than inventory and supplies) having an original cost of $500.00 or more. The Disclosure Letter also lists all equipment, furniture, computers and other tangible personal property which (i) is used by the Company or any Subsidiary or which is located on the Company's or any Subsidiary's premises (owned or leased) and (ii) which is not owned by the Company or such Subsidiary, except for items leased under Personal Property Leases elsewhere disclosed herein and except for normal personal property of employees. Except for sales of inventory in the ordinary course of business, since the date of the Interim Statement no tangible assets (whatever their original cost) have been transferred from the Company or any Subsidiary, whether by sale, dividend or otherwise.

SECTION 2.11 **Franchise Matters**.

(a) The Company's Subsidiary, TAI, presently operates in the United States and Canada the Travel Agents International franchise system for start-up franchisees and conversion franchisees (the "TAI System") and the Travel Academy franchise system for TAI Travel Academy franchises and National Travel Academy franchises (the "Travel Academy System"). Except as listed on the Disclosure Letter, neither the Company nor any Subsidiary nor any previously existing subsidiary of the Company, has operated any franchise system other than said two systems. In the case of any such previously operated franchise systems, the Disclosure Letter provides a description of such franchise system and specifies all liabilities or obligations which presently exist or may arise with respect to such previously operated franchise systems.

(b) TAI System. With respect to the TAI System, the Disclosure Letter lists:

(i) All present franchisees, all present subfranchisors, and all present regional franchisees or licensees of the TAI System, together with a listing of the franchise agreements and any other agreements to which such persons are party with TAI, the Company or any other Subsidiary. The Disclosure Letter identifies those present franchisees who purchased their franchise through a present or former regional franchisee or licensee.

(ii) All former franchisees, former subfranchisors, or former regional franchisees or licensees of the TAI System who

were such at any time within the previous six years with, in addition, any other former franchisees, former subfranchisors, or former regional franchisees or licensees who, to the best knowledge of the Company and the Principal Shareholder, have any reasonable basis for a claim against the Company or any Subsidiary. The Disclosure Letter identifies those former franchisees who purchased their franchise through a present or former regional franchisee or licensee.

(iii) All current litigation, or, to the best knowledge of the Company and the Principal Shareholder, claims or other disputes, between the Company and any Subsidiary and any present or former franchisee, subfranchisor, or regional franchisee or licensee of the TAI System, as well as any such matter which existed since January 1, 1993, including a brief description of any such claim, litigation, or dispute. In the case of all such claims, litigation, or disputes, the Company has provided Purchaser with copies of all documents relevant thereto and in addition has afforded Purchaser the opportunity to obtain information from personnel of the Company or its Subsidiaries who have knowledge regarding the matter, as well as from any outside professionals who have such knowledge.

(iv) Any violations or conditions which would be violations of state or federal franchise laws or business opportunity laws or any fraud or misrepresentation in connection with the offer and/or sale of any present or former franchisee, subfranchisor, or regional franchisee or licensee of the TAI System.

(v) As of March 31, 1997, of all franchisees, subfranchisors, or regional franchisees or licensees in the TAI Franchise System who have arrangements to make payments other than as specified in their franchise agreements, who are financially in arrears (over 30 days) under obligations to the Company or any Subsidiary or who are otherwise in default under their agreements with the Company or any Subsidiary.

(vi) All new or proposed franchises (people who have been given a UFOC since January 12, 1997), subfranchises or regional franchises or licenses being developed or negotiated, or any agreements with present or former franchisees or any other parties to acquire franchises now or in the future.

(vii) All corporate owned locations.

True, current, correct and complete copies of all listed documents have been provided to Purchaser, or in the case of the franchise agreements have been made available, to Purchaser for review.

(c) Travel Academy System. With respect to the Travel Academy System, the Disclosure Letter lists:

(i) All present franchisees, all present subfranchisors, and all present regional franchisees or licensees of the Travel Academy System, together with a listing of the franchise agreements and any other agreements to which such persons are party with TAI, the Company or any other Subsidiary. The Disclosure Letter identifies those present franchisees who purchased their franchise through a present or former regional franchisee or licensee.

(ii) All former franchisees, former subfranchisors, or former regional franchisees or licensees of the Travel Academy System who were such at any time within the previous six years with, in addition, any other former franchisees, former subfranchisors, or former regional franchisees or licensees who, to the best knowledge of the Company and the Principal Shareholder, have any reasonable basis for a claim against the Company or any Subsidiary. The Disclosure Letter identifies those former franchisees who purchased their franchise through a present or former regional franchisee or licensee.

(iii) All current litigation, or, to the best knowledge of the Company and the Principal Shareholder, claims or other disputes, between the Company and any Subsidiary and any present or former franchisee, subfranchisor, or regional franchisee or licensee of the Travel Academy System, as well as any such matter which existed since January 1, 1993, including a brief description of any such claim, litigation, or dispute. In the case of all such claims, litigation, or disputes, the Company has provided Purchaser with copies of all documents relevant thereto and in addition has afforded Purchaser the opportunity to obtain information from personnel of the Company or its Subsidiaries who have knowledge regarding the matter, as well as from any outside professionals who have such knowledge.

(iv) Any violations or conditions which would be violations of state or federal franchise laws or business opportunity laws or any fraud or misrepresentation in connection with the offer

and/or sale of any present or former franchisee, subfranchisor, or regional franchisee or licensee of the Travel Academy System.

(v) As of March 31, 1997, of all franchisees, subfranchisors, or regional franchisees or licensees in the Travel Academy System who have arrangements to make payments other than as specified in their franchise agreements, who are financially in arrears (over 30 days) under obligations to the Company or any Subsidiary or who are otherwise in default under their agreements with the Company or any Subsidiary.

(vi) All new or proposed franchises (people who have been given UFOC since January 12, 1997), subfranchises or regional franchises or licenses being developed or negotiated, or any agreements with present or former franchisees or any other parties to acquire franchises now or in the future.

(vii) All corporate owned locations.

True, current, correct and complete copies of all listed documents have been provided to Purchaser, or in the case of the franchise agreements have been made available, to Purchaser for review.

(d) The Company and each Subsidiary is presently in compliance with all applicable franchise or other laws relating to the offer and sale of franchises for the TAJ Franchise System and the Travel Academy Franchise System (collectively, the "Franchise Systems") and the operation of the Franchise Systems and has been in such compliance during the previous six years.

(e) The Disclosure Letter lists all names, trademarks, service marks, and other intangible property, whether registered or unregistered, utilized by the Company or any Subsidiary in connection with any franchise operations. The present operations of the Company and each Subsidiary of the Franchise Systems, and all such intangible property utilized by the Company and/or any Subsidiary, do not infringe upon the patent, trademark, franchise, copyright, or other rights of any kind of any third party. To the best knowledge of the Company and the Principal Shareholder, no third party is infringing in any way upon intangible property held by the Company or any Subsidiary with respect to the Franchise Systems.

(f) The Company and each Subsidiary is presently in compliance with any obligations or requirements it has with respect to advertising funds or fees paid by franchisees, subfranchisors or regional franchisees or licensees and has been in such compliance during the past six years.

(g) Except as set forth in the Disclosure Letter, all agreements with franchisees, subfranchisors and regional franchisees or licensees and all other agreements related to the

operation of the TAI System and the Travel Academy System will remain in full force and effect after the Merger, and no consent or approval of any person is needed in order that said agreements remain in full force and effect.

(h) To the best knowledge of the Company and the Principal Shareholder, no franchisee, subfranchisor, or regional franchisees or licensees of, and no significant supplier to, the TAI System or the Travel Academy System intends to cease being a franchisee, subfranchisors and regional franchisees or licensees or a supplier or otherwise modify its relationship, whether as a result of the Merger or otherwise.

SECTION 2.12 Intangibles. The Disclosure Letter lists all intangible personal property owned or used (whether by license or otherwise) by the Company and each Subsidiary in its business, including all distributorship, franchise and license agreements (whether the Company is the grantor or grantee of such distributorship, franchise or license), patents, patent applications, inventions, trademarks, trademark applications, registered copyrights, trade names, and trade secrets (whether the Company or the Subsidiary owns such items or is licensed to use them). The Company or the Subsidiary, as appropriate, is the sole and exclusive owner of each of said items of intangible personal property shown as owned by it. Said items represent the only intangible personal property required by the Company and each Subsidiary in order to operate the businesses presently conducted or contemplated by the Company and such Subsidiary.

Except as set forth on the Disclosure Letter, there are no pending claims or demands against the Company with respect to any of such items of intangible personal property, there is no reasonable basis for any such claims or demands, and no proceedings have been instituted, are pending, or, to the best knowledge of the Company and the Principal Shareholder, have been threatened to terminate or cancel any such agreements or which challenge the right of the Company or any Subsidiary with respect to any of such intangible assets; and there are no facts known to the Principal Shareholder, or any executive officers or director of the Company or any Subsidiary which suggest that any such agreements will not be renewed at their next expiration date. No part of the business carried on by the Company or any Subsidiary, no product or service of the Company or any Subsidiary, and none of the Company's or any Subsidiary's assets infringe or violate the patent, trademark, trade name, copyright, trade secret or the other rights of any other person. Except as set forth on the Disclosure Letter, the Company and each Subsidiary has the unrestricted right to use, free from any rights or claims of others, all trade secrets and customer lists which it has used or which it is now using in connection with the sale of any and all products or services which have been or are being sold by it.

SECTION 2.13 Accounts Receivable.

The accounts receivable and notes receivable of the Company and the Subsidiaries reflected in the Balance Sheets included in the Annual Statements and in the Interim Statement originated in the ordinary course of its business, are valid, and are fully collectible and not subject to any defense, counterclaim or setoff, except and only to the extent of the reserve against accounts receivable shown on the Balance Sheets included in such Statements (the "Reserve"). (Although the Disclosure Letter may disclose that certain accounts receivable or notes receivable

are in arrears or otherwise not performing, it is understood that such disclosure will not affect the warranty set forth in this Section 2.13, it being intended that such accounts receivable and notes receivable be fully collectible subject only to the Reserve.)

SECTION 2.14 Title to Assets. The Company or a Subsidiary, as appropriate, has good and marketable title in and to all of the property reflected in the December 31, 1996, balance sheet included with the Annual Statements, plus all assets purchased by the Company or any Subsidiary since such date, less only all assets which the Company or a Subsidiary has disposed of in the ordinary course of business since such date, which property in each case is free and clear of any security interests, consignments, liens, judgments, encumbrances, restrictions, or claims of any kind except (a) security interests listed and described on the Disclosure Letter, and (b) liens for current taxes or assessments not yet due or delinquent.

SECTION 2.15 Contracts.

2.15.1 Contracts. The Disclosure Letter attached hereto lists, and the Company has previously delivered (or, in the case of franchise agreements, made available) to Purchaser, true and complete copies of, all of the following contracts, obligations or commitments to which the Company or any Subsidiary is a party or by which it is bound:

(a) employment agreements and any other contracts or understandings with or loans to any of the Company's or any Subsidiary's shareholders, officers, directors, employees, consultants, salesmen, distributors or sales representatives, including but not limited to any which relate to bonuses or deferred compensation

(b) any employee benefit plan made available by the Company or any Subsidiary to any of its employees;

(c) any collective bargaining agreement or other agreement with any union;

(d) any outstanding contracts with customers;

(e) any deeds of trust, mortgages, conditional sales contracts, security agreements, pledge agreements, trust receipts, or any other agreements or arrangements whereby any assets of the Company or any Subsidiary are subject to a lien, encumbrance, charge or other restriction;

(f) any loan agreements (whether for borrowing or lending), letters of credit or lines of credit;

(g) any contracts restricting the Company or any Subsidiary from doing business in any areas or in any way limiting competition and any contracts which limit, restrict or transfer rights to any technology utilized or developed by the Company or any Subsidiary or which establish rights of a supplier or customer

to a particular product or service marketed or being developed by the Company or any Subsidiary; for each such contract, the Disclosure Letter briefly describes the restrictions or limitations contained in the contract;

(h) any construction contracts, or contracts for the purchase of equipment, and any contracts calling for aggregate payments by the Company or any Subsidiary in excess of $5,000 and which are not terminable without cost or liability on notice of 90 days or less;

(i) any joint venture, partnership or limited partnership agreement involving the Company or any Subsidiary;

(j) any indemnification by the Company or any Subsidiary and any guarantees by the Company or any Subsidiary of the obligations of any other party except those resulting from the endorsement of customer checks deposited by the Company or any Subsidiary for collection;

(k) any license or franchise agreement, either as licensor or licensee or franchisor or franchisee, including any such agreements relating to intangible property, and any distributorship, dealership, or sales agency agreement.

(l) any insurance policies or contracts;

(m) any other contracts which may have material impact on the Company's or any Subsidiary's results of operations or financial condition; and

(n) Any commitments to enter into any of the types of contracts and obligations referred to in this Section.

The Company has not received notice of any default under any such contracts, obligations or commitments, the Company and each Subsidiary is not in default under any such contracts, obligations or commitments, there are no facts which, with notice and/or the passage of time, would constitute such a default, and no other party thereto is in default. All such contracts, obligations and commitments are enforceable by the Company and each Subsidiary in accordance with their terms. No consent is required under the contracts, obligations and commitments referred to in this Section in connection with the Merger, and all the contracts, obligations and commitments will remain in full force and effect after the Merger.

2.15.2 Purchase Commitments. None of the Company's or any Subsidiary's purchase commitments is in excess of the normal, ordinary, and usual requirements of the Company's or each Subsidiary's business or was made at any price substantially in excess of then-current market price, or contains terms and conditions significantly more onerous than those which are usual and customary in the Company's or such Subsidiary's industry.

2.15.3 Materially Adverse Contract. The Company and each Subsidiary is not a party to or otherwise bound by any contract, agreement, plan, lease, license, commitment, or undertaking which is materially adverse, materially onerous, or materially harmful to any aspect of the Company's or such Subsidiary's business.

SECTION 2.16 Suppliers. The Disclosure Letter lists all suppliers to the Company and any Subsidiary who are significant to the Company or such Subsidiary, including without limitation (i) all suppliers who have supplied products and/or services to the Company or such Subsidiary in the 12-month period beginning January 1, 1996, where the total consideration payable to the supplier exceeded $25,000, and (ii) suppliers who are a sole source (i.e., a supplier who could not be replaced by another supplier) for a special and/or critical product or service supplied by them. The Disclosure Letter also lists all open ended purchase orders for $5,000 or more which exist on the date hereof or which will exist as of the Closing Date. For these purposes, open-ended purchase orders shall mean purchase orders or other contractual arrangements providing for extended deliveries by the supplier, multiple deliveries by the supplier, or which provide for purchases of quantities significantly in excess of those required in the normal course of business of the Company or the Subsidiary, as appropriate.

To the best of the Company's and the Principal Shareholder's knowledge, none of the Company's or any Subsidiary's current customers or suppliers intends to terminate or (except for changes that may be sought by Purchaser) change significantly its relationship with the Company or the Subsidiary, whether as a result of the Merger or otherwise.

SECTION 2.17 Transactions with Directors, Officers, Employees and Affiliates. There have been no transactions since January 1, 1995 between the Company or any Subsidiary and any director, officer, employee or affiliate of the Company or any Subsidiary , or any relatives of or corporations, partnerships, limited liability companies or other business entities controlled by or in which any such person has a substantial interest, except on an arm's length basis in accordance with normal business practices. Since January 1, 1995, none of the officers, directors, employees or affiliates of the Company, or any member of the immediate family of any such persons, has been a director of officer of, or has had a material interest in, any firm, corporation, association or business enterprise which during such period has been a material supplier, customer or sales agent of the Company or any Subsidiary or has competed to a material extent with the Company or any Subsidiary .

SECTION 2.18 Litigation. There are no legal, administrative, arbitration or other proceedings or claims pending or, to the best of the Company's or any Subsidiary's knowledge, threatened against the Company or any Subsidiary, nor is the Company or any Subsidiary subject to any existing judgments. There is no reasonable basis for any such proceeding or claim against the Company or any Subsidiary. The Company and each Subsidiary is not operating under or subject to, or in default with respect to, any order, writ, injunction or decree of any court or federal, state, municipal or other governmental department, commission, board, agency or instrumentality, domestic or foreign.

SECTION 2.19 Insurance. The Company and each Subsidiary has not received any notice of cancellation with respect to any insurance policy of the Company or any Subsidiary. All premiums due under any such insurance policy have been paid in full. The Company and each Subsidiary has timely filed all claims or timely notified insurance carriers of events or circumstances giving rise to any claims under such policies.

The Disclosure Letter lists each insurance policy maintained by the Company and by each Subsidiary, showing coverages, annual premiums, deductibles and retentions. The insurance policies, coverages, annual premiums, deductibles and retentions maintained by the Company and the Subsidiaries are consistent with good practice in the industry and provide at least adequate protection against insurable risks against which it is appropriate for the Company and the Subsidiaries to have insurance coverage.

SECTION 2.20 Authority Relative to Agreement; Enforceability. Shareholders owning fifty-one percent of the shares of Company Common Stock on the applicable record date will have the power to approve the Merger on behalf of the Company. The Principal Shareholder will vote his stock in favor of the Merger.

The execution, delivery and performance of this Agreement are within the legal capacity and power of the Company; have been duly authorized by all requisite corporate action on the part of the Company, other than shareholder approval; except as set forth in the Disclosure Letter, require the approval or consent of no other persons, entities or agencies, and will neither violate nor constitute a default under, nor create a lien or breach under, nor result in the acceleration of performance or right to accelerate performance under (whether or not after the giving of notice or lapse of time or both), the terms of the articles of incorporation and by-laws of the Company or any Subsidiary or of any agreement, obligation or commitment binding upon the Company or any Subsidiary.

This Agreement is a legal, valid and binding obligation of the Company and the Principal Shareholder enforceable against each in accordance with its terms.

SECTION 2.21 Compliance With Applicable Laws; Environmental Matters.

2.21.1 Laws. The Company and each Subsidiary, and their respective operations, assets and all real property ("Company Real Property") now or previously owned, operated, used or leased by, to or for the Company or any Subsidiary, including, without limitation, the Office Real Property and all real property subject to the Real Estate Leases, are in compliance with all federal, state, county, and municipal laws, ordinances, regulations, rules, reporting requirements, judgments, orders, decrees and requirements of common law applicable to the conduct and business of the Company and each Subsidiary and to the assets owned, used or occupied by each of them (collectively referred to hereinafter as the "General Laws"), including without limitation all applicable federal, state, county and municipal laws, ordinances, regulations, policies, rules, reporting requirements, judgments, orders, decrees and requirements of common law concerning or relating to the protection of health, safety and the environment (collectively referred to hereinafter as the "Environmental Laws"). The Company and each Subsidiary has not received

any notice of violation, citation, complaint, request for information, order, directive, compliance schedule or other similar enforcement action or proceeding, or any other notice or communication from any administrative or governmental agency or entity, indicating that either the Company or any Subsidiary, the assets, or any of the Company Real Property was not or currently is not in compliance with all Environmental Laws and General Laws. No condition, state of facts, or other matter presently exists which would subject the Company or any Subsidiary to any liability or obligation, loss (including loss of value of Company or any Subsidiary property or assets) under any Environmental Laws or General Laws.

2.21.2 Environmental Laws. All businesses and operations of the Company, of each Subsidiary and the Company Real Property are in compliance with any: (i) judgments, orders, decrees or awards, or directives, of any court, arbitrator or administrative or governmental agency or entity concerning compliance with the Environmental Laws; and (ii) consent decrees, administrative orders, settlement agreements or other settlement documents entered into with any administrative or governmental agency or entity concerning compliance with the Environmental Laws.

2.21.3 Hazardous Materials; Storage Tanks. All assets owned, leased or licensed by the Company and each Subsidiary, including without limitation, the Company Real Property, are free of all materials designated as hazardous substances, wastes, hazardous materials, pollutants or contaminants (including but not limited to petroleum products and asbestos) under any Environmental Laws (collectively, "Hazardous Materials") other than Hazardous Materials which are properly stored and licensed where required, and are free of physical conditions which violate any Environmental Laws. All storage tanks and associated pipes, pumps and structures (whether above or below ground) located in or on the Company Real Property, all of which are listed in the Disclosure Letter, are in sound condition, free of corrosion, meet all design and performance standards required by all Environmental Laws, and do not now, and did not at any time in the past, evidence impaired integrity or leakage. No Hazardous Materials used or generated by the Company or any Subsidiary or generated at the Company Real Property have been treated, stored, transported or disposed of in violation of any Environmental Laws; and all Hazardous Materials which have been utilized in the business or operation of the Company and each Subsidiary or which have been removed, released, discharged or emitted from the Company Real Property were and are documented, transported and disposed of off of the Company Real Property in compliance with all Environmental Laws.

2.21.4 Licenses and Permits. The Disclosure Letter attached hereto lists permits, licenses and other authorizations issued by administrative or governmental agencies or entities under the General Laws and the Environmental Laws or otherwise required for the conduct of the Company's and each Subsidiary's business as presently conducted which are held by the Company, each Subsidiary, or their respective employees or agents ("Licenses and Permits"). The Licenses and Permits include all such permits which are necessary to the Company's or any Subsidiary's business and operations and the Company and each Subsidiary is and has been in full compliance with the terms and conditions of the Licenses and Permits. Under the General Laws and the Environmental Laws and the Licenses and Permits, the consummation of the

transactions contemplated by this Agreement do not and will not: (i) affect the validity of the Licenses and Permits; or (ii) require the consent of any governmental authority or third party.

SECTION 2.22 ERISA and Employment Matters.

2.22.1 No employee of the Company or any Subsidiary has a written or oral agreement (or an assurance pursuant to any employee manual) which would preclude the Company or such Subsidiary from terminating such employee's employment at any time with no obligation of the Company or such Subsidiary to make any payment except wages and accrued benefits to the date of termination. The Company and each Subsidiary has not engaged in any discriminatory hiring or employment practices nor have any employment discrimination complaints been filed against the Company or any Subsidiary with any state or federal agency. Since January 1, 1994, the Company and each Subsidiary has not been threatened by any former employee with any suit alleging wrongful termination.

The Company has delivered to Purchaser (i) all employment manuals utilized by the Company or any Subsidiary within the past three (3) years, (ii) copies of any determination letters received by the Company or any Subsidiary from the Internal Revenue Service or any other governmental authority with respect to any employee benefit plan, (iii) copies of any summary plan descriptions or summaries of material modifications relating to any employee benefit plan (as defined in Section 3(3) of ERISA) that have been prepared or distributed in the past three (3) years, and (iv) any annual reports (Form 5500 series) filed for any employee benefit plan or fringe benefit plan (within the meaning of Code Section 6039D) for plan years ending in 1995 through 1997. All such summary plan descriptions, summaries, and annual reports, were true, complete and correct, and complied with all requirements applicable thereto, at the time such documents were distributed or filed. The current summary plan descriptions comply with all applicable requirements and properly describe the current versions of the plans to which they relate.

2.22.2 There are no present or former Company or Subsidiary employees, directors or independent contractors entitled to (i) pension benefits that are "unfunded" as defined under ERISA or (ii) any pension benefit or welfare benefit to be paid after termination of employment other than pursuant to the Company's 401(k) Plan (the "Plan"). Except with respect to continuation coverage under group health plans pursuant to Section 4980B of the Internal Revenue Code of 1986, as amended (the "Code") or state law, and except with respect to continuation coverage under group life insurance plans pursuant to state law, no other benefits (whether or not pursuant to any plan or benefit arrangement that is subject to the Employee Retirement Income and Security Act ("ERISA")) whatsoever are payable to any present or former Company or Subsidiary employees after termination of employment or to any present or former directors or independent contractors after cessation of service to the Company or such Subsidiary (including, but not limited to, any post-retirement medical or death benefits, any severance benefits or any disability benefits).

2.22.3 Except only pursuant to the Plan, there are no arrangements or contracts with any director, officer, employee or independent contractor of the Company or any Subsidiary that

require any deferred compensation, retirement or welfare benefits to be paid or provided following termination of services.

2.22.4 Each "employee welfare benefit plan" (as defined in Section 3(1) of ERISA) of the Company or any Subsidiary is either funded through insurance or is unfunded for purposes of ERISA. There are no reserves, assets, surplus or prepaid premiums under any such plan, and, the Company and each Subsidiary is not in default under any such plan, and all such plans are in compliance with all applicable laws (including, but not limited to, ERISA, the Code and the Age Discrimination in Employment Act.

2.22.5 Each of any "employee welfare benefit plan" (as defined above) maintained by the Company or any Subsidiary , any fiduciary thereof, and the Company and each Subsidiary is not subject to any liability (other than normal liabilities and expenses associated with maintenance of such plan or arrangement as an ongoing benefit plan or arrangement) under ERISA or the Code or any other applicable law, including without limitation, liability resulting from a partial plan termination.

2.22.6 The Plan, any fiduciary thereof and the Company and each Subsidiary is not subject to any liability (other than normal liabilities and expenses associated with maintenance of such plan or arrangement as an ongoing benefit plan or arrangement) under ERISA or the Code or any other applicable law, including without limitation, liability resulting from a partial plan termination or from prohibited transactions. The Plan has been administered in compliance with its terms and with the applicable provisions of ERISA, the Code and all other federal, state and other applicable laws, rules and regulations (including, without limitation, any funding, filing, terminating, reporting, disclosure and fiduciary obligations and any prohibited transaction restrictions). The Plan is "qualified" within the meaning of Section 401(a) of the Code, and has from its inception been so qualified, and any trust created pursuant to the Plan, is exempt from federal income tax under Section 501(a) of the Code. The Company has received a favorable determination letter for the Plan from the Internal Revenue Service.

2.22.7 Each of the Company and such Subsidiary does not maintain, nor has it ever maintained or ever been obligated to contribute to, (i) a multi-employer plan within the meaning of Section 3(37) of ERISA, or (ii) except for the Plan, and any other employee benefit plan identified in the Disclosure Letter, any employee benefit plan within the meaning of Section 3(3) of ERISA.

2.22.8 There are and there have been no inquiries, proceedings, claims or suits pending or, to the best knowledge of the Company and the Principal Shareholders, threatened by any governmental agency or authority or by any participant or beneficiary against the Plan, the assets of the trust under the Plan, the Company, any Subsidiary, the plan administrator of the Plan, any fiduciary of the Plan or any of the Company's or any Subsidiary's "employee welfare benefit plans" (as defined above) with respect to the operation of the Plan or such benefit plans.

2.22.9 The consummation of the transactions contemplated by this Agreement will not, alone or together with any other event, (i) entitle any employee of the Company or any

Subsidiary to severance pay or any other payment, or (ii) accelerate the time of payment or vesting, or increase the amount of, compensation due to any such employee.

2.22.10 The Company and each Subsidiary has no obligation for (i) any long-term disability benefits to or for any of the Company's or any such Subsidiary's employees who become disabled prior to the Closing Date (as defined in Article IX hereof) (including any individual who is disabled but has not satisfied any applicable waiting period) and (ii) any life insurance benefits promised, due and/or payable to or for any of the Company's or any such Subsidiary's employees who die prior to the Closing Date.

SECTION 2.23 Taxes. All tax and information returns required to have been filed by the Company and each Subsidiary have been filed with the appropriate authority; and all federal, state and local taxes (including without limitation income, franchise, property, sales, use, value-added, withholding, excise, capital or other tax liabilities), charges, assessments, penalties and interest of the Company and the Subsidiary ("Tax Liabilities") required to be paid on or before the date hereof have been paid. Such returns were correct as filed, or as amended. No assessments or additional Tax Liabilities have been proposed or threatened against the Company or any Subsidiary or any of their respective assets, and the Company and each Subsidiary has not executed any waiver of the statute of limitations on the assessment or collection of any Tax Liabilities.

The Balance Sheet included in the Interim Statement includes full and adequate provision for (i) all Tax Liabilities incurred or accrued as of the date of said Statement, and (ii) any and all Tax Liabilities which may hereafter be assessed or imposed on the Company and the Subsidiary with respect to time periods ending on or before the date of said Balance Sheet. Since the date of said Balance Sheet, and through the Effective Time of the Merger, the Company and the Subsidiary have not incurred and will not incur any Tax Liabilities other than in the ordinary course of business determined on a basis consistent with prior periods.

True and complete copies of the Company's and the Subsidiary's federal tax returns for the years 1993, 1994 and 1995 and state tax returns for the years 1993 and 1995 have been delivered previously by the Company to Purchaser.

Except as set forth on the Disclosure Letter, the federal tax returns and state tax returns of the Company and each Subsidiary have never been audited or examined by the Internal Revenue Service or any state tax authority. Except as set forth on the Disclosure Letter, there are no pending investigations of the Company or any Subsidiary or its tax returns by any federal, state or local taxing authority, no federal, state or local tax liens upon any of the Company's or any Subsidiary's assets, and no presently effective extensions to the limitation periods for the imposition of tax liability against the Company or any Subsidiary for any of its open taxable years.

No consent under Section 341(f) of the Internal Revenue Code has been filed with respect to any property or assets held, acquired or to be acquired by the Company or any Subsidiary. All consents and elections made by the Company and any Subsidiary with respect to taxes are listed

on the Disclosure Letter. Except for its present consolidated return, in which the Company is the parent, the Company and each Subsidiary has never been included within a consolidated return for federal or state income tax purposes. There is no tax-sharing agreement which will require any payment by the Company after the date of this Agreement. The Company and each Subsidiary has never been an "S" corporation.

SECTION 2.24 Business Changes. Except as described on the Disclosure Letter, since December 31, 1996, there has not been.

2.24.1 any material adverse change in the working capital, financial condition, assets, liabilities (whether absolute, accrued, contingent or otherwise), operating profits, business or prospects of the Company or any Subsidiary;

2.24.2 any damage, destruction or loss (whether or not covered by insurance) affecting the Company's or any Subsidiary's business or its assets;

2.24.3 any increase or decrease in the rates of compensation payable or to become payable by the Company or any Subsidiary to any of its officers, directors or employees over or under the rates in effect during the year ended December 31, 1996, other than general increases made in accordance with past practices which are described on the Disclosure Letter; or any declaration, payment, commitment, or obligation of any kind for the payment by the Company or any Subsidiary of any bonus (other than standard year-end bonuses consistent with past practices which are described on the Disclosure Letter), additional salary or compensation, or retirement, termination or severance benefits to officers, directors or employees;

2.24.4 any material amendment or termination of any material contract, lease or license to which the Company or any Subsidiary is a party or by which it may be bound, other than in the ordinary course of business;

2.24.5 any disposition, mortgage, pledge, or subjection to any lien, claim, charge, option, or encumbrance of any property or asset of the Company or any Subsidiary, or any cancellation or compromise of any debt or claim of the Company or any Subsidiary other than in the ordinary course of business;

2.24.6 any labor dispute or threat of a labor dispute or any attempt or threat of an attempt by a labor union to organize the Company's or any Subsidiary's employees;

2.24.7 any acquisition by the Company or any Subsidiary of the assets or capital stock of another business entity;

2.24.8 any distribution or disposition of the Company's or any Subsidiary's assets other than in the ordinary course of business;

2.24.9 any termination of any permit or license issued to the Company or any Subsidiary or to any of its employees or agents;

2.24.10 any statute, order, judgment, writ, injunction, decree, permit, rule or regulation of any court or any governmental or regulatory body adopted or entered or proposed to be adopted or entered which may adversely affect the property or business of the Company or any Subsidiary;

2.24.11 any event or occurrence affecting the Company or any Subsidiary, or their respective business or industry which may cause an adverse change in any material respect affecting the Company's or such Subsidiary's sales, profitability or financial condition or which may otherwise adversely affect the Company or such Subsidiary; or

2.24.12 except as provided for herein for Company Preferred Stock, any dividend or distribution declared, set aside or paid in respect of the Company Common Stock or Company Preferred Stock or any repurchase by the Company of shares of Company Common Stock or Company Preferred Stock.

2.24.13 any contracts entered into with or (except for payment of compensation in accordance with past practices and as disclosed to Purchaser), any payments or transfers of property to any shareholder of the Company, any relatives of any shareholder, or any corporation, partnerships, limited liability companies or other business entities controlled by any shareholder or in which any shareholder has any significant equity interest.

SECTION 2.25 Stock Matters. Except as disclosed in the Disclosure Letter, all shares of stock issued by the Company, whether Company Common Stock, Company Preferred Stock, or otherwise, were issued in compliance with all applicable federal and state securities laws. All shares of stock repurchased or redeemed by the Company were repurchased or redeemed in compliance with all applicable federal and state securities laws. All required and appropriate disclosures were made in connection with such issuances, repurchases, and redemptions, and all disclosures provided all material information required in connection with the transaction and did not omit or fail to state any information necessary not to make the disclosures not misleading. No present or prior shareholder of the Company has any basis for any claim against the Company with respect to the shares of stock of the Company owned or previously owned by such Shareholder, except that present shareholders have only those normal rights inherent in and resulting from ownership of shares of stock ("Normal Shareholder Rights").

SECTION 2.26 Industrial Revenue Bonds. The Company and each Subsidiary is not indebted under any industrial revenue bonds.

SECTION 2.27 Asset Sales. The Company and each Subsidiary has not, except for sales of inventory in the ordinary course of business, sold, transferred or distributed any significant portion of its assets during the two-year period preceding the date hereof.

SECTION 2.28 Brokerage. Each of the Company, the Subsidiary and the Principal Shareholder has not engaged any broker or finder to render services in connection with this Agreement.

SECTION 2.29 **Full Disclosure**. No representation or warranty made by the Company or the Principal Shareholder under or in connection with this Agreement or the Disclosure Letter, no certification furnished or to be furnished to Purchaser pursuant to this Agreement, and no agreements, instruments or documents delivered by the Company or the Principal Shareholder to Purchaser or its counsel hereunder, contains or will contain any untrue statement of a materia. fact or omits or will omit to state a material fact necessary to make the statements contained herein or therein not misleading.

ARTICLE III

REPRESENTATIONS AND WARRANTIES OF PURCHASER

Purchaser hereby represents and warrants to, and agrees with, the Company as follows

SECTION 3.1 **Organization**. Each of Purchaser and Newco is a corporation, duly organized, validly existing, and in good standing under the laws of the state of its organization, and has all requisite corporate power and authority to own its property and conduct the business in which it is engaged.

SECTION 3.2 **Authority Relative to Agreement; Enforceability**. The execution, delivery and performance of this Agreement is within the legal capacity and power of Purchaser and Newco; have been duly authorized by all requisite corporate action on the part of Purchaser and Newco; require the approval or consent of no persons, entities or agencies, and will neither violate nor constitute a default under, nor create a lien or breach under, nor result in the acceleration of performance or right to accelerate performance under (whether or not after the giving of notice or lapse of time or both), the terms of the articles of incorporation and by-laws of Purchaser or Newco or of any material agreement, obligation or commitment binding upon Purchaser or Newco (other than agreements as to which appropriate consents, if obtained, shall avoid any defaults). This Agreement is a legal, valid and binding obligation of Purchaser and Newco enforceable against Purchaser and Newco in accordance with its terms.

SECTION 3.3 **Brokerage**. Except for Rothman & Associates, whose fee will be paid by Purchaser, Purchaser has not engaged any broker or finder to render services in connection with this Agreement.

SECTION 3.4 **Purchaser's Financial Condition**. As of the date hereof, Purchaser's net worth is, and as of the Closing Date, Purchaser's net worth will be, not less than $8,000,000. Purchaser has the financial ability to pay the payments required hereunder and to otherwise perform its obligations under this Agreement.

SECTION 3.5 **Full Disclosure**. No representation or warranty made by Purchaser in this Agreement, no certification furnished or to be furnished by Purchaser or Newco to the Company pursuant to this Agreement, and no Purchaser document delivered by Purchaser or

Newco to the Company or its counsel hereunder, contains or will contain any untrue statement of a material fact or omits or will omit to state a material fact necessary to make the statements contained herein or therein not misleading

ARTICLE IV

COVENANTS OF THE COMPANY AND PRINCIPAL SHAREHOLDER

SECTION 4.1 Regular Course of Business. Except as otherwise consented to in writing by Purchaser during the period commencing on the date hereof and ending at the Effective Time of the Merger or as contemplated by this Agreement, the Company and each Subsidiary will carry on its business diligently and in the ordinary course and use its best efforts to preserve its present business organization intact, keep available the services of its present employees and executive officers and preserve its present relationships with persons having business dealings with it.

SECTION 4.2 Restricted Activities and Transactions. Except as otherwise consented to in writing by Purchaser, from the date hereof and through the Effective Time of the Merger the Company and each Subsidiary will not:

4.2.1 amend its articles of incorporation or by-laws,

4.2.2 issue, sell or deliver, or agree to issue, sell or deliver, or grant, or declare any stock dividend or stock split with respect to, any shares of any class of capital stock of the Company or such Subsidiary, as appropriate, or any securities convertible into any such shares or convertible into securities in turn so convertible, or any options, warrants or other rights calling for the issuance, sale or delivery of any such shares or convertible securities.

4.2.3 mortgage, pledge or grant a lien upon any of its assets, tangible or intangible;

4.2.4 except in the ordinary course of business and consistent with past practice, (i) borrow, or agree to borrow, any funds or voluntarily incur, assume or become subject to, whether directly or by way of guarantee or otherwise, any obligation or liability (absolute or contingent), (ii) cancel or agree to cancel any material debts or claims, (iii) lease, sell or transfer, or grant or agree to grant any preferential rights to lease or acquire, any of its material assets, property or rights, or (iv) make or permit any substantive amendment or termination of any material contract, agreement, license or other right of which it is a party;

4.2.5 enter into or make any change in the Plan, except as required to conform to applicable law, or materially amend or terminate any other existing employee benefit plan, or adopt any new employee benefit plan;

4.2.6 acquire control or ownership of any other corporation, association, joint venture, partnership, limited liability company, business trust or other business entity, or acquire control

or ownership of all or a substantial portion of the assets of the foregoing, or enter into any agreement providing for any of the foregoing;

4.2.7 except in the ordinary course of business, enter into or agree to enter into any transaction, or incur or discharge any obligation or liability, material to the business of the Company or any Subsidiary;

4.2.8 declare or pay any dividend on its capital stock in cash, stock or property, or redeem, purchase or otherwise acquire any shares of Company Common Stock or, except that the Company will continue to redeem Company Preferred Stock at $100 per share at times and in amounts consistent with past practices and except as otherwise provided herein, any Company Preferred Stock, or any options or warrants to purchase Company Common Stock or Company Preferred Stock;

4.2.9 enter into any contracts with or (except for payment of compensation in accordance with past practices and as disclosed to Purchaser), make any payments or transfer property to any shareholder of the Company, relatives of any shareholder, or any corporation, partnerships, limited liability companies or other business entities controlled by any shareholder or in which any shareholder has any significant equity interest;

4.2.10 enter into any material licensing arrangement or other contract;

4.2.11 settle any pending litigation in a manner that is materially adverse to the Company or any Subsidiary or commence any material litigation;

4.2.12 increase the compensation payable to any of its employees, or accrue or pay any bonuses or other payments other than regular compensation to any employee or consultant; or

4.2.13 take any action which will prevent any of its warranties and representations herein from being true in all material respects as of the Effective Time of the Merger

SECTION 4.3 No Default or Violation. Except as otherwise consented to in writing by Purchaser, prior to the Effective Time of the Merger the Company and each Subsidiary will use its best efforts not to (i) violate, or commit a breach of or a default under, any material contract, obligation or commitment to which it is a party or to which any of its assets may be subject or (ii) violate any applicable federal or state statutes, regulations or any injunctions, orders or judgments binding upon the Company

SECTION 4.4 Insurance. Except as otherwise consented to in writing by Purchaser, prior to the Effective Time of the Merger, the Company and each Subsidiary will maintain in full force and effect all policies of insurance in substantially the same amounts and types of coverage as are presently in effect on the date of this Agreement.

SECTION 4.5 Reports; Taxes. Except as otherwise consented to in writing by Purchaser, prior to the Effective Time of the Merger

4.5.1 the Company and each Subsidiary will duly and timely (by the due date or any duly granted extension thereof) file all reports and returns required to be filed with federal, state and local authorities; and

4.5.2 unless it is contesting the same in good faith and, if appropriate, has established reasonable reserves therefor, the Company and each Subsidiary will (i) promptly pay all Tax Liabilities indicated by such returns or otherwise lawfully levied or assessed upon it or any of its properties and (ii) withhold or collect and pay to the proper governmental authorities or hold in separate bank accounts for such payment all taxes and other assessments required by law to be so withheld or collected.

SECTION 4.6 Advice of Changes. The Company will promptly advise Purchaser orally and in writing of (i) any event occurring subsequent to the date of this Agreement and prior to the Effective Time of the Merger which would render any representation or warranty of the Company or Principal Shareholder contained in this Agreement, if made on or as of the date of such event or the Closing Date, untrue, inaccurate or incomplete in any material respect and (ii) any material adverse change in the working capital, financial conditions, assets, liabilities (whether absolute, accrued contingent or otherwise), operating profits, business or prospects of the Company or any Subsidiary.

SECTION 4.7 No Negotiations; Notification of Takeover Proposal and Other Matters. The Company shall promptly advise Purchaser orally and in writing of any "takeover proposal" or of any proposal, or inquiry reasonably likely to result in a proposal, which the Company has reason to believe is or may lead to any "takeover proposal". For purposes of this Agreement, the term "takeover proposal" shall mean any proposal for a merger or other business combination involving the Company or any Subsidiary, or for the acquisition of a substantial equity interest in the Company or any Subsidiary, a substantial portion of the assets of the Company or any Subsidiary or a product line or line of business of the Company or any Subsidiary, other than as contemplated by this Agreement. The Company shall promptly advise Purchaser orally and in writing of the receipt by the Company of any notification submitted to the Company any purchase or proposed purchase of any securities of the Company by any person

The Company, each Subsidiary, and the Principal Shareholder shall not, directly or indirectly, whether through its officers, directors, agents, representatives, or otherwise, engage in any discussions or negotiations with, or provide any information to, any person or entity making, proposing to make or believed to be contemplating a takeover proposal to the Company.

SECTION 4.8 Consents, Approvals and Filings. Each of the Company and the Principal Shareholder will use its or his best efforts to obtain as promptly as possible all necessary approvals, authorizations, consents, licenses, clearances and orders of governmental

and regulatory authorities required in order for the Company and the Principal Shareholder and each Subsidiary to perform its obligations hereunder.

SECTION 4.9 **Access to Records and Properties**. Purchaser may, prior to the Effective Time of the Merger, though its employees, agents and representatives, make or cause to be made a detailed review of the business and financial condition of the Company and each Subsidiary and make or cause to be made such investigation as it deems necessary or advisable of the properties, assets, businesses, books and records of the Company and each Subsidiary. The Company and the Principal Shareholder each agrees to assist Purchaser in conducting such review and investigation and will provide, and will cause its Subsidiaries and independent public accountants to provide, Purchaser and its employees, agents and representatives full access to, and complete information concerning, all aspects of the businesses of the Company and each Subsidiary, including their respective books, records (including tax returns filed or in preparation), projections, personnel and premises, and any documents (including any documents filed on a confidential basis) included in any report filed with any governmental agency, but excluding the audit work papers and other records of its independent public accountants.

Without limiting the generality of the foregoing, Purchaser, and its representatives and consultants, shall be permitted access to the Office Real Property prior to Closing in order to inspect the same, conduct soil borings, environmental inspections and tests, which environmental inspections and tests may include, without limitation, soil tests, chemical tests, and installation of such monitoring wells as may be appropriate in Purchasers opinion, and prepare a survey and take measurements. During such access, such personnel shall not cause any unreasonable interference with Seller's operations or damage to assets, except as may be necessary to conduct an environmental inspection, provided Purchaser shall promptly repair any such damage and restore the assets to their condition immediately prior to such damage. As part of such investigations, Purchaser or its representatives or consultants shall be permitted access to the building and other improvements located on the Office Real Property.

The Company shall also provide Purchaser, originals or reproductions of plans and specifications for the building located on the Office Real Property (to the extent the same exist), including any available "as built" drawings, maintenance records, licenses, permits, reports and certificates and such other items relating to the construction, operation or environmental assessment of the Real Estate as may be in the possession or control of the Company or the Principal Shareholder, all of such items being considered Plans as defined herein.

Neither any investigation by Purchaser nor the receipt by Purchaser of any data or information from the Company nor any knowledge acquired by Purchaser shall affect the right of Purchaser to terminate this Agreement as provided in Article X hereof or qualify, limit or otherwise restrict any representation or warranty made by the Company and the Principal Shareholder hereunder.

SECTION 4.10 **Best Efforts**. Each of the Company and the Principal Shareholder shall use its or his best efforts (a) to cause to be fulfilled and satisfied all of the conditions to the closing to be fulfilled and satisfied by it, (b) to cause to be performed all of the matters required

of it at or prior to the Closing and (c) to achieve full compliance with all applicable General Laws. Each of the Company and the Principal Shareholder shall use its or his best efforts to make all of its or his warranties and representations contained in this Agreement (except those representations and warranties which are expressly limited to a state of facts existing at a time prior to the Closing) true and correct on all material respects as at the Closing, with the same effect as if the same had been made and this Agreement had been dated as at the Closing.

SECTION 4.11 Maintenance of Assets. The Company and each Subsidiary shall keep the property and assets used in its businesses in good order, repair and operating condition.

SECTION 4.12 Shareholder Meeting. The Company shall call a special meeting of its shareholders to be held as soon as practicable for the purpose of voting upon the transactions contemplated by this Agreement. In connection with calling such meeting, the Company shall provide proxy materials and other disclosure materials which fully and fairly describe this Agreement and the transactions and payments to be made under or in connection with this Agreement, and which make all other required or appropriate disclosures, so that all Shareholders can make a fully informed decision when they vote upon the transactions contemplated by this Agreement. The Company shall afford to Purchaser the opportunity to review and comment upon said disclosure materials before they are sent to the Shareholders.

SECTION 4.13 Notification Regarding Dissenters' Shares. The Company and the Principal Shareholder shall give Purchaser (i) prompt notice of any notice of intent to demand fair value for any shares of Company Common Stock or Company Preferred Stock, withdrawals of such notices, and any other instruments served pursuant to the Appraisal Laws and received by the Company and (ii) the opportunity to direct any negotiations and proceedings with respect to demands for fair value for shares of Company Common Stock or Company Preferred Stock under the Appraisal Laws. The Company shall not, without the prior written consent of Purchaser, voluntarily make any payment with respect to any demands for fair value of shares of Company Common Stock or Company Preferred Stock or offer to settle or settle any such demands.

ARTICLE V

COVENANTS OF PURCHASER

SECTION 5.1 Best Efforts. Purchaser shall use its best efforts (a) to cause to be fulfilled and satisfied all of the conditions to the Closing to be fulfilled and satisfied by it, and (b) to cause to be performed all of the matters required of it at or prior to the Closing. Purchaser shall use its best efforts to make all of its warranties and representations contained in this Agreement (except those representations and warranties which are expressly limited to a state of facts existing at a time prior to the Closing) true and correct in all material respects as at the Closing, with the same effect as if the same had been made and this Agreement had been dated as at the Closing.

SECTION 5.2 Consents, Approvals and Filings. Purchaser will use its best efforts to obtain as promptly as possible all necessary approvals, authorizations, consents, licenses, clearances or orders of governmental and regulatory authorities required in order for Purchaser to perform its obligations hereunder.

SECTION 5.3 Advice of Changes. Purchaser will promptly advise the Company orally and in writing of any event occurring subsequent to the date of this Agreement which would render any representation or warranty of Purchaser contained in this Agreement, if made on or as of the date of such Agreement or the Closing Date, untrue, inaccurate or incomplete in any material respect.

SECTION 5.4 Receivables. Purchaser shall use its commercially reasonable best efforts to collect the accounts receivable of the Company or any Subsidiaries which exist at the Closing.

SECTION 5.5 Principal Shareholder Guaranties. Not more than thirty (30) days after the Closing, Purchaser shall have obtained the release of the Principal Shareholder and his spouse from their guaranty of the obligations under the mortgage upon the Office Real Property. Purchaser shall indemnify, save and hold Principal Shareholder and his spouse harmless against other obligations of the Company or any Subsidiary which have been personally guaranteed by the Principal Shareholder or his spouse, all of which obligations are listed in the Disclosure Letter.

SECTION 5.6 Obligations. After the Effective Time of Merger, Purchaser shall cause the trade payables of the Company and the Subsidiaries existing on the Closing Date which have arisen in the ordinary course of business to be paid when due in accordance with their terms or otherwise in accordance with the Company's and Subsidiary's past practices.

SECTION 5.7 Franchise Agreements. After the Effective Time of Merger, the Surviving Corporation shall perform the obligations which first arise under the TAI Franchise Agreements after the Closing Date in a reasonable business manner, it being understood that in any event performing such obligations in the same manner in which they were performed by TAI prior to the Closing Date shall be deemed to satisfy the obligations of the Surviving Corporation under this section.

ARTICLE VI

CONDITIONS TO OBLIGATIONS OF PURCHASER AND NEWCO

The obligations of Purchaser and Newco under this Agreement to consummate the Merger shall be subject to the satisfaction, or to the waiver by them in the manner contemplated by Section 11.2 hereof, on or before the Closing Date, of the following conditions:

SECTION 6.1 Representations and Warranties True. The representations and warranties of the Company and the Principal Shareholder contained in this Agreement shall be in all material respects true and accurate as of the date when made, and, except as to representations and warranties which are expressly limited to a state of facts existing at a time prior to the Closing Date, shall be in all material respects true and accurate at and as of the Closing Date as if made on the Closing Date.

SECTION 6.2 Performance of Covenants. The Company and the Principal Shareholder shall have performed and complied in all material respects with each and every covenant, agreement and condition required by this Agreement to be performed or complied with by it or them prior to or on the Closing Date.

SECTION 6.3 No Governmental or Other Proceeding or Litigation. No order of any court or administrative agency shall be in effect which restrains or prohibits any transaction contemplated hereby or which would limit or affect Purchaser's ownership of the Company, no suit, action (other than the exercise of dissenters' rights), investigation, inquiry or proceeding by any governmental body or other person or entity shall be pending or threatened against Purchaser, Newco or the Company, which challenges the validity or legality, or seeks to restrain the consummation, of the transactions contemplated hereby or which seeks to limit or otherwise effect Purchaser's ownership of the Company or the Surviving Corporation; and no written advice shall have been received by Purchaser, Newco, the Company or their respective counsel from any governmental body, and remain in effect, stating that an action or proceeding will, if the Merger is consummated or sought to be consummated, be filed seeking to invalidate or restrain the Merger or limit or otherwise affect Purchaser's ownership of the Company or the Surviving Corporation.

SECTION 6.4 Approvals and Consents. The approval of the shareholders of the Company and all approvals of applications to public authorities, Federal, state, or local, if any, and all consents or approvals of any non-governmental persons, the granting of which is necessary for the consummation of the Merger or for preventing the termination or material breach of any franchise, real property lease, or other right, privilege, license or agreement of Purchaser or the Company or any Subsidiary which is material to the business of Purchaser or the Company or any Subsidiary, or for preventing any material loss or disadvantage to Purchaser or the Company, by reason of the Merger, shall have been obtained; and no such consents or approvals shall have imposed a condition to such consent or approval which in the opinion of Purchaser is unduly burdensome to the consolidated financial condition or operations of Purchaser or to the Company's and the Subsidiary's business.

SECTION 6.5 Opinion of Counsel. Purchaser and Newco shall have received an opinion of Holland & Knight, counsel to the Company, dated the Closing Date and addressed to Purchaser and Newco, substantially in the form and substance of Exhibit C annexed hereto.

SECTION 6.6 Certificates. The Company shall have furnished Purchaser with a certificate of the Company and the Principal Shareholder, in form and substance satisfactory to Purchaser, signed by the Company's President and the Principal Shareholder, to the effect that

the Company's and the Principal Shareholder's representations and warranties contained in this Agreement are true and correct in all material respects on and as of the Closing Date as though such representations and warranties were made at such time (except as to representations and warranties which are expressly limited to a state of facts existing at a time prior to the Closing Date) and that each of the Company and the Principal Shareholder has performed and complied in all material respects with all terms, covenants and provisions of this Agreement required to be performed or complied with by it or him prior to or on the Closing Date.

SECTION 6.7 **Dissenting Shares**. As of the Closing Date, no more than five percent (5%) of the issued and outstanding shares of Company Common Stock shall be eligible for treatment as Dissenting Shares hereunder, and no shares the Company Preferred Stock shall be eligible for treatment as Dissenting Shares hereunder.

SECTION 6.8 **Resignations**. The Company shall have received resignations (in form and substance satisfactory to Purchaser) from each of its directors, and each of its officers, in each case effective as of the Effective Time of the Merger.

SECTION 6.9 **Noncompete and Employment**. The Principal Shareholder and his wife shall have entered into a Noncompete Agreement substantially in the form of Exhibit D attached hereto and the Principal Shareholder shall have entered into an Employment Agreement substantially in the form of Exhibit E attached hereto.

SECTION 6.10 **Gateway Travel**. At or prior to the Closing, the Principal Shareholder and or his spouse shall have the option to acquire Gateway Travel, a corporate-owned TAI franchisee, at a price equal to its net book value or $25,000, whichever is greater. Said purchase price will be paid by the Principal Shareholder at or prior to the Closing by check. The Principal Shareholder shall assume the liabilities of Gateway Travel, including the note owed to the former owner, and shall indemnify and hold harmless Purchaser, the Surviving Corporation and the Subsidiaries against such liabilities. Said purchase shall be on terms and conditions reasonably acceptable to Purchaser including a requirement that said agency will agree to and cooperate with Purchaser's program for converting TAI franchisees to Carlson Wagonlit franchisees. (Should Principal Shareholder's employment with Purchaser and its affiliates terminate, at his election exercised within 120 days of such termination, Gateway and all branches can be released from the CWT franchise subject to Gateway performing all its obligations through the date of termination.)

SECTION 6.11 **Tenant Estoppel Certificates**. The Company shall have furnished to Purchaser estoppel certificates executed by tenants of at least 85% of the rentable area of the Office Real Property, excluding the rentable area currently occupied by the Company or its Subsidiaries, and dated not more than thirty (30) days prior to the date of the Closing, in the form of Exhibit H attached hereto without material modification, which estoppel certificates shall confirm in all material respects the information with respect to such leases which is set forth in the Disclosure Letter.

SECTION 6.12 Environmental and Building Report Purchaser shall not have received results from the environmental and building report being conducted indicating that the Company or any Subsidiary or the Office Real Property fails to comply with any Environmental Law or other requirement applicable to the Office Real Property in any material respect or otherwise disclosing any adverse results

SECTION 6.13 Inspection of Office Real Property Purchaser's inspections and investigations of the Office Real Property shall have disclosed no conditions which are unacceptable to Purchaser in its sole discretion

SECTION 6.14 Title Insurance Policy and Survey. The Company shall have delivered to Newco, at the Company's sole expense, an owner's title insurance policy (ALTA 1992 Owner's form or equivalent) or a "date down" endorsement as of the date of Closing to Company's existing owner's title insurance policy (in either case "Title Policy") issued by a reputable title insurance company acceptable to Purchaser ("Title Company") in the amount of $2,475,000.00 insuring that Newco is the owner of the Office Real Property free and clear of all mechanic's lien claims, questions of survey, unrecorded interests, rights of parties in possession or other exceptions, other than the rights of tenants as tenants only under the Office Leases and the those items on Exhibit B attached hereto which are identified thereon as "Permitted Exceptions". The Title Policy shall contain such endorsements as Purchaser may require, including but not limited to (i) a non-imputation endorsement insuring that Title Company will not deny liability to Newco under the Title Policy on the ground that Newco had knowledge of any matter by reason of notice thereof being imputed to it by reason of any director, officer or other employee of the Company having knowledge of such matter, (ii) a zoning endorsement insuring Purchaser that the ownership, use, operation and occupancy of the Office Real Property as of the Closing complies with all applicable zoning laws, codes, ordinances and regulations and does not constitute a non-conforming use thereunder, (iii) an owner's comprehensive endorsement and (iv) an endorsement which deletes the so-called "creditor's rights" exclusion from coverage

Company shall have delivered to Purchaser and Newco a currently dated "as built" survey of the Office Real Property, prepared at Company's sole expense by a registered land surveyor licensed in the State in which the Office Real Property is located, certified and acceptable to Purchaser, Newco and Title Company, showing the exact location, legal description, area and boundary lines of the Office Real Property, the nature and location of all easements and encroachments from or onto the Office Real Property, the nature and location of all utilities on and or serving the Office Real Property, the location of the office building and other improvements included in the Office Real Property, including all parking areas on, and means of ingress to and egress from, the Office Real Property (the "Survey"). The Survey shall be certified to meet the current Minimum Detail Standards adopted by ALTA/ASCM for Class A urban surveys, and shall include Items 1, 2, 3, 4, 6, 7a and b, 8, 9, 10, 11 and 13 of Table A thereto The location of all buildings, other improvements, easements, encroachments, utilities and means of ingress and egress as disclosed by the Survey shall be acceptable to Purchaser in its exercise of its sole discretion.

SECTION 6.15 **Landlord's Estoppel Certificates**. The Company shall have furnished to Purchaser estoppel certificates executed by each of the landlords under the Real Estate Leases described on the Disclosure Letter which either are (i) guaranteed by the Company or any Subsidiary where the tenant is a franchisee or other unrelated party, or (ii) Lease is where the Company or any Subsidiary is the tenant but where space in turn is sublet to a franchisee or other unrelated party. Estoppel certificates shall be dated not more than thirty (30) days prior to the date of the Closing, in the form of Exhibit I attached hereto without material modification, which estoppel certificates shall confirm in all material respects the information with respect to such Real Estate Leases which is set forth in the Disclosure Letter.

SECTION 6.16 **White Wolf Franchise Rights**. Contemporaneously with the Closing hereunder, Purchaser shall close its agreement (the "White Wolf Agreement") with Wolf Advertising Agency, Inc., for the acquisition of certain rights relating to TAI New England franchises on substantially the same terms and conditions of the draft of the White Wolf Agreement marked 4/3/97. All requirements under said agreement for the benefit of Purchaser shall be satisfied.

SECTION 6.17 **Termination of Office Real Property Option**. The Principal Shareholder shall have terminated, at no cost or expense to the Company or any of its Subsidiaries, the option which Principal Shareholder held to acquire the Office Real Property so that, after the Closing hereunder, the Office Real Property will continue to be owned by the Company free and clear of said option.

SECTION 6.18 **Closing Documentation**. Purchaser shall have received such additional documentation at the Closing as Purchaser and its counsel may reasonably require to evidence compliance by the Company with all of its obligations hereunder.

SECTION 6.19 **Franchisee Response**. Purchaser, acting reasonably, shall not have received indications of major dissatisfaction from a material number of franchisees with the transactions contemplated hereunder and Purchaser's proposed actions with respect to the TAI System. Purchaser must notify the Company in writing that Purchaser and Newco intend to rely on the condition set forth in this Section 6.19 by 5:00 p.m. Eastern Daylight Time on May 2, 1997. If no such notice is given, this condition shall be deemed satisfied and waived.

SECTION 6.20 **Travel Academy Information**. Purchaser shall have received from the Company copies of the franchise agreements and other agreements relating to the Travel Academy franchise system, and Purchaser shall be reasonably be satisfied with the results of its review of such documents or, if there are matters disclosed therein which the Purchaser is not willing to accept, Purchaser shall have received appropriate indemnification against such matters under this Agreement from the Company and the Principal Shareholder.

SECTION 6.21 **Schedule M**. The disclosures set forth in Schedule M to the Disclosure Letter, which Purchaser has not yet had the opportunity to review, shall, after an opportunity to correct, be consistent with Purchaser's investigation and otherwise reasonably acceptable to Purchaser.

ARTICLE VII

CONDITIONS TO OBLIGATIONS OF THE COMPANY

The obligations of the Company under this Agreement to consummate the Merger shall be subject to the satisfaction, or to the waiver by it in the manner contemplated by Section [illegible] hereof, on or before the Closing Date of the following conditions

SECTION 7.1 Representations and Warranties True. The representations and warranties of Purchaser contained in this Agreement shall be in all material respects true and accurate as of the date when made, and, except as to representations and warranties which are expressly limited to a state of facts existing at a time prior to the Closing Date, shall be in all material respects true and accurate at and as of the Closing Date as if made on the Closing Date

SECTION 7.2 Performance of Covenants. Purchaser and Newco shall have performed and complied in all material respects with each and every covenant, agreement and condition required by this Agreement to be performed or complied with by them prior to or on the Closing Date.

SECTION 7.3 No Governmental or Other Proceedings or Litigation. No order of any court or administrative agency shall be in effect which restrains or prohibits any transaction contemplated hereby or which would limit or affect Purchaser's ownership of the Company, no suit, action (other than the exercise of dissenters' rights), investigation, inquiry or proceeding by any governmental body or other person or entity shall be pending or threatened against Purchaser, Newco or the Company, which challenges the validity or legality, or seeks to restrain the consummation, of the transactions contemplated hereby or which seeks to limit or otherwise effect Purchaser's ownership of the Company' and no written advice shall have been received by Purchaser, Newco, the Company or their respective counsel from any governmental body, and remain in effect, stating that an action or proceeding will, if the Merger is consummated or sought to be consummated, be filed seeking to invalidate or restrain the Merger or limit or otherwise affect Purchaser's ownership of the Company.

SECTION 7.4 Approvals and Consents. Newco's shareholder shall have approved the Merger by the requisite vote under the MBCA and the Company's articles of incorporation, and all approvals of applications to public authorities, Federal, state or local, the granting of which is necessary for the consummation of the Merger, shall have been obtained.

SECTION 7.5 Certificates. Purchaser and Newco shall have furnished the Company with certificates of Purchaser and Newco, respectively, in form and substance satisfactory to the Company, signed by their respective presidents or vice presidents, to the effect that the respective representations and warranties of such corporations contained in this Agreement are true and correct in all material respects on and as of the Closing Date as though such representations and warranties were made at such time (except as to representations and warranties which are expressly limited to a state of facts existing at a time prior to the Closing Date) and that such corporations have respectively performed and complied in all material respects with all terms,

covenants and provisions of this Agreement required to be performed or complied with by them prior to or on the Closing Date

SECTION 7.6 **Employment Agreement**. Purchaser shall have entered into the Employment Agreement (Exhibit E) with the Principal Shareholder

SECTION 7.7 **White Wolf** Provided White Wolf and the parties other than Purchaser are in compliance with their obligations hereunder, Purchaser shall close contemporaneously herewith the White Wolf Agreement on substantially the same terms and conditions of the draft of the White Wolf Agreement marked 4/3/97.

SECTION 7.8 **Purchase of Gateway Travel**. At or before the Closing, the Principal Shareholder and/or his spouse shall have acquired Gateway Travel substantially on the terms specified in Section 6.10 hereof.

SECTION 7.9 **Employment Offers**. Purchaser shall have made employment offers to each of Robert H. Reeves and Rick Tenant, who are currently employees of the Company. It is understood that said employment offers will require relocation to the Minneapolis area, will provide for employment for at least nine (9) months and will provide for severance to be paid by Purchaser if either of said individuals is terminated by Purchaser other than for cause in accordance with the normal severance policy of Purchaser. (Under Purchaser's normal severance policy, each of Messrs. Reeves and Tenant will receive two weeks of credit for each year of service and will receive credit for their years of service with the Company.) In addition if such termination occurs within the initial six-month period, compensation will be paid for the balance of the six-month period.

SECTION 7.11 **Closing Documentation**. The Company shall have received such additional documentation at the Closing as the Company and its counsel may reasonably require to evidence compliance by Purchaser and Newco with all of their obligations under this Agreement

SECTION 7.12 **Environmental Survey**. The environmental survey or surveys conducted before Closing on Purchaser's behalf shall not contain results indicating that the Company or any Subsidiary or the Office Real Property failed to comply with any Environmental Law in any material respect or otherwise disclosing any adverse results in any material respect.

SECTION 7.13 **Franchisee Response**. The Company, acting reasonably, shall not have received indications of major dissatisfaction from a material number of franchisees with the transactions contemplated hereunder and Purchaser's proposed actions with respect to the TAI System. The Company must notify the Purchaser in writing that the Company intends to rely on the condition set forth in this Section 7.13 by 5:00 p.m. Eastern Daylight Time on May 2, 1997, if no such notice is given, this condition shall be deemed satisfied and waived.

SECTION 7.14 Board Approval. The Company's Board of Directors shall have approved this Agreement and the transactions contemplated hereby. The Company must notify the Purchaser in writing that the Company intends to rely on the condition set forth in this Section 7.13 by 5:00 p.m. Eastern Daylight Time on May 2, 1997, if no such notice is given, this condition shall be deemed satisfied and waived.

ARTICLE VIII

CLOSING; CLOSING DATE

Unless this Agreement shall have been terminated and the Merger herein contemplated shall have been abandoned pursuant to a provision of Article X hereof and subject to compliance with the conditions hereto, a closing (the "Closing") will be held on May 21, 1997, or on such other date which is mutually acceptable to Purchaser and the Company at the offices of the Company's counsel, commencing at 10:00 A.M. At such time and place, the documents referred to in Articles VI and VII hereof will be exchanged by the parties and, immediately thereafter, the Articles of Merger will be filed by Newco and the Company with the Secretaries of State of the State of Minnesota and the State of Florida; provided, however, that if any of the conditions provided for in Articles VI and VII hereof shall not have been met or waived by the date on which the Closing is otherwise scheduled, then, subject to Section 9.1.4 hereof, the party to this Agreement which is unable to meet such condition or conditions shall be entitled (provided that such party is acting in good faith) to postpone the Closing for a reasonable period of time by notice to the other parties until such condition or conditions shall have been met (which such notifying party will seek to cause to happen at the earliest practicable date) or waived. The date on which the Closing occurs is hereinafter referred to as the Closing Date.

ARTICLE IX

TERMINATION

SECTION 9.1 Termination and Abandonment. This Agreement may be terminated and the Merger may be abandoned before the Effective Time of the Merger, notwithstanding any approval and adoption of this Agreement by the shareholders of the Company or Newco:

9.1.1 by the mutual consent of the Board of Directors of Purchaser and the Company, or

9.1.2 by Purchaser or the Company, if the shareholders of the Company fail to approve the Merger at the meeting of such shareholders called to vote upon the Merger; or

9.1.3 by Purchaser if there has been a material misrepresentation or material breach on the part of the Company or the Principal Shareholder in the representations, warranties or covenants of the Company and the Principal Shareholder set forth herein, or if there has been any material failure on the part of the Company or the Principal Shareholder to comply with its obligations hereunder, or by the Company if there has been a material misrepresentation or

material breach on the part of Purchaser or Newco in the representations, warranties or covenants of Purchaser or Newco set forth herein, or if there has been any material failure on the part of Purchaser or Newco to comply with their obligations hereunder; or

9.1.4 by the Board of Directors of either the Company or Purchaser, at its discretion, if the Merger is not effective by July 31, 1997, except that a party whose breach of this Agreement has caused a delay in the consummation of the Merger shall not be entitled to terminate this Agreement pursuant to this Section 9.1.4

SECTION 9.2 Termination Procedures. The power of termination provided for by this Article IX may be exercised for Purchaser or the Company only by its respective President and will be effective only after written notice thereof, signed on behalf of the party for which it is given by its President or Vice-President or other duly authorized officer, in the case of Purchaser or its President in the case of the Company, shall have been given to the other. If this Agreement is terminated in accordance with this Article IX, then the Merger shall be abandoned without further action by the Company, Purchaser and Newco.

SECTION 9.3 Liability Upon Termination. In the event of termination and abandonment of the Merger pursuant to this Article IX, no party hereto shall have any liability or further obligation to any other party hereto except a party that is in material breach of its representations, warranties or covenants hereunder shall be liable for damages incurred by the other parties hereto to the extent that such damages are proximately caused by such breach.

ARTICLE X

INDEMNIFICATION

SECTION 10.1 Indemnification by the Company and Principal Shareholder. The Principal Shareholder and the Company, each, jointly and severally, hereby agree that, notwithstanding the Closing, the delivery of instruments of conveyance, and regardless of any investigation at any time made by or on behalf of any party hereto or of any information any party hereto may have in respect thereof, they will save, indemnify and hold Purchaser and Newco and, after Closing, the Surviving Corporation, (hereinafter, collectively, "the Indemnitees") harmless from and against any and all liabilities, losses, damages, claims, deficiencies, costs and expenses (including, without limitation, reasonable attorney fees and other costs and expenses incident to any suit, action or proceeding) arising out of or resulting from and will pay to the Indemnitees the amount of damages suffered thereby together with any amount which they or any of them may pay or become obligated to pay (hereinafter all of the foregoing are collectively referred to as "Damages") on account of:

(a) the breach or inaccuracy in any material respect of any warranty or representation by the Company and the Principal Shareholder herein or any misstatement in any material respect of a fact or facts herein made by the Company or the Principal Shareholder;

(b) any failure by the Company or the Principal Shareholder to state or disclose a material fact herein necessary in order to make the facts herein stated or disclosed not misleading;

(c) any failure of the Company or the Principal Shareholder to perform or observe any term, provision, covenant or condition hereunder on the part of either of them to be performed or observed; or

(d) any act performed, transaction entered into or state of facts suffered to exist by the Company or the Principal Shareholder in violation of the terms of this Agreement.

(e) any liability or obligation of the Company or any Subsidiary (whether known or unknown, contingent or noncontingent, or otherwise) arising from actions, events, or occurrences occurring before the Effective Time of Merger, excepting only liabilities and obligations reflected on the balance sheet dated December 31, 1996, included in the Annual Statements or arising in the ordinary course of business after the date of such balance sheet (none of which newly arisen liabilities or obligations shall have adverse effect on the Company or any Subsidiary or its business, properties and assets).

(f) Any claim by a present or former shareholder of the Company relating to the issuance of shares of stock of the Company to such shareholder or to the reacquisition of such shares of stock by the Company, except only that claims by present shareholders for the consideration they are entitled to in the Merger shall not be subject to this subsection.

(g) The amount, if any, by which the total amount paid to dissenting shareholders exceeds the total Cash Conversion Amounts such dissenting shareholders would be entitled to receive under this Agreement.

(h) The matters specified on Exhibit J attached hereto.

Provided, however, that after the Closing, the Company and the Surviving Corporation shal have no liability or obligation to any party with respect to indemnification claims by the Indemnitees, except that Purchaser shall have the right to offset the amount of any claim against amounts due under the Note and against amounts, if any, earned under the Contingent Payment, and provided further, that the amount of any indemnification claims shall first be pursued by exercising said offset right so that a claim can be recovered from the Principal Shareholder only if and to the extent that exercise of such right of offset does not sufficiently provide for any claims of Purchaser. It is understood that the assertion of any right of offset shall be without prejudice to the right of the Principal Shareholder, acting on behalf of the shareholders of the Company, to contest the propriety of said offset. Except as limited by the foregoing provisions, in the event of any claim by Indemnitees under this Section, Indemnitees shall be entitled to

exercise all remedies provided by law and/or equity with respect thereto. In addition, Purchaser shall be entitled to offset the amount of any such claim against any amounts due the Principal Shareholder

SECTION 10.2 **Limitations**. Provided there has been no knowing and intentional misrepresentation of a material fact and no knowing and intentional failure to disclose a material fact necessary to make a disclosure not misleading by the Company or the Principal Shareholder, the indemnification obligations of the Company and the Principal Shareholder are subject to each of the following limitations, understandings and qualifications:

(a) Each of the representations and warranties made by the Company and the Principal Shareholder in this Agreement shall survive for a period of two (2) years after the Closing Date; provided, however, that the representations and warranties made in the following Sections shall survive for the period indicated for such Section: Section 2.3 (relating to Capitalization) for four (4) years; Section 2.11 (relating to Franchise Matters) for three (3) years; Section 2.21 (relating to Compliance with Laws and Environmental Matters) for six (6) years; Section 2.22 (relating to ERISA and Employment Matters) for two (2) years; and Section 2.23 (relating to Taxes) for six (6) years. After the expiration date of any covenants, representations and warranties, no claim for indemnification based on such covenants, representations or warranties may be asserted, except that claims first asserted in writing with reasonable detail before the expiration date may be pursued until they are finally resolved.

(b) No claim for indemnification can be made by Purchaser unless and until the amount of Damages incurred by Purchaser, in the aggregate, for all claims asserted, exceeds an amount (the "Threshold Amount") equal to $75,000 plus the sum of the amounts (if any) described below, but once the Threshold Amount is exceeded, Purchaser may recover all indemnifiable Damages back to dollar one. The following amounts, if and to the extent realized, will increase the Threshold Amount over $75,000:

(i) The amount, if any, by which the total amount paid to dissenting shareholders is less than the total Cash Conversion Amounts such dissenting shareholders would be entitled to receive under this Agreement;

(ii) The amount of any collections by the Company on any notes or receivables which had been written off as of 12/31/96, reduced, however, by an amount reasonably estimated to be equal to the income taxes, if any, payable by the Company upon the receipt of said amounts; and

(iii) The amount of any income tax refunds (excluding, however, any tax refund arising in connection with the Company's

investment in its Canadian subsidiary) received by the Company for its taxable years 1996 or any prior taxable year as a result of matters arising in the Company's taxable year 1996 or any prior taxable year.

(c) The maximum amount of indemnifiable damages recoverable, in the aggregate, by Purchaser shall not exceed an amount (the "Cap") equal to the sum of:

(i) $387,405;

(ii) the amount of the Contingent Payment, if any, earned; plus

(iii) $500,000.

Provided, however, that all claims for indemnification under Section 2.23 (relating to Taxes) can be recovered in full even if they exceed the Cap, and the amounts of such claims shall not be counted in determining whether the Cap has been reached.

(d) Where a matter giving rise to a claim for indemnification also gives rise to an income tax deduction for Purchaser (such as might occur, for example, where Purchaser has to write off a receivable that was warranted to be collectible hereunder), Purchaser's claim for indemnification hereunder shall be equal to the gross amount of indemnifiable damages suffered by Purchaser, reduced by after-tax benefit of the deduction that Purchaser receives, so that Purchaser will be in the same position on an after-tax basis as Purchaser would have been had the claim not arisen. Correspondingly, if the payment of any indemnification claim to Purchaser constitutes taxable income to Purchaser, the amount of the payment to Purchaser shall be increased so that the amount that Purchaser retains, after taxes, puts Purchaser on the same position, on an after-tax basis, as Purchaser would have been had the claim not arisen. In this connection, to avoid the necessity of determining the exact income tax rate applicable to Purchaser and its affiliates, the parties have agreed that Purchaser's marginal income tax rate, combined, for both federal and state, is forty (40%) percent. Said percentage shall be utilized to calculate the value of any deductions to Purchaser, and correspondingly the tax upon any taxable income received by Purchaser, for the purpose of carrying out the provisions of this subsection.

(e) The Company and the Principal Shareholder shall not have any indemnification obligation for claims made by a TAI Franchisee, who is "Qualifying" as defined below, both on the Closing Date and when Purchaser or its affiliates offers CWT franchisees to TAI franchises, claims are due primarily to the failure by Purchaser or its affiliates to offer a CWT franchise to said

Franchisee. A Franchisee shall be "Qualifying" only if, as of each of the dates referenced above, such Franchisee (i) is not in arrears (over 90 days), (ii) is operating under a current (non-expired) franchise agreement, and (iii) is not otherwise in material default. It is understood that this exclusion shall not apply to other claims, if any, which may be made by such a Franchisee

ARTICLE XI

MISCELLANEOUS PROVISIONS

SECTION 11.1 Amendment and Modification. To the fullest extent permitted by applicable law, this Agreement may be amended, modified and supplemented with respect to any of the terms contained herein by mutual consent of the respective Boards of Directors of the Company, Purchaser and Newco, or by their respective officers duly authorized by such Boards of Directors, by an appropriate written instrument executed at any time prior to the Effective Time of the Merger; provided, however, that following an affirmative vote at the shareholders meeting referred to in Section 4.12 hereof, this Agreement may not be amended to reduce the consideration payable in the Merger in respect of shares of Company Common Stock without obtaining the approval of the Company's shareholders in the manner required by law

SECTION 11.2 Waiver of Compliance. To the fullest extent permitted by law, each of Purchaser, Newco and the Company may, pursuant to action by its respective Board of Directors, or its respective officers duly authorized by its Board of Directors, by an instrument in writing extend the time for or waive the performance of any of the obligations of the other or waive compliance by the other with any of the covenants, or waive any of the conditions of its obligations, contained herein; provided, however, that the obtaining of the approval of the shareholders referred to in Sections 6.4 and 7.4 hereof shall not be waivable. No such extension of time or waiver shall operate as a waiver of, or estoppel with respect to, any subsequent or other failure

SECTION 11.3 Survival of Representations and Warranties. The respective representations and warranties of each party hereto contained herein shall not be deemed to be waived or otherwise affected by any investigation made by the other parties hereto. The representations and warranties of Purchaser, Newco and the Company and the Principal Shareholder contained herein or in any document furnished pursuant hereto shall survive the Merger.

SECTION 11.4 No Third Party Rights. Except as otherwise provided in this Agreement, nothing herein expressed or implied is intended, nor shall be construed, to confer upon or give any person, firm or corporation, other than Purchaser, Newco, the Company and their respective security holders, any rights or remedies under or by reason of this Agreement.

SECTION 11.5 Confidentiality. Purchaser and the Company shall honor the confidentiality agreements previously delivered by each such party to the other with respect to matters pertaining to the Merger

SECTION 11.6 Notices. All notices, requests, demands and other communications required or permitted hereunder shall be in writing and shall be deemed to have been duly given when delivered by hand or when mailed by registered or certified mail, postage prepaid, or when given by telex or facsimile transmission (promptly confirmed in writing), as follows

(a) If to the Company and the Principal Shareholder:

Mr. Roger E. Block
Carlson Travel Agents International, Inc.
9887 Fourth Street North, Second Floor
St. Petersburg, FL 33702

with a copy to:

Mr R. Donald Mastry
Holland & Knight
One Progress Plaza, Suite 1600
St. Petersburg, FL 33701-3845

or to such other person as to the Company shall designate in writing, such writing to be delivered to Purchaser in the manner provided in this Section 12.6; and

(b) If to Purchaser or Newco:

Dan E. Lee, Associate General Counsel
Legal Department
Carlson Companies, Inc.
Carlson Parkway
P.O. Box 59159
Minneapolis, MN 55459-8249

with a copy to:

John Dignan, Vice President and CFO
Carlson Travel Group, Inc.
Carlson Parkway
P.O. Box 59159
Minneapolis, MN 55459-8207

or to such other person as Purchaser shall designate in writing, such writing to be delivered to the Company in the manner provided in this Section 12.6.

SECTION 11.7 Assignment. This Agreement and all of the provisions hereof shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns, but neither this Agreement nor any of the rights, interests or obligations hereunder shall be assigned by any of the parties hereto without the prior written consent of the other parties; provided, however, that Newco may assign this Agreement and its rights, interests and obligations hereunder to another directly or indirectly wholly-owned subsidiary of Purchaser without the consent of the Company.

SECTION 11.8 To The Best Knowledge Wherever a representation or warranty or other statement is made hereunder "to the best knowledge" of a party, the representation and warranty shall be deemed made to the best knowledge of said party after reasonable investigation and imputing to such party matters which such party, acting reasonably, should have known.

SECTION 11.9 Governing Laws. This Agreement and the legal relations between the parties hereto shall be governed by and construed in accordance with the laws of the State of Minnesota.

SECTION 11.10 Counterparts This Agreement may be executed simultaneously in two or more counterparts and by the different parties hereto on separate counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

SECTION 11.11 Headings and References The headings of the Sections and Articles of this Agreement are inserted for convenience of reference only and shall not constitute a part hereof. All references herein to Sections and Articles are to sections and articles of this Agreement, unless otherwise indicated.

SECTION 11.12 Entire Agreement This Agreement (including the Exhibits hereto and the Disclosure Letter and the documents referred to herein, all of which form a part hereof) and the confidentiality agreement executed by Purchaser and the Company to contain the entire understanding of the parties hereto in respect of the subject matter contained herein and supersede all prior agreements and understandings between the parties with respect to such subject matter.

SECTION 11.13 Expenses. Whether or not the transactions contemplated hereby are consummated, each of the parties hereto shall pay its own expenses incurred in connection with the authorization, preparation, execution or performance of this Agreement and all transactions contemplated hereby, including without limitation all fees and expenses of agents, representatives, counsel and accountants. It is understood and agreed that if the Merger is consummated as contemplated hereby, the expenses incurred by the Company and its shareholders (including charges for counsel and accountants and including the expenses for the title insurance and survey referred to in Section 6.14 hereof) shall either be paid out of the Cash Conversion Amounts or shall be the responsibility of the Principal Shareholder, and shall not be borne by the Company or the Surviving Corporation, provided, however, that up to, but not in

excess of $25,000 for counsel fees may be charged to the Company and borne by the Company, without it being subject to the requirements of this Section that they be borne out of the Cash Conversion Amounts or borne by the Principal Shareholder

SECTION 11.14 **Publicity** Except as otherwise required by law prior to the Effective Time of the Merger, neither Purchaser nor the Company shall issue or cause the publication of any press release with respect to the transactions contemplated by this Agreement without the consent of the other party, which consent shall not be unreasonably withheld or delayed

SECTION 11.15 **Company Indemnification**. At the present time, the Principal Shareholder is entitled to indemnification from the Company and the Subsidiaries in certain circumstances pursuant to the By-Laws of the Company or the Subsidiaries for matters arising in connection with Principal Shareholder acting as an officer, employee or director of the Company or Subsidiaries. After the Closing hereunder, the Surviving Corporation or the Subsidiaries shall continue to provide such indemnification to the Principal Shareholder with respect to acts of the Principal Shareholder covered by such indemnification which occurred prior to the Closing Date, subject to and upon the terms and conditions which presently apply to such indemnification Notwithstanding the foregoing, however, it is understood and agreed that the Surviving Corporation and the Subsidiaries shall not be required to provide such indemnification as and to the extent that the matter giving rise to the claim for indemnification by the Principal Shareholder also is a matter which is a basis for a claim for indemnification by Purchaser under the provisions of this Agreement.

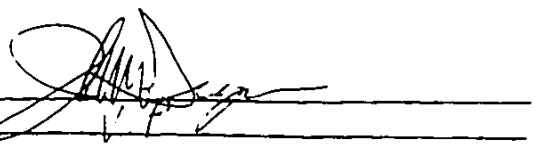
SECTION 11.16 **Joint and Several**. All agreements, covenants, representations, warranties and obligations of the Company and the Principal Shareholder hereunder shall be joint and several obligations of the Company and the Principal Shareholder

SECTION 11.17 **Related Parties**. Except for the Spellbound lease that will expire as specified on Schedule "G" to the Disclosure Letter, commencing as of the Effective Time of the Merger, any agreements or business relationships between the Company and any Subsidiaries and any related parties shall either be terminated or shall be renegotiated on an arms-length basis, at no cost or expense to the Company or the Subsidiaries.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the date and year first written above.

PURCHASER

CARLSON TRAVEL GROUP, INC.

By 

Its

NEWCO:

CARLSON TRAVEL AGENTS
INTERNATIONAL, INC.

By_____
Its_____

COMPANY:

INTERNATIONAL FRANCHISE GROUP, INC.

By_____
Its_____

PRINCIPAL SHAREHOLDER:

_____
Roger E. Block

GP 369245 v11

LIST OF EXHIBITS

A. Note

B. Real Estate Matters

C. Company's Counsel's Opinion

D. Non-Compete Agreement

E. Employment Agreement

F. List of Carlson Wagonlit Franchisees in a Non-Compete Area

G. Example of Operation of Contingent Payment Provisions

H. Tenant Estoppel Certificates

I. Landlord Estoppel Certificates

J. Specific Matters Subject to Indemnification

GP:369245 v11

EXHIBIT A

GPMM&B DRAFT 4/13/97

NON-NEGOTIABLE
PROMISSORY NOTE

$387,405.00

May ___, 1997
Minneapolis, Minnesota

FOR VALUE RECEIVED, the undersigned, CARLSON TRAVEL GROUP, INC., a California corporation ("Carlson") promises to pay to the order of ROGER E. BLOCK ("Agent") as agent for the former shareholders of INTERNATIONAL FRANCHISE GROUP, INC. ("IFG"), the principal amount of Three Hundred Eighty-Seven Thousand Four Hundred Five and 00/100 Dollars ($387,405.00), with simple interest at the rate of seven and one-half percent (7½%) per annum, as follows: The entire principal balance of this Note, together with any accrued interest, shall be due and payable on the third anniversary of the date hereof subject to the exercise of any rights of offset by Carlson. Interest under this Note shall be payable every six months, with the first such payment due six months from the date hereof. Interest payments shall be paid by Carlson delivering to Agent or sending directly, if Agent so directs, checks made payable to the former shareholders of IFG for the amount of interest due them; provided, however, that where the amount of interest payable to any such shareholder under this Note is less than $10.00, no payment of interest shall be made until the interest has accumulated to $10.00. In any event, if not sooner paid all interest will be paid at the time the principal balance of this Note is due.

All payments hereunder shall be made in lawful currency of the United States at _____, Florida _____, or such other place as the Agent may from time to time in writing appoint, and all such payments shall be applied first to accrued and unpaid interest, if any, and the remainder to principal.

The undersigned may, from time to time, prepay all or any portion of the installments of principal due hereunder without premium or penalty.

This Promissory Note is issued pursuant to the terms of that certain Agreement and Plan of Merger dated April __, 1997 by and among Purchaser, its indirect subsidiary Carlson Travel Agents, International, Inc., IFG and Roger E. Block, in his individual capacity (the "Merger Agreement"). This Promissory Note is subject to and governed by the Merger Agreement, including being subject to rights of offset as provided therein.

Upon the occurrence of any of the following events of default:

(a) A failure by the undersigned to pay in full any installment of principal hereunder within ten (10) days after the same becomes due and payable;

(b) voluntary or involuntary liquidation or dissolution proceedings shall be commenced by or against the undersigned, and any such proceeding instituted against the undersigned shall not be dismissed or stayed within sixty (60) days after the commencement thereof;

(c) the undersigned shall admit in writing its general inability to pay its debts as they become due, shall make a written assignment for the benefit of creditors, or any bankruptcy, insolvency or similar proceeding shall be instituted with respect to, by or against the undersigned, and any such proceeding instituted against the undersigned shall not be dismissed or stayed within sixty (60) days after the commencement thereof;

then the holder hereof may, at its option, declare the entire principal amount hereof immediately due and payable and the same shall forthwith become due and payable without presentment, demand, protest or other notice of any kind, all of which are expressly waived.

The non-prevailing party in any proceeding to enforce the terms of this Note shall pay the prevailing party's reasonable attorneys' fees and expenses.

This Note shall be governed by the internal laws, rather than the conflicts of laws rules, of the State of Minnesota.

CARLSON TRAVEL GROUP, INC.

By_____

Its_____

GP:375525 v2

Exhibit B

(American Land Title Association Owner's Policy – 10-17-92) (With Florida Modifications)

OWNER'S TITLE INSURANCE POLICY

Attorneys' Title Insurance Fund, Inc.

ORLANDO, FLORIDA

SUBJECT TO THE EXCLUSIONS FROM COVERAGE, THE EXCEPTIONS FROM COVERAGE CONTAINED IN SCHEDULE B AND THE CONDITIONS AND STIPULATIONS, ATTORNEYS' TITLE INSURANCE FUND, INC., a Florida corporation, herein called The Fund, insures, as of Date of Policy shown in Schedule A, against loss or damage, not exceeding the Amount of Insurance stated in Schedule A, sustained or incurred by the insured by reason of:

1. Title to the estate or interest described in Schedule A being vested other than as stated therein;
2. Any defect in or lien or encumbrance on the title;
3. Unmarketability of the title;
4. Lack of a right of access to and from the land.

The Fund will also pay the costs, attorneys' fees and expenses incurred in defense of the title, as insured, but only to the extent provided in the Conditions and Stipulations.

In Witness Whereof, ATTORNEYS' TITLE INSURANCE FUND, INC. has caused this policy to be signed and sealed as of Date of Policy shown in Schedule A, the policy to become valid when countersigned by an authorized signatory.

ATTORNEYS' TITLE INSURANCE FUND, INC. CORPORATE SEAL FLORIDA

Attorneys' Title Insurance Fund, Inc.

By: Charles J. Kovaleski

Charles J. Kovaleski
President

SERIAL

OPM - 861599

FUND OWNER'S POLICY
Schedule A

Policy No.: OPM- 861599
Effective Date: February 2, 1994 at 7:32 PM

Fund File Number 04-93-3277-2
8431-A

Amount of Insurance: $1,112,000.00

1. *Name of Insured:*

International Franchise Group, Inc.

2. *The estate or interest in the land described herein and which is covered by this policy is a fee simple and is at the effective date hereof vested in the named insured as shown by instrument recorded in Official Records Book 8554, Page 816, of the Public Records of Pinellas County, Florida.*

3. *The land referred to in this policy is described as follows:*

Lot 1 in Block 1 of J. J. W. SUBDIVISION according to the map or plat thereof as recorded in Plat Book 88 at Page 29 of the public records of Pinellas County, Florida.

I, the undersigned agent, hereby certify that
* *the transaction insured herein is governed by RESPA,* __ *Yes* X *No*
* *if Yes to above, I have performed all "core title agent services."* __ *Yes* X *No*

AGENT NO.: 229012
ISSUED BY: Gora & Hall, P. A.

MAILING ADDRESS:

28050 US Hwy 19 N
Clearwater, Florida 34621

AGENT'S SIGNATURE _____

FUND OWNER'S POLICY
/ Schedule B

Continued Page 2

Policy No.: OPM- 861599

Fund File Number 04-93-3277-2
8431-A

This policy does not insure against loss or damage by reason of the following exceptions:

1. Taxes for the year of the effective date of this policy and taxes or special assessments which are not shown as existing liens by the public records.
2. Rights or claims of parties in possession not shown by the public records.
3. Encroachments, overlaps, boundary line disputes, and any other matters which would be disclosed by an accurate survey and inspection of the premises.
4. Easements or claims of easements not shown by the public records.
5. Any lien, or right to a lien, for services, labor, or material heretofore or hereafter furnished, imposed by law and not shown by the public records.
6. Easement to Florida Power Corporation recorded August 13, 1984 in OR Book 5821, Page 1789.
7. Matters as shown on the plat of J. J. W. Subdivision recorded in Plat Book 88, Page 29.
8. Mortgage to Marine Bank, mortgagee, recorded in OR Book 8554, Page 818.
9. Assignment of Rents and Leases from International Franchise Group, Inc. to Marine Bank dated January 31, 1994 and recorded February 2, 1994 in OR Book 8554, Page 833.
10. UCC-Financing Statement executed by International Franchise Group, Inc. in favor of Marine Bank, recorded February 2, 1994 in OR Book 8554, Page 838.
11. Tenants occupying and in possession of the real property.
12. Matters noted on Survey prepared by FLD&E Surveying, Inc. dated December 30, 1993.

Items 2 through 5 in Schedule B above are hereby deleted.

Exclusions from Coverage

The following matters are expressly excluded from the coverage of this policy and The Fund will not pay loss or damage, costs, attorneys' fees or expenses which arise by reason of:

1. (a) Any law, ordinance or governmental regulation (including but not limited to building and zoning laws, ordinances, or regulations) restricting, regulating, prohibiting or relating to (i) the occupancy, use, or enjoyment of the land; (ii) the character, dimensions or location of any improvement now or hereafter erected on the land; (iii) a separation in ownership or a change in the dimensions or area of the land or any parcel of which the land is or was a part; or (iv) environmental protection, or the effect of any violation of these laws, ordinances or governmental regulations, except to the extent that a notice of the enforcement thereof or a notice of a defect, lien or encumbrance resulting from a violation or alleged violation affecting the land has been recorded in the public records at Date of Policy.

   (b) Any governmental police power not excluded by (a) above, except to the extent that a notice of the exercise thereof or a notice of a defect, lien or encumbrance resulting from a violation or alleged violation affecting the land has been recorded in the public records at Date of Policy.

2. Rights of eminent domain unless notice of the exercise thereof has been recorded in the public records at Date of Policy, but not excluding from coverage any taking which has occurred prior to Date of Policy which would be binding on the rights of a purchaser for value without knowledge.

3. Defects, liens, encumbrances, adverse claims or other matters:

   (a) created, suffered, assumed or agreed to by the insured claimant;

   (b) not known to The Fund, not recorded in the public records at Date of Policy, but known to the insured claimant and not disclosed in writing to The Fund by the insured claimant prior to the date the insured claimant became an insured under this policy;

   (c) resulting in no loss or damage to the insured claimant;

   (d) attaching or created subsequent to Date of Policy; or

   (e) resulting in loss or damage which would not have been sustained if the insured claimant had paid value for the estate or interest insured by this policy.

4. Any claim, which arises out of the transaction vesting in the insured the estate or interest insured by this policy, by reason of the operation of federal bankruptcy, state insolvency, or similar creditors' rights laws, that is based on:

   (a) the transaction creating the estate or interest insured by this policy being deemed a fraudulent conveyance or fraudulent transfer; or

   (b) the transaction creating the estate or interest insured by this policy being deemed a preferential transfer except where the preferential transfer results from the failure:

      (i) to timely record the instrument of transfer; or

      (ii) of such recordation to impart notice to a purchaser for value or a judgment or lien creditor.

Conditions and Stipulations (below insert)

EXHIBIT C

(LETTERHEAD OF HOLLAND & KNIGHT)

GPM DRAFT: 4/13/97

April ___, 1997

Carlson Travel Group, Inc.
Carlson Travel Agents International, Inc.
12755 State Highway 55
Minneapolis, Minnesota 55441

Gentlemen:

We have acted as counsel to International Franchise Group Inc., a Florida corporation (the "Company") and to its principal shareholder, Roger E. Block (the "Principal Shareholder") in connection with the preparation, execution and delivery of an Agreement and Plan of Merger (the "Merger Agreement") dated April ___ , 1997, by and among the Company, the Principal Shareholder, Carlson Travel Group, Inc. ("Purchaser") and Carlson Travel Agents International, Inc. ("Newco"). The Merger Agreement provides for the merger (the "Merger") of Newco with and into the Company. This is the opinion of counsel referred to in Section 6.5 of the Merger Agreement. Capitalized terms used herein which are not otherwise defined herein shall have the meanings attributed to them in the Merger Agreement.

In connection with our rendering of this opinion, we have examined originals or copies identified to our satisfaction as being true copies of the following:

A. The Merger Agreement;

B. The Non-Compete Agreement between Purchaser and the Principal Shareholder and his spouse, Victoria Block (the "Non-Compete");

C. The Employment Agreement between Carlson Travel Group, Inc. and the Principal Shareholder;

D. The Articles of Merger to be filed with the Florida Secretary of State to effectuate the Merger of Newco into the Company.

(Hereinafter the documents listed above are sometimes collectively referred to as the "Acquisition Documents.")

In furnishing this opinion, we have examined the Articles of Incorporation, by-laws, stock transfer records and the minutes of the Company. As to the good standing and qualification of the Company and the Subsidiaries, we have relied on a good standing certificate of the States identified below. We have examined and relied upon representations and warranties as to matters of fact (other than facts constituting conclusions of law) contained in and made pursuant to the Acquisition Documents. We also have examined and relied upon such other documents, instruments and certificates of public officials and made such other investigations of fact and law as we have deemed necessary.

We have assumed the genuineness of all signatures other than those of the Company and the Principal Shareholder, the authenticity of all documents submitted to us as originals, the conformity to original documents of all documents submitted to us as certified or photostatic copies and the authenticity of the originals of such latter documents. We have further assumed that the Acquisition Documents constitute the legal, valid and binding obligations of all parties thereto other than the Company and the Principal Shareholder.

In connection with the opinions and other matters set forth herein, the words "our knowledge" and similar language signify that, in the course of our representation of the Company in matters with respect to which we have been engaged by the Company as counsel, no information has come to our attention that has given us actual knowledge or actual notice that any such opinions or other matters are not accurate and that any of the foregoing documents, certificates, records and information on which we have relied is not accurate and complete. Except as otherwise stated herein, we have undertaken no independent investigation or verification of such matters. The words "our knowledge" and similar language used herein are limited to the knowledge of the lawyers within this firm who have worked on matters for the Company within the last twelve months.

The opinions set forth herein are limited to matters of Florida and applicable federal law. We express no opinion with respect to the laws of any other jurisdiction. For purposes of this opinion, we have assumed that the internal laws (as opposed to the choice of law rules) of the state of Florida and applicable federal law would apply and have rendered our opinion on that basis. To the extent that the law of another jurisdiction applies, we have assumed that the law of that jurisdiction would be the same as Florida law. We render no opinion as to the enforceability of any choice of law provision.

Based upon and subject to the foregoing, we are of the opinion that:

1. Each of the Company and the Subsidiaries is a corporation duly organized, validly existing and in good standing under the laws of the State of Florida and has all requisite corporate power and corporate authority to own, lease and operate its properties and to conduct its business. Exhibit A attached hereto specifies the states where the Company and each Subsidiary are qualified to do business as foreign corporations.

2. The Company has authorized capital consisting of:

(a) 4,000,000 shares of common stock of $.01 par value, of which 3,099,237 shares are issued and outstanding;

(b) 5,000 shares of Company Original Preferred stock of $100 par value per share of which 805.63 shares are issued and outstanding;

(c) 25,000 shares of Company Preferred Stock B of $100 par value per share of which 2,472.31 shares are issued and outstanding; and

(d) 25,000 shares of Company Preferred Stock C of $100 par value per share, of which 216.42 shares are issued and outstanding.

No preemptive or similar rights will arise as a result of the transactions contemplated by the Merger Agreement.

3. Each Subsidiary has authorized capital and issued and outstanding shares as specified in the Merger Agreement. All issued and outstanding shares of stock of each Subsidiary are owned by the Company, except that in the case of Travel Agents International Franchising Corp., all of the issued and outstanding shares are owned by Travel Agents International, Inc.

4. To our knowledge, there are no voting trusts, voting agreements, irrevocable proxies or other agreements in effect relating to any shares of Company Stock or the stock of any Subsidiary other than as may be disclosed in the Merger Agreement. Except as disclosed in the Merger Agreement, to our knowledge, the Company and each Subsidiary does not have outstanding any option, warrant or other right obligating it to issue, or permitting or requiring it or others to purchase or convert any obligation into, securities of the Company or such Subsidiary.

5. The Company has full corporate power and corporate authority to consummate the transactions contemplated by the Acquisition Documents and the terms and conditions set forth therein, and no permit, consent, approval, authorization or other

order of or filing with any governmental authority is required in connection with such authorization, execution, delivery and consummation, other than the filing of Articles of Merger and as disclosed in the Merger Agreement.

6. The execution and delivery by the Company of the Acquisition Documents and the consummation by the Company of the transactions contemplated thereby have been duly approved by the Board of Directors and the shareholders of the Company, and no other corporate or shareholder approval with respect to the Company is required. The Merger Agreement has been duly authorized, executed and delivered on behalf of the Company and constitutes a valid and binding agreement enforceable in accordance with its terms. The Acquisition Documents have been duly executed and delivered on behalf of the Principal Shareholder, and constitute valid and binding agreements enforceable in accordance with their terms.

7. The execution, delivery and performance by the Company and the Principal Shareholder of the Acquisition Documents will not (i) violate any provisions of the Articles of Incorporation or by-laws of the Company, or (ii) violate (A) any statute, rule or regulation, or (B) to our knowledge, any order, writ or agreement applicable to the Company or the Principal Shareholder, or to which any of the Company or the Principal Shareholder is a party or by which any of them is bound.

8. Assuming that Purchaser and Newco comply with the applicable provisions of the laws of the state under which each is organized in all respects as to the Merger, the Merger will be validly effected under the Florida Business Corporation Act of 19__, as amended, as provided in the Articles of Merger, upon proper filing of the Articles of Merger by the Secretary of State of Florida.

9. To our knowledge, there is no action, suit or proceeding at law or equity, or before any federal, state or local governmental departments, commission, board, bureau, agency or instrumentality, domestic or foreign, pending or threatened against the Company or any Subsidiary or any of their respective properties, except as may be disclosed in the Merger Agreement.

In addition to the qualifications set forth above, the opinions set forth herein are also subject to the following qualifications:

A. The enforceability of the Acquisition Documents may be limited by bankruptcy, insolvency, fraudulent conveyance, fraudulent transfer, reorganization, arrangement, moratorium, or other laws or judicial decisions relating to or generally affecting the rights of creditors or lenders and by general principles of equity (whether

such enforcement is sought in an action at law or in equity) affecting the enforcement of agreements generally. Any particular right or remedy provided by the Acquisition Documents, including equitable remedies, may be unavailable or limited under equitable principles, or due to requirements as to prior notice, judgment or decree of a court of competent jurisdiction, materiality, commercial reasonableness, conscionability or good faith, among others.

B. The availability of the remedy of specific performance or injunctive relief, or any other equitable remedy, is subject to the discretion of the court before which any proceeding therefor may be brought.

C. We call your attention to the fact that we have not regularly represented the Company or the Principal Shareholder. There therefore may exist matters of a legal nature relating to the Company or the Principal Shareholder of which we are not aware.

D. [Any standard qualifications in Florida re Non-Competes]

E. We are furnishing this opinion to you in connection with the Acquisition Documents and this letter is solely for your benefit. This letter is not to be used, circulated, quoted or otherwise referred to or relied on for any other purpose.

HOLLAND & KNIGHT

By:_____

GP:375514 v1

Draft: 4/14/97 (evening)

EXHIBIT D

NON-COMPETE AGREEMENT

AGREEMENT dated May ___, 1997, between CARLSON TRAVEL GROUP, INC., a California corporation ("Purchaser") and ROGER E. BLOCK and VICTORIA BLOCK, husband and wife residing in Clearwater, Florida (collectively the "Shareholders").

WITNESSETH:

WHEREAS, Purchaser, its indirect subsidiary Carlson Travel Agents International, Inc. ("Newco"), International Franchise Group, Inc. ("IFG") and Roger E. Block ("Block") are parties to that certain Agreement and Plan of Merger dated April __ , 1997 (the "Merger Agreement") providing for the merger of Newco with and into the Company so that the Company will become an indirect subsidiary of Purchaser.

WHEREAS, Shareholders are the principal shareholders of the Company and through such share ownership, as well as other agreements entered into in connection with the Merger Agreement, will be financially benefited by the Merger Agreement.

WHEREAS, as a condition to closing the Merger Agreement and in order to satisfy a requirement set forth therein, Purchaser desires to receive Shareholders' covenant not to compete and other agreements set forth herein.

NOW, THEREFORE, in consideration of the premises and the mutual covenants hereinafter set forth, Purchaser and Shareholders agree as follows:

ARTICLE I
NON-COMPETE COVENANT

In this Article I:

> "Corporate Product" means any product or service (including any component thereof and any research to develop information useful in connection with a product or service) that is being designed, developed, manufactured, marketed or sold by Purchaser or its subsidiaries or affiliates or with respect to which Purchaser or its subsidiaries or affiliates has developed or acquired Confidential Information which it intends to use in the design, development, manufacture, marketing or sale of a product or service.

"Competitive Product" means any product or service (including any components thereof and any research to develop information useful in connection with the product or service) that is being designed, developed, manufactured, marketed or sold by anyone other than Purchaser or its subsidiaries or affiliates, and is of the same general type, performs similar functions, or is used for the same purposes as a Corporate Product which Block worked on or assisted in any significant respect Purchaser or its subsidiaries or affiliates in marketing during the last two (2) years of employment or about which Block received or had knowledge of Confidential Information.

In consideration for the compensation and benefits provided for herein and the acquisition by Purchaser of International Franchise Group, Inc. under the Merger Agreement, each of the Shareholders agrees that during the Term, as defined below, each of the Shareholders will not, directly or indirectly, own, be employed by, or otherwise render services to any person or entity that is involved in the design, development, marketing or sale of a Competitive Product that is sold or intended for use or sale in any geographic area (national and international) in which Purchaser or its subsidiaries or affiliates actively markets a Corporate Product, or intends at the time of the employment termination of Block to actively market a Corporate Product of the same general type or function. The "Term" shall mean the period commencing on the date hereof and ending on the later of (i) the date five (5) years from the date hereof, and (ii) the date two (2) years following termination of Block's employment with Purchaser, whether such termination shall be voluntary or involuntary.

Each of the Shareholders understands and acknowledges that at the present time, Corporate Products include the provision of travel-related services and products, the franchising of travel-related services and products. Each of the Shareholders understands and acknowledges that the foregoing description of Corporate Products and geographic market may change, and the provisions of this section shall apply to the Corporate Products and geographic market of Purchaser and its subsidiaries and affiliates in effect upon the termination of Block's employment with Purchaser and its subsidiaries or affiliates.

Notwithstanding the foregoing, Shareholders shall be free to operate Gateway Travel as a franchise of Purchaser or its affiliates during the term of Block's employment with Purchaser or its affiliates and, should Block's employment with Purchaser or its affiliates terminate, Shareholders shall have the right to own and operate retail travel agencies located within a thirty (30) mile radius of the center of the business district for Tampa, Florida, provided that such agencies are owned solely by Shareholders and their parents and children and that during the Term such agencies will not be members of a franchise group that competes with Purchaser or its affiliates.

ARTICLE II
NON-DISCLOSURE COVENANT

During and after the term of this Agreement, each of the Shareholders shall not communicate, divulge or use, any secret, confidential information, confidential customer list, or trade secrets which relate to the business or assets of the Company and its subsidiaries, or to the business of Purchaser or its affiliates and subsidiaries, to or on behalf of any person or entity, except (i) as designated by Purchaser, and (ii) as required by law. This obligation shall apply with respect to any such item until such item ceases (other than due to Shareholders) to be secret or confidential. Shareholders shall take all reasonable actions to comply with the provisions of this non-disclosure covenant. Wherever Shareholders learn that disclosure of any such secret, confidential information, confidential customer list or trade secrets may be required by law, Shareholders shall promptly advise Purchaser of the same so that Purchaser may contest such disclosure, and Shareholders shall provide assistance on a reasonable basis to Purchaser in contesting such disclosure.

ARTICLE III
REMEDIES

In the event of any actual threatened breach of the provisions of Articles I or II hereof by Shareholders, Purchaser shall be entitled to all rights and remedies available at law or in equity, including without limitation the right to obtain damages for such breach or non-adherence and the right to enjoin Shareholders, or any person or entity in or threatening breach or non-adherence, from commencing or continuing, and to remedy, the activities which constitute such breach or non-adherence.

ARTICLE IV
CONSIDERATION

Shareholders acknowledges that they will be benefited by the Merger Agreement, and that they are entering into this Agreement to satisfy a condition of the Merger Agreement.

ARTICLE V
MISCELLANEOUS

5.1 Entire Agreement; Use of Terms. This Agreement, together with the Merger Agreement and the agreements and documents executed in connection therewith, contains the entire agreement among the parties, superseding in all respects any and all prior oral or written agreements or understandings pertaining to the subject matter hereof and transactions contemplated hereby, and shall be amended or modified only by a written instrument signed by all of the parties hereto. Unless the context clearly requires otherwise, terms employed herein shall have the same meaning as set forth in the Merger Agreement.

5.2 Waiver. No waiver by any party of any condition, or of the breach of any term, covenant, representation or warranty contained in this Agreement, whether by conduct or otherwise, in any one or more instances shall be deemed to be or construed as a further and continuing waiver of any such condition or breach or a waiver of any other condition or breach of any other term, covenant, representation, or warranty of this Agreement, or the agreements and documents executed in connection herewith.

5.3 Binding Effect; Assignment. This Agreement shall be binding upon. and shall inure to the benefit of and be enforceable by, the parties hereto and their respective heirs, successors and assigns, but this Agreement shall not be assignable by Shareholders.

5.4 Application to Related Parties.. The covenants and restrictions of this Agreement shall apply to Shareholders and to all companies controlled, directly or indirectly, by Shareholders, whether now existing or hereafter arising or coming into existence (hereinafter a "Related Party"). In the event of any breach by a Related Party of the provisions of this Agreement, Shareholders shall be fully liable for and responsible for said breach just as if Shareholders had committed said breach directly. For these purposes, control shall mean the ownership of twenty-five percent (25%) or more of the ownership interest in or voting control over a company (whether the company is a corporation, partnership, limited liability company or other business entity).

5.5 General. This Agreement may be executed in several counterparts, each of which shall be deemed to be an original, but all of which shall constitute one and the same instrument. The section headings contained herein are for reference purposes only and shall not in any way affect the meaning or interpretation of this Agreement. This Agreement shall be governed, enforced and construed under the laws of the State of Minnesota.

PURCHASER:

CARLSON TRAVEL GROUP, INC.

By_____
Its_____

SHAREHOLDERS:

By_____
Roger E. Block

By_____
Victoria Block

GP:375521 v4

EXHIBIT E

EMPLOYMENT AGREEMENT

This EMPLOYMENT AGREEMENT (the "Agreement") is made this _____ day of May, 1997, by and between **CARLSON TRAVEL GROUP, INC.** ("Carlson") and **ROGER E. BLOCK** ("Block").

RECITALS

A. Carlson desires to employ Block in accordance with the terms of this Agreement.

B. Carlson and Block desire to enter into this Agreement.

AGREEMENT

In consideration of the above recitals and the promises set forth in this Agreement, the parties agree as follows:

I. Nature and Capacity of Employment. Carlson hereby agrees to employ Block as Vice President Franchise Development & Industry Relations, pursuant to the terms of this Agreement. Block agrees to perform, or be available to perform, on a full-time basis, the functions of this position as they are determined by Carlson, pursuant to the terms of this Agreement. Block will report to the President of the Carlson Leisure Group.

Initially, Block will be located in the St. Petersburg, Florida area. Block will not be required to move from this area to perform his initial responsibilities unless he agrees to the move. In the event Block is required by Carlson to relocate, Carlson agrees to pay Block's relocation expenses in accordance with Carlson's then current relocation policy for similarly situated executives. It is understood that this shall include provision for the purchase of Block's house at fair market value and payment of his moving expenses.

II. Term of Employment. The term of Block's employment under this Agreement shall commence as of May __, 1997 and continue until May __, 1999, unless earlier terminated by either party as provided for hereinafter. Block's employment under this Agreement may not be extended beyond May __, 1999 except in a writing executed by Block and Carlson.

III. Annual Base Salary. The annual base salary which Carlson agrees to pay to Block during the term of this Agreement shall be One Hundred Fifty-Six Thousand Dollars ($156,000.00) payable according to Carlson's normal payroll practices.

IV. Discretionary Bonuses. Carlson, in its sole discretion, may pay Block in addition to the annual base salary set forth above an annual bonus of up to one-half his base salary, plus a potential additional "Gold Zone" bonus. For 1997, the bonus payable hereunder shall be pro-

rated based on the commencement date of his employment with Carlson.

V. **Signing Bonus.** Contemporaneously with the execution of this Agreement, Carlson is paying Block a one-time signing bonus of $550,000 in consideration of Block's agreeing to enter into an employment relationship with Carlson as provided herein.

VI. **Incentive Bonus.** In addition to the other amounts set forth herein, Block shall be entitled to earn a one-time incentive payment (the "Incentive Bonus") of up to $470,000 (the "Target Amount") based on a comparison of (a) the number (the "Original Number") of TAI franchisees, as defined below, at the time of Closing (the "Original Franchisees"), to (b) the number (the "Two-Year Number") equal to (i) the number of start-up franchisees who are franchisees on the Determination Date, as defined below, including for these purposes both Original Franchisees who continue to be franchisees on said date and new start-up franchisees, as defined below, added after the closing who are still franchisees on said Date, reduced by (ii) the number of Carlson Wagonlit franchisees, as specified below, who on the Closing Date were within a non-compete area granted to an Original Franchisee, and who have ceased for any reason to be a Carlson Wagonlit franchisee by the Determination Date. If the Two-Year Number is equal to or greater than the Original Number, the Target Amount will be payable in full. If the Two-Year Number is seventy percent (70%) or less of the Original Number, no payment will be due. If the Two-Year Number is between seventy percent (70%) and one hundred percent (100%) of the Original Number, a proportionate amount of the Target Amount will be payable.

In addition, it is agreed that in the event Robert Reeves does not continue his employment with Carlson or any subsidiaries or affiliates of Carlson through the second anniversary of the date hereof, the Target Amount shall be increased by $30,000, to $500,000, to compensate Block for the increased effort which will be required from him due to Reeves' departure.

For purposes of this section, a "Carlson Wagonlit franchisee" shall mean a franchisee of the Carlson Wagonlit system; provided, however, this shall not include such franchisees who are, as of the date hereof or the Determination Date, as applicable, either ninety (90) or more days in arrears for more than $1,000 or operating under expired franchise agreements.

For purposes of this section, the "Determination Date" shall mean the second anniversary of the date hereof; provided, however, that if a UFOC permitting sales of start-up franchises is not in place within thirty (30) days after the date hereof then, at the option of Block to be exercised within thirty (30) days after the second anniversary of the date hereof, the Determination Date shall be the second anniversary of the date hereof extended by the number of days over thirty (30) until the UFOC was in place.

A prospective franchisee shall be deemed to have become a franchisee on the first date on which both the prospective franchisee has executed a franchise agreement and has paid (including payments made by delivery of a promissory note) on a non-contingent, non-refundable basis the initial franchise fee. In this connection, it is understood that the initial franchise fee (excluding amounts charged for additional services, furniture, equipment and other start-up related expenses) charged to start-up franchisees shall not exceed $30,000 during the

time period beginning on the Closing Date and ending on the Determination Date. A franchisee shall be deemed to have ceased to be a franchisee on the first date on which notice of termination to said franchisee becomes effective.

For purposes of this section, a "TAI franchisee" shall mean a franchisee of the Travel Agents International Franchise System (but not of the Travel Academy Franchise System) operated by Travel Agents International, Inc. ("TAI"); and a "new start-up franchisee" shall mean a travel business franchisee who is added as a franchisee after the Effective Time of Merger who did not previously operate a retail travel business. Therefore, travel franchisees who are independents who are added to the Carlson franchise system operated by Carlson or its affiliates or the Travel Agents International Franchise System under Carlson's ownership or who are converted from other franchise systems would not be considered new start-up franchisees. Similarly, franchisees who are acquired by Carlson or its affiliates through an acquisition would not be considered new start-up franchisees.

If and to the extent earned, the Target Amount shall be due and payable to Block on May __, 2000. On said date, Block shall be paid the Target Amount, if and to the extent earned, plus simple interest on the amount of the Target Amount earned at the rate of seven and one-half percent (7½%) per annum, calculated from the date hereof. Amounts payable under this section are subject to offset for claims that Carlson or its subsidiaries or affiliates may have against Block.

VII. Employee Benefits; Vacation. Block shall be entitled to participate in all retirement plans and all other employee benefits and policies made available by Carlson to comparable executives as long as employed by Carlson. In addition, Block shall be entitled to receive a monthly car allowance of Four Hundred Dollars ($400.00). Where Block flies on business for Carlson, Block shall have the right to fly first class.

Block shall be entitled to vacation time of four (4) weeks per year without reduction of the minimum annual base salary payable to Block pursuant to Section 3 of this Agreement.

VIII. Undertakings of Block. Block agrees to spend his full working time and effort in performance of his duties with Carlson as long as employed by Carlson; and will not, during the course of employment by Carlson, without prior written approval of the Board of Directors of Carlson, become an employee, director, officer, agent, partner of or consultant to, or a stockholder of (except a stockholder of a public company in which Block owns less than five percent (5%) of the issued and outstanding capital stock of such company) any company or other business entity which is a significant competitor, supplier, or customer of Carlson. Block shall, however, be permitted to own Gateway Travel and said ownership shall not be a violation of this provision.

IX. Termination of Employment Agreement

A. Without Cause with Severance. Block's employment under this Agreement may be terminated, without cause, by Carlson or by Block upon sixty (60) days written notice to the

other party. In such event, Block, if requested by Carlson, shall continue to render services to Carlson up to the date of actual termination. Even if Carlson does not request Block to continue to render such services, Block shall be paid Block's regular compensation, plus any commissions, bonuses, expenses or allowances accrued up to the date of actual termination. In addition, if Carlson terminates this Agreement without cause, Carlson shall pay to Block the greater of (i) the remaining salary that would have been paid to Block had he remained employed through the full two-year term of this agreement, payable as and when said salary would have been payable had Block's employment continued hereunder, or (ii) the amounts Block would be entitled to receive in accordance with Carlson's standard severance policy applicable to similarly situated executives, payable as provided in said policy. For purposes of this subsection (ii), any amount payable under (ii) shall be calculated based on the commencement date of Block's employment at International Franchise Group, Inc. Notwithstanding any such termination without cause, Block will still be entitled to receive the Incentive Bonus if and to the extent earned.

B. With Cause. Notwithstanding anything contained herein to the contrary, Carlson, acting by and through the Board of Directors, shall have the right to terminate Block's employment under this Agreement for good "Cause," which shall mean: (i) after notice and a reasonable opportunity to cure, the continued failure by Block to satisfactorily perform Block's duties with Carlson; or (ii) the willful engaging by Block in conduct which is demonstrably and materially injurious to Carlson, monetarily or otherwise; or (iii) misappropriation of funds or property of Carlson; or (iv) the committing of a felony crime; or (v) the willful committing of material unethical acts in the course of employment.

If the Board votes to terminate Block's employment under this Agreement for "Cause," notice stating the effective date of such termination shall be delivered to Block, which date may be the date of the delivery of such notice. As of the effective date of such termination of Block's employment by Carlson, Carlson shall be relieved of all obligations and liabilities to Block under this Agreement. Notwithstanding any such termination for Cause, Block will still be entitled to receive the Incentive Bonus if and to the extent earned.

C. Death. Should Block die during the term of this Agreement, this Agreement shall immediately terminate; but Carlson shall pay to Block's estate the regular compensation which would otherwise be payable to Block up to the end of the month in which death occurs. (The Incentive Bonus will not be payable if Block dies before the second anniversary of the date of this Agreement.)

Provided Block satisfies the health requirements and other reasonable requirements of the insurance company, Carlson shall provide to Block, at Carlson's expense, term life insurance in the amount of $500,000 during the term of Block's employment hereunder.

D. Disability. Should Block be unable to perform Block's duties under this Agreement due to sickness or disability after being provided with any reasonable accommodation Carlson may be obligated by law to provide or otherwise in accordance with Carlson's disability policies for similarly situated executives, this Agreement may be terminated by Carlson forthwith.

Notwithstanding any such termination for disability, Block will still be entitled to receive the Incentive Bonus if and to the extent earned.

X. **Confidential Information.** For purposes hereof, "Confidential Information" means any information that Block learns or develops during the course of employment with Carlson that provides to Carlson, the Carlson Wagonlit franchise system, any affiliated franchise system, or any company affiliated with Carlson, independent economic value from being not generally known or readily ascertainable by other persons who could obtain economic value from its disclosure or use, and includes, but is not limited to, trade secrets, methods of research and research findings, methods of doing business, methods of calculating profits, customer lists, vendor lists and financial information, and information relating to such matters as research and development, management systems and sales or marketing techniques.

Block agrees not to directly or indirectly use or disclose any Confidential Information for the benefit of anyone other than Carlson either during the course of employment or after the termination of employment. Block recognizes that Confidential Information constitutes a valuable asset of Carlson and hereby agrees to act in such a manner as to prevent its disclosure and use by any person unless such use is for the benefit of Carlson. Block's obligations under this paragraph are unconditional and shall not be excused by any conduct on the part of Carlson, except prior voluntary disclosure by Carlson of the information.

XI. **Non-Competition.**

A. "Corporate Product" means any product or service (including any component thereof and any research to develop information useful in connection with a product or service) that is being designed, developed, manufactured, marketed or sold by Carlson or with respect to which Carlson has developed or acquired Confidential Information which it intends to use in the design, development, manufacture, marketing or sale of a product or service.

B. "Competitive Product" means any product or service (including any components thereof and any research to develop information useful in connection with the product or service) that is being designed, developed, manufactured, marketed or sold by anyone other than Carlson, and is of the same general type, performs similar functions, or is used for the same purposes as a Corporate Product which Block worked on or assisted in any significant respect Carlson in marketing during the last two (2) years of employment or about which Block received or had knowledge of Confidential Information.

In consideration for the compensation and benefits provided for herein and the purchase by Carlson or its subsidiary of International Franchise Group, Inc., Block agrees that during employment and until the later of (i) the date five (5) years from the date hereof, and (ii) the date two (2) years following termination of employment with Carlson, whether such termination shall be voluntary or involuntary, Block will not, directly or indirectly, own, be employed by, or otherwise render services to any person or entity that is involved in the design, development, marketing or sale of a Competitive Product that is sold or intended for use or sale in any geographic area (national and international) in which Carlson actively markets a Corporate

Product, or intends at the time of the employment termination to actively market a Corporate Product of the same general type or function.

Block understands and acknowledges that at the present time, Corporate Products include the provision of travel-related services and products, the franchising of travel-related services and products. Block understands and acknowledges that the foregoing description of Corporate Products and geographic market may change, and the provisions of this section shall apply to the Corporate Products and geographic market of Carlson in effect upon the termination of Block's employment with Carlson.

Notwithstanding the foregoing, Block shall be free to operate Gateway Travel as a franchise of Carlson or its affiliates during the term of Block's employment with Purchaser or its affiliates and, should Block's employment with Purchaser or its affiliates terminate, Block and his spouse shall have the right to own and operate retail travel agencies located within a thirty (30) mile radius of the center of the business district for Tampa, Florida, provided that such agencies are owned solely by Block and his spouse and their parents and children and that during the term of this non-compete such agencies will not be members of a franchise group that competes with Carlson or its affiliates.

XII. Miscellaneous.

A. Integration. This Agreement embodies the entire agreement and understanding among the parties relative to subject matter hereof and supersedes all prior agreements and understandings relating to such subject matter. This Agreement also supersedes and terminates all the employment agreements or understandings that Block may have with Carlson or any subsidiaries or affiliates of Carlson, it being intended that this Agreement set forth the entire terms and conditions of Block's employment agreement with Carlson and any of its subsidiaries or affiliates.

B. Applicable Law. This Agreement and the rights of the parties shall be governed by and construed and enforced in accordance with the laws of the state of Minnesota. The venue for any action hereunder shall be in the state of Minnesota, whether or not such venue is or subsequently becomes inconvenient, and the parties consent to the jurisdiction of the courts of the state of Minnesota, County of Hennepin, and the U.S. District Court, District of Minnesota.

C. Counterparts. This Agreement may be executed in several counterparts and as so executed shall constitute one agreement binding on the parties hereto.

D. Binding Effect. Except as herein or otherwise provided to the contrary, this Agreement shall be binding upon and inure to the benefit of the parties and their respective heirs, successors, assigns and personal representatives; provided, however, that neither party may assign its rights or obligations hereunder without the prior written consent of the other party.

E. **Notices.** All notices, requests and other communications hereunder shall be given in writing and deemed to have been duly given or served if personally delivered, or sent by first class, certified mail, return receipt requested, postage prepaid, to the party at the address as provided below, or to such other address as such party may hereafter designate by written notice to the other party:

1. If to Carlson, to the address of its then principal office.

2. If to Block, to the address last shown in the records of Carlson.

F. **Modification.** This Agreement shall not be modified or amended except by a written instrument signed by the parties.

G. **Severability.** The invalidity or partial invalidity of any portion of this Agreement shall not invalidate the remainder thereof, and said remainder shall remain in full force and effect. Moreover, if one or more of the provisions contained in this Agreement shall, for any reason, be held to be excessively broad as to scope, activity, subject or otherwise, so as to be unenforceable at law, such provision or provisions shall be construed by the appropriate judicial body by limiting or reducing it or them, so as to be enforceable to the maximum extent compatible with then applicable law.

H. **Headings.** The section headings contained in this Agreement are for reference purposes only and shall not in any way affect the meaning or interpretation of this Agreement.

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

CARLSON TRAVEL GROUP, INC.

By_____

Its_____

_____

ROGER BLOCK

4/15/97
GP-368087 v9

EXHIBIT F
CONFLICT LOCATIONS

4/14

ST	Agency Name	CWT Address	CWT Zip	EXPIRATION DATE	Expired Contract	Past Due
CA	Ancient Mariner Travel	14145 RED HILL AVE	92680	4/30/99	N	N
CA	Capitola Travel	4150 CAPITOLA RD	95010	8/31/97	N	N
CA	Travel Center			9/30/99	N	Y
CA	Worldway Travel & Tours	330 N. BRAND BLVD	91203	4/30/97	N	N
CO	Company Owned	1690 30th St.		Company Owned	N	N
CO	Let's Talk Travel	332 BROADWAY	81004	8/31/97	N	N
FL	Around the World	1701 PONCE DE LEON BLVD	33134	6/30/99	N	N
FL	CRT Venture Travel	2561 COUNTRYSIDE BLVD.	34621	10/31/98	N	N
FL	Empire Travel Corp.	444 BRICKELL AVE	33131	1/31/98	N	N
FL	Travel International		32216	12/31/98	N	N
IL	Atlas	240 S MAIN ST	62523	4/1/00	N	N
IL	Superior	1111 S ALPINE	61108	6/3/97	N	N
IL	Superior			6/3/97	N	N
IN	Company Owned	3905 Vincennes Rd.		Company Owned	N	N
IN	The Travel Center	823 N COLLEGE AVE	47404-3	8/31/98	N	N
KY	WTS	845 S 3RD ST	40203	5/1/99	N	N
LA	Maison Blanche/Mundus	8550 UNITED PLAZA BLV	70809	12/31/98	N	Y
LA	Mundus			12/31/98	N	Y
MA	Duffy Byrne	83 S. Street	2043	12/31/98	N	Y
MA	Happy Holidays Travel	1 PLEASANT ST	01701	12/31/97	N	N
ME	Hewins	100 Commercial Street	04112	5/31/97	N	N
MI	Suncoast	44427 B W ANN ARBOR	48170	6/30/99	N	Y
MN	Apple Valley Travel	14750 CEDAR AVE	55124	11/30/98	N	N
MN	Chanhassen Travel	586 WEST 78TH STREET	55317	3/31/98	N	N
MO	Travel World	106 S HWY 7	64014	6/30/99	N	N
NC	Mann Travels	6010 FAIRVIEW RD	28210	9/30/99	N	N
NC	Mann Travels	Hickory, NC		6/30/99	N	N
NE	Apollo Bock Travel	3015 S 84TH ST	68124 0149	6/30/99	N	N
OR	Azumano	320 SW STARK ST	97204	10/31/97	N	N
OR	Dube	263 LISBON ST	04240	1/31/97	Y	Y
OR	Travel Mode Easy	601 E JACKSON	97504	11/30/98	N	N
PA	A&T Travel	113B E LANCASTER AVE	19301	5/31/99	N	N
TN	About Travel	7820 POPLAR AVE	38138	12/31/99	N	N
TN	Enzor	7003 CHADWICK DR	37027	3/1/00	N	N
TX	B. Barnes Travel	8015 SHOAL CREEK BLVD	78757	2/28/99	N	N
TX	Coppel Travel King	820 S MACARTHUR	75019	8/31/98	N	N
TX	Enzor	7003 CHADWICK DR	37027	2/28/00	N	N
TX	Internat'l Travel & Cruise	4410 N. Midkiff	79705	2/28/99	N	N
TX	Main Street	700 Main St	76102 5	6/30/99	N	N
TX	Travel Plus	785 W WHEATLAND	75116	12/31/98	N	N
WA	Plan It Tour & Cruises	6815 196TH SW	98036	6/30/98	N	Y
WA	Plan It Tour & Cruises			8/31/97	N	N
WA	Time to Travel	4055 GOVERNMENT WA	83814	8/31/97	N	N
WA	Travel Center			8/31/97	N	N
WI	Cedar Mall/Rice Lake Travel	2900 S MAIN ST	54868	8/31/97	N	N
WI	Greenfield C/O			10/31/97 Company Owned	N	N

EXHIBIT G

EXAMPLE OF OPERATION OF CONTINGENT PAYMENT PROVISION

This Exhibit G sets forth an example of the Contingent Payment provisions described in Section 1.5 of the Agreement.

The amount of the Contingent Payment which is due will be determined based on a comparison of (a) the number (the "Original Number") of TAI franchisees, as defined in Section 1.5 of the Agreement, at the time of Closing (the "Original Franchisees"), to (b) the number (the "Two-Year Number") equal to (i) the number of start-up franchisees who are franchisees on the Determination Date, as defined in Section 1.5 of the Agreement, including for these purposes both Original Franchisees who continue to be franchisees on said date and new start-up franchisees, as defined in Section 1.5 of the Agreement, added after the closing who are still franchisees on said Date, reduced by (ii) the number of Carlson Wagonlit franchisees, as specified in Section 1.5 of the Agreement, who on the Closing Date were within a non-compete area granted to an Original Franchisee, and who have ceased for any reason to be a Carlson Wagonlit franchisee by the Determination Date.

Example: Number of Original Franchisees at the time of Closing--325

	A	B	C	D
Original Franchises/Start-ups at Determination Date (under (i):	375	325	275	225
Less: CWT conflict losses (under ii)	(25)	(25)	(25)	(25)
Total	350	300	250	200
Percentage of Contingent Payment Earned	100%	74.4%	23.1%	0%

EXHIBIT H TO AGREEMENT AND PLAN OF MERGER

TENANT ESTOPPEL CERTIFICATE

Carlson Travel Acquisition Corporation
and Carlson Travel Group, Inc.
_____
_____
Attention: _____

Re: Lease Dated: _____, 199__

Landlord: International Franchise Group, Inc., a Florida corporation

Tenant: _____
a _____

Property: Property located at _____
_____, Florida,

Demised Premises: Suite _____, containing approximately _____ square feet of rentable area.

Ladies/Gentlemen:

It is our understanding that pursuant to an Agreement and Plan of Merger ("Merger Agreement") dated April __, 1997, Landlord intends to merge with Carlson Travel Acquisition Corporation ("CTAC") with IFG to be the survivor of the merger and continue to have an interest in the Lease. It is our further understanding that as a condition to your completing the merger, you require, among other things, the certifications and agreements set forth below by Tenant. Accordingly, Tenant certifies to and agrees with you as follows:

1. The Lease is in full force and effect. The Lease represents the entire agreement between Landlord and Tenant and has not been assigned, modified, supplemented or amended in any way.

2. Tenant has accepted delivery of the Demised Premises as described in the Lease and has occupancy of the Demised Premises.

3. Tenant has not entered into any agreements providing for the discounting, advance payment, abatement or offsetting of rents, and no rent has been paid for more than one (1) month in advance.

4. Tenant has fully inspected the Demised Premises and found them to be in good order and repair and as otherwise required by the Lease. All construction and any other conditions to be performed by Landlord have been performed.

5. The primary term of the Lease commenced on _____ and expires on _____. The Lease contains the following renewal options (if none, write "none" in the following space):

6. The monthly rent payable currently is _____ and is subject to adjustment as follows:

In addition, Tenant's share of the insurance and other operating expenses and real estate taxes and installments of special assessments is _____%.

7. Rent has been paid through the month of _____, 1997.

8. Landlord is not in default under the Lease and Tenant has no offsets, claims or defenses against Landlord.

9. Tenant has no termination rights under the Lease and no options or rights of first refusal to purchase the Property or any part thereof.

10. Tenant has paid a security deposit in the amount of $_____. Tenant is not entitled to interest on the Security Deposit.

We understand that you will rely on the foregoing certifications in proceeding with the transaction contemplated by the Merger Agreement and agree that you may rely on them.

Dated: _____, 1997

Tenant:

By_____

Its_____

GP-372562 v1

EXHIBIT I TO AGREEMENT AND PLAN OF MERGER

LANDLORD ESTOPPEL CERTIFICATE

Carlson Travel Acquisition Corporation
and Carlson Travel Group, Inc.
_____
_____
Attention: _____

Re: Lease Dated: _____, 199__

Landlord: _____
a _____

Tenant: [International Franchise Group, Inc., a Florida corporation (IFG)]

Guarantor: [International Franchise Group, Inc., a Florida corporation (IFG) (if IFG is not Tenant)]

Property: Property located at _____
_____, _____,

Demised Premises: Suite _____, containing approximately _____ square feet of rentable area.

Ladies/Gentlemen:

It is our understanding that pursuant to an Agreement and Plan of Merger ("Merger Agreement") dated April __, 1997, IFG intends to merge with Carlson Travel Acquisition Corporation ("CTAC") with IFG to be the survivor of the merger and continue to have an interest in the Lease. It is our further understanding that as a condition to your completing the merger, you require, among other things, the certifications and agreements set forth below by Landlord. Accordingly, Landlord certifies to and agrees with you as follows:

1. The Lease is in full force and effect. The Lease represents the entire agreement between Landlord and Tenant and has not been assigned, modified, supplemented or amended in any way.

2. The primary term of the Lease commenced on _____ and expires on _____. The Lease contains the following renewal options (if none, write "none" in the following space):

3. The monthly rent payable currently is _____ and is subject to adjustment as follows:

In addition, Tenant's share of the insurance and other operating expenses and real estate taxes and installments of special assessments is _____%.

4. Rent has been paid through the month of _____, 1997.

5. The Tenant is not in default under the Lease and to Landlord's knowledge, no condition exists with the giving of notice, lapse of time or both, would constitute a default by Tenant.

6. Tenant has paid a security deposit in the amount of $_____. The Security Deposit bears interest at the rate of ____% per annum.

We understand that you will rely on the foregoing certifications and agreements in proceeding with the transaction contemplated by the Merger Agreement and agree that you may rely on them.

Dated: _____, 1997

Landlord:

By_____

Its_____

GP:373892 v1

EXHIBIT J
SPECIFIC MATTERS SUBJECT TO INDEMNIFICATION

The following matters are subject to indemnification by the Company and Principal Shareholder in accordance with the provisions of Section 10.1:

(a) Any Damages arising out of (i) the nondisclosure of the Michigan Attorney General's investigation of TAI in January 1994 and the resulting Assurance of Discontinuance dated April 29, 1994, in TAI's Offering Circulars for the Franchise Systems or any other system identified in the Disclosure Letter, or (ii) any failure to properly disclose litigation matters in Item 3 of said Offering Circulars.

(b) Any Damages arising as a result of the offer or sale of franchises for the Franchise Systems or any other system identified in the Disclosure Letter without the delivery and receipt of a UFOC.

(c) Any Damages arising as a result of the offer or sale of regional licensees without the delivery and receipt of a UFOC or the failure to register the franchise program or comply with federal or state franchise laws. See Schedule P to the Disclosure Letter.

(d) Any Damages arising from the offer or sale or operation of the Travel Academy System or the failure to register the Travel Academy program or comply with federal or state franchise laws.

(e) Any damages arising from claims, disputes and litigation for the following office locations as identified on Schedule O: (i) Office #485, Office #490, Office #508, Office #653, Office #700, Office #744, and Office #745.

(f) Fifty percent (50%) of any Damages suffered by the Company in connection with its Eatontown franchisee, either under (i) the guaranty of a letter of credit issued by Marine Bank in the amount of $20,000 for the benefit of the Eatontown franchisee to Airlines Reporting Corporation, or (ii) the guaranty of said franchisee's real estate lease. This franchisee is located at Monmouth Mall, Route 35 and Route 36, Eatontown, NJ 07724. The name of the franchisee is P&M Dynasty Enterprises, Inc., d/b/a Travel Agents International.

(g) Any Damages arising from the dispute with TAI of Southern California in excess of the obligation, under the Settlement Agreement dated March 31, 1997, between Travel Agents International, Inc., and TAI of Southern California, Inc.

(h) Any Damages arising from liabilities to regional licensees for the notes receivable identified on Schedule K of the Disclosure Letter.

AMENDMENT TO AGREEMENT AND PLAN OF MERGER

THIS AMENDMENT TO AGREEMENT AND PLAN OF MERGER ("Amendment") is entered into this 22nd day of May, 1997 by and between CARLSON TRAVEL GROUP, INC., a California corporation ("Purchaser"), CARLSON TRAVEL AGENTS INTERNATIONAL, INC., a Minnesota corporation and wholly-owned subsidiary of Purchaser ("Newco"), and INTERNATIONAL FRANCHISE GROUP, INC., a Florida corporation, (the "Company"), and ROGER E. BLOCK, an individual residing at 2792 Heron Place, Clearwater, Florida 34622 (the "Principal Shareholder") (collectively, the "Parties").

RECITALS

A. The Parties entered into that certain Agreement And Plan Of Merger dated April 15, 1997 ("Agreement"), pursuant to which Purchaser is to acquire the Company by merger of the Company and Newco under the terms and conditions set forth in the Agreement (the "Merger"). Except as defined herein, all capitalized terms shall have the meaning ascribed to them under the Agreement.

B. Under the Agreement Company represents and warrants the number of Outstanding Common Shares to be 3,099,237.

C. Subsequent to the execution of the Agreement, the Company discovered the existence of 36,000 shares of Company Common Stock which it neither recorded in its stock ledger nor disclosed to Purchaser in the Agreement ("Undisclosed Shares"). The sum of Outstanding Common Shares and Undisclosed Shares is 3,135,237.

D. The 36,000 Undisclosed Shares were issued to Robert D. Stewart and A. Clark Stepper on November 28, 1989. Stewart received 18,000 shares represented by TAI stock certificate No. 277. Stepper received 18,000 shares represented by TAI stock certificate No. 288. The Undisclosed Shares were issued at a time when the Company was legally named Travel Agents International, Inc. ("TAI").

E. As a result of the Company's failure to disclose the Undisclosed Shares, the Company and Principal Shareholder's representation and warranty regarding the capitalization of the Company (Section 2.3 of the Agreement) are inaccurate. Such inaccuracy constitutes a failure on the part of the Company and Principal Sahreholder to satisfy a condition precedent to Purchaser and Newco's obligation to consummate the Merger.

F. The Parties, still wishing to consummate the Merger, have agreed to resolve this issue pursuant to this Amendment in lieu any other remedies that may be available at law or under the Agreement. As part of reaching this resolution, and because of the concerns raised by locating previously unaccounted for shares, Purchaser is not

willing for any future claims of this nature to be subject to the Threshold Amount provided in Section 10.2(b) of the Agreement. In order to address this concern of Purchaser, Block has agreed that he will be responsible for any such matters which might arise but not be recoverable due to the Threshold Amount provisions in the Agreement.

NOW THEREFORE, in consideration of the premises and mutual covenants contained herein, the Parties agree as follows:

1. Section 2.3 of the Agreement is hereby amended such that Company and Principal Shareholder hereafter represent and warrant that the number of shares of Outstanding Common Shares is 3,135,237.

2. Purchaser agrees to increase the Common Closing Payment by $36,000 so that the Common Closing Payment will be $3,135,237. Section 1.3.8 of the Agreement, defining the Common Closing Payment, is amended accordingly.

3. The amount of the Note shall be reduced by $36,000 so that the amount of the Note is $351,405. Section 1.3.9 of the Agreement, defining the Note, is amended accordingly.

4. The Parties specifically agree that the amendment described in paragraph 3 above shall not in any way, whether by implication or otherwise, amend the amount recited in Section 10.2(c)(i) of the Agreement. Section 10.2(c)(i) shall remain $387,405.

5. In the event that Section 10.2(b) of the Agreement results in Purchaser being unable to recover indemnifiable Damages arising from a breach of Section 2.3 of the Agreement because of the Threshold Amount is not exceeded (hereinafter such unrecovered Damages are referred to as "Unrecovered Damages"), Block agrees that he will be personally responsible for any such Unrecovered Damages resulting from a breach of Section 2.3 (but only of said section), and will pay to Purchaser the amount of any such Unrecovered Damages.

6 Section 2.3 of the Agreement is hereby further amended such that Company and Principal Shareholder hereafter represent and warrant that the number of issued and outstanding shares of Company Original Preferred Stock is 305.63 and that the number of issued and outstanding shares of Company Preferred Stock B is 2,972.31. The Parties agree that the total number of issued and outstanding shares of Company Preferred Stock is not effected by this amendment and such number is and shall remain 3,494.36.

7. Section 2.3 of the Agreement is hereby further amended by deleting the following sentence from the second full paragraph of that section:

"No shares of Company Preferred Stock C have ever been issued."

The Parties agree that this sentence was placed in the Agreement by error and that its deletion hereby is solely for the purpose of making Section 2.3 internally consistent.

8. The Agreement, as amended hereby, is and shall continue to be in full force and effect.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be dully executed as of the date first written above.

PURCHASER

CARLSON TRAVEL GROUP, INC.

By_____
JOHN DIGNAN
VICE PRESIDENT

NEWCO

CARLSON TRAVEL AGENTS INTERNATIONAL, INC.

By_____
JOHN DIGNAN
VICE PRESIDENT

COMPANY

INTERNATIONAL FRANCHISE GROUP, INC.

By_____
ROGER E. BLOCK
CHAIRMAN OF THE BOARD

PRINCIPAL SHAREHOLDER

_____
ROGER E. BLOCK

GP:385466 v4