SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)
[x] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2000
OR
[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the Transition Period From ..... to .....
Commission file number 0-19989

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

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

98 San Jacinto Blvd., Suite 220
Austin, Texas 78701
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (512) 478-5788

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

None

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

Common Stock Par Value $0.01 per Share
Preferred Stock Purchase Rights
(Title of Each Class)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No _

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

The aggregate market value of the voting stock held by non-affiliates of the registrant was approximately $49,300,000 on March 15, 2001.

On March 15, 2001, 14,298,270 shares of Common Stock, par value $0.01 per share, of the registrant were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Proxy Statement to be submitted to the registrant's stockholders in connection with its 2001 Annual Meeting to be held on May 10, 2001, are incorporated by reference into Part III of this Report.

TABLE OF CONTENTS

PART I

Item 1. Business

Overview

We are engaged in the acquisition, development, management and sale of commercial and residential real estate properties. We conduct real estate operations on properties we own and through unconsolidated affiliates that we jointly own with Olympus Real Estate Corporation (see "Transactions with Olympus Real Estate Corporation" below). All subsequent references to "Notes" refer to the Notes to Financial Statements located in Item 8 elsewhere in this Annual Report on Form 10-K.

Our principal real estate holdings are currently in the Austin, Texas area. Our most significant acreage includes approximately 2,300 acres of undeveloped residential, multi-family and commercial property located in southwest Austin within the Barton Creek community and 465 acres of undeveloped residential, multi-family and commercial property known as the Lantana project, located south of and adjacent to the Barton Creek community. Our remaining Austin acreage consists of about 1,300 acres of undeveloped commercial and multi-family property within the Circle C community, also located in southwest Austin.

We also own 120 acres of undeveloped residential property and 31 acres of undeveloped commercial and multi-family property located in Dallas, Houston and San Antonio, Texas, which are being actively marketed.

Company Strategies

Since our formation, our primary objective has been to reduce our indebtedness and increase our financial flexibility. Our debt totaled $8.4 million at December 31, 2000 compared with $493.3 million in March 1992. We have negotiated a new expanded $30 million credit facility, which is available to us through December 16, 2002 (see "Credit Facility" and Note 5). The new credit facility has increased our financial flexibility, allowing us to fully concentrate our efforts on developing our properties and increasing shareholder value. Key factors in accomplishing these goals include:

* Our overall strategy is to enhance the value of our Austin properties by securing and maintaining development entitlements and developing and building real estate projects for sale or investment, thereby increasing the potential return from our core assets. We may own these future developments outright or they may be developed through joint ventures with others. Over the last two years, we have had significant joint venture development activity (see below).

  During 1999, we completed the development of the 75 residential lots at the Wimberly Lane subdivision at Barton Creek and by the end of 2000, 72 of the lots had been sold with the balance under contract to close during the first half of 2001. Also during 1999, we completed and leased the first 70,000 square foot office building at the 140,000 square foot Lantana Corporate Center. Construction and leasing of the second 70,000 square foot office building was completed during the third quarter of 2000. We are continuing to develop several new subdivisions around the new Tom Fazio designed "Fazio Canyons" golf course, which included the construction of 54 multi-acre residential lots during the first half of 2000 at the Escala Drive subdivision at Barton Creek. We closed on the sale of 32 of the Escala Drive lots during 2000, with the remaining 22 lots expected to close during 2001.

* We are currently permitting additional residential property at Barton Creek and office, multi-family and retail space at Lantana.

  We commenced construction of a new subdivision within the Barton Creek community during the fourth quarter of 2000. This subdivision, Mirador, adjoins the successful Escala Drive subdivision. Our development plan for the Mirador subdivision consists of 34 estate lots, averaging 3.5 acres in size, to be completed by mid-2001.

  We have received final subdivision plat approval from the City of Austin (the City) to develop approximately 170 acres of commercial and multi-family real estate within our Lantana development and we commenced initial development activities at this site during the fourth quarter of 2000. Full development on the 170 acres is expected to consist of over 800,000 square feet of office and retail space and approximately 400 multi-family units. A 36.4-acre multi-family site was sold to an apartment developer in December 2000 and is currently under construction (see Items 7. and 7A. "Results of Operations" located elsewhere in this Annual Report on Form 10-K).

* We believe that we have the right to receive up to $32 million of future reimbursements associated with previously incurred Barton Creek utility infrastructure development costs. At December 31, 2000, we had approximately $14 million of these expected future reimbursement recorded as a component of "Real estate and facilities" on our balance sheet. The remaining $18 million of these reimbursements have not been recorded in our financial

statements because of uncertainties associated with their ultimate realizability. Additionally, substantial additional costs eligible for reimbursement will be incurred in the future as our development activities at Barton Creek continue. We received a total of $7.1 million of Circle C Municipal Utility District (MUD) reimbursements during 2000 (in addition to the $10.3 million received during 1999) in full and final settlement of our remaining Circle C infrastructure claim against the City. See Item 3, "Legal Proceedings," for more details on that matter.

* We will continue to vigorously defend our rights to the development entitlements of all our properties, but aggressive attempts to restrict growth in the area of our holdings have had and may continue to have a negative effect on near term development and sales activities.

* We are expanding our real estate management activities, primarily as a result of our role as manager in the various joint venture projects. We also continue to be retained by third parties to provide management and development assistance on selective real estate projects, including the Lakeway project, near Austin. In the first quarter of 2001 we expanded our participation in the Lakeway project by agreeing to fund approximately $2.0 million of the project's future development costs in return for a net profits interest, which includes enhanced management and development fees and sales commissions.

* We also continue to investigate and pursue opportunities for new projects that would require minimal capital from us yet offer the possibility of acceptable returns and limited risk.

Credit Facility

In December 1999, we established a bank credit facility with Comerica Bank-Texas, which provided for a $20 million term loan and a $10 million revolving line of credit. We borrowed $20 million under the term loan portion of the facility and repaid all our borrowings outstanding under the previous credit facility, which was then terminated. In December 2000, we repaid the remaining borrowings under the existing Comerica facility and then negotiated an expanded $30 million credit facility with Comerica, with improved terms and a December 16, 2002 maturity. Under terms of this new credit facility, we now have a $20 million revolving line of credit and a $10 million term loan commitment specifically designated for a potential future redemption of our mandatorily redeemable preferred stock (Note 3). For a further discussion of the credit facility see Note 5, and Items 7. and 7A. "Capital Resources and Liquidity" located elsewhere in this Annual Report on Form 10-K.

Transactions with Olympus Real Estate Corporation

On May 22, 1998, we formed a strategic alliance with Olympus Real Estate Corporation, an affiliate of Hicks, Muse, Tate and Furst Incorporated (Olympus), to develop certain of our existing properties and to pursue new real estate acquisition and development opportunities. Under the terms of the agreement, Olympus purchased $10 million of our mandatorily redeemable preferred stock, provided us a $10 million convertible debt facility and agreed to make available up to $50 million of additional capital representing its share of direct investments in joint Stratus/Olympus projects.

We have entered into three joint ventures with Olympus. We own 49.9 percent of each joint venture and Olympus owns the remaining 50.1 percent. We are the developer and manager for each of the joint venture projects. Accordingly, in addition to partnership distributions, we receive various development fees, sales commissions and other management fees for our services.

The first two joint ventures were formed on September 30, 1998. The first provided for the development of a 75 residential lot project at the Barton Creek Wimberly Lane subdivision. We sold the land to the joint venture for approximately $3.2 million

and paid approximately $0.5 million for our equity interest. The other transaction involved approximately 700 developed lots and 80 acres of platted but undeveloped real estate at the Walden on Lake Houston project, which Olympus purchased in April 1998 and we have managed ever since. We acquired our interest in the related partnership utilizing $2.0 million of funds available under the Olympus convertible debt facility. During the third quarter of 1999, we formed a third joint venture associated with the construction of the first 70,000 square foot office building at the Lantana Corporate Center (7000 West). In this transaction, we sold 5.5 acres of commercial real estate to the joint venture for $1.0 million. In December 1999, we sold 174 acres of our Barton Creek residential property to the joint venture initially formed to develop the lots at the Wimberly Lane subdivision (see above) for $11.0 million. The land was developed into 54 multi-acre single-family residential lots, which are the largest lots developed to date within the Barton Creek community. In the first quarter of 2000, we sold an additional 5.5 acres of commercial real estate to 7000 West for $1.1 million. Construction of the second 70,000 square foot office building was completed in the third quarter of 2000. For a detailed discussion of these transactions see Items 7. and 7A. "Joint Ventures with Olympus Real Estate Corporation" and Note 4 located elsewhere in this Annual Report on Form 10-K.

Regulation and Environmental Matters

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

We are making, and will continue to make, expenditures for the protection of the environment with respect to our real estate development activities. Emphasis on environmental matters will result in additional costs in the future. Based on an analysis of our operations in relation to current and presently anticipated environmental requirements, we currently do not anticipate that these costs will have a material adverse effect on our future operations or financial condition.

Employees

At December 31, 2000, we had 22 employees, who manage our operations. We currently own 10 percent of a corporation that provides us with certain management and administrative services, including technical, administrative, accounting, financial, tax, and other services, under a management services agreement. We may terminate this contract at any time upon 90 days notice to the affiliated corporation. These services are provided on a cost reimbursement basis, which totaled $1.0 million in 2000, $0.9 million in 1999 and $1.0 million in 1998. As a result of an expected reduction in the level of services to be provided to us under the management services agreement, the agreement was amended effective January 1, 2001, with our fees for 2001 estimated at $0.4 million.

Cautionary Statements

This report includes "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements are all statements other than statements of historical fact included in this report, including, without limitation, the statements under the headings "Business," "Properties," "Market for Registrant's Common Equity and Related Stockholder Matters," and "Management's Discussion and Analysis of Financial Condition and Results of Operations and Disclosures About Market Risks" regarding our financial position and liquidity, payment of dividends, strategic plans, future financing plans, development and capital expenditures, business strategies, and our other

plans and objectives for future operations and activities.

Forward-looking statements are based on our assumptions and analysis made in light of our experience and perception of historical trends, current conditions, expected future developments and other factors that we believe are appropriate under the circumstances. These statements are subject to a number of assumptions, risks and uncertainties, including the risk factors discussed below and in our other filings with the Securities and Exchange Commission, general economic and business conditions, the business opportunities that may be presented to and pursued by us, changes in laws or regulations and other factors, many of which are beyond our control. Readers are cautioned that forward-looking statements are not guarantees of future performance and the actual results or developments may differ materially from those projected, predicted or assumed in the forward-looking statements. Important factors that could cause actual results to differ materially from our expectations include, among others, the following:

If we are unable to generate sufficient cash from operations, we may find it necessary to curtail our development operations. We have made substantial reductions in debt since our formation in 1992. However, significant capital resources will be required to fund our development expenditures. Our performance continues to be dependent on future cash flows from real estate sales, and there can be no assurance that we will generate sufficient cash flow or otherwise obtain sufficient funds to meet the expected development plans for our properties.

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

Our results of operations and financial condition are greatly affected by the performance of the real estate industry. Our real estate activities are subject to numerous factors beyond our control, including local real estate market conditions (both where our properties are located and in areas where our potential customers reside), substantial existing and potential competition, general national, regional and local economic conditions, fluctuations in interest rates and mortgage availability and changes in demographic conditions. Real estate markets have historically been subject to strong periodic cycles driven by numerous factors beyond the control of market participants.

Real estate investments often cannot easily be converted into cash and market values may be adversely affected by these economic circumstances, market fundamentals, competition and demographic conditions. Because of the effect these factors have on real estate values, it is difficult to predict with certainty the level of future sales or sales prices that will be realized for individual assets.

Our operations are subject to an intensive regulatory approval process. Before we can develop a property we must obtain a variety of approvals from local and state governments with respect to such matters as zoning, density, parking, subdivision, site planning and environmental issues. Certain of these approvals are discretionary by nature. Because certain government agencies and special interest groups have expressed concerns about our development plans in or near Austin, our ability to develop these properties and realize future income from our properties could be delayed, reduced, prevented or made more expensive.

Certain special interest groups have long opposed certain of our plans in the Austin area and have taken various actions to partially or completely restrict development in certain areas, including areas where some of our most valuable properties are

located. We are actively opposing these actions. We currently do not believe unfavorable rulings would have a significant long-term adverse effect on the overall value of our property holdings. However, because of the regulatory environment that exists in the Austin area and the intensive opposition of certain interest groups, there can be no assurance that such expectations will prove correct.

Our operations are subject to governmental environmental regulation, which can change at any time and generally would result in an increase to our costs. Real estate development is subject to state and federal regulations and to possible interruption or termination because of environmental considerations, including, without limitation, air and water quality and protection of endangered species and their habitats. Certain of the Barton Creek properties include nesting territories for the Golden Cheek Warbler, a federally listed endangered species. In February 1995, we received a permit from the U.S. Wildlife Service pursuant to the Endangered Species Act, which to date has allowed the development of the Barton Creek and Lantana properties free of restrictions under the Endangered Species Act related to the maintenance of habitat for the Golden Cheek Warbler.

Additionally, in April 1997, the U.S. Department of Interior listed the Barton Springs Salamander as an endangered species after a federal court overturned a March 1997 decision by the Department of Interior not to list the Barton Springs Salamander based on a conservation agreement between the State of Texas and federal agencies. The listing of the Barton Springs Salamander has not affected, nor do we anticipate it will affect, our Barton Creek and Lantana properties for several reasons, including the results of technical studies and our U.S. Fish and Wildlife Service 10(a) permit obtained in 1995. Our Circle C properties may, however, be affected, although the extent of any impact cannot be determined at this time. Special interest groups provided written notice of their intention to challenge our 10(a) permit and compliance with water quality regulations, but no challenge has yet occurred.

We are making, and will continue to make, expenditures with respect to our real estate development for the protection of the environment. Emphasis on environmental matters will result in additional costs in the future.

The real estate business is very competitive and many of our competitors are larger and financially stronger than we are. The real estate business is highly competitive. We compete with a large number of companies and individuals, and many of them have significantly greater financial and other resources than we have. Our competitors include local developers who are committed primarily to particular markets and also against national developers who acquire properties throughout the United States.

We are vulnerable to risks because our operations are currently exclusive to the Texas market. Our real estate activities are located entirely in the Austin, Dallas, Houston and San Antonio, Texas areas. Because of our geographic concentration and limited number of projects, our operations are more vulnerable to local economic downturns and adverse project-specific risks than those of larger, more diversified companies.

The performance of the Texas economy and more specifically the Austin economy, affects our sales and consequently the underlying values of our properties. While the Texas economy has remained healthy in recent years, its economy has historically been subject to cyclical downturns primarily as a result of adverse economic conditions within the oil and gas industry. The Austin economy is heavily influenced by conditions in the technology industry. As the technology market weakens, as is the current condition, we experience reduced sales, primarily affecting our "high-end" properties, which can significantly affect our financial condition and results of operations.

Our operations are subject to natural risks. Our performance may be adversely affected by weather conditions that delay development or damage property.

Item 2. Properties

Our acreage to be developed, excluding our holdings in joint ventures, is provided in the following table. The acreage to be developed is broken down into anticipated uses for single-family lots, multi-family units and commercial development based upon our understanding of the properties' existing entitlements. However, there is no assurance that the undeveloped acreage will be so developed because of the nature of the approval and development process and market demand for a particular use. We currently have no developed lots available for sale. For information concerning our unconsolidated affiliates' real estate holdings, see "Transaction with Olympus Real Estate Corporation" above and Items 7. and 7A. "Joint Ventures with Olympus Real Estate Corporation" located elsewhere in this Annual Report on Form 10-K.

	Potential Development Acreage			
	Single Family	Multi-family	Commercial	Total
Austin				
Barton Creek	1,354	249	673	2,276
Lantana	154	-	311	465
Circle C	-	212	1,062	1,274
Dallas				
Bent Tree	-	10	-	10
Houston				
Copper Lakes	120	-	-	120
San Antonio				
Camino Real	-	21	-	21
Total	1,628	492	2,046	4,166

Item 3. Legal Proceedings

Various regulatory matters and litigation involving the development of our Austin properties are summarized below.

Annexation/Circle C MUD Reimbursement Suit: Circle C Land Corp. v. The City of Austin, Texas, Cause No. 97-13994 (Travis County 53rd Judicial District Court, Texas filed 12/19/97). On December 19, 1997, the City of Austin (the City) annexed all land formerly lying within the Circle C project. Stratus' property located within Circle C's municipal utility districts (MUD) and annexed by the City is subject to the City's zoning and development regulations. Additionally, the City is required to assume all MUD debt and reimburse Stratus for a significant portion of the costs incurred for water, wastewater and drainage infrastructure. Because the City failed to pay these costs upon annexation, as required by statute, Stratus sued the City.

In late October 1999, Circle C Land Corp., a wholly owned subsidiary of Stratus, and the City reached an agreement regarding a portion of Circle C's claims against the City. As a result of this agreement, Stratus received approximately $10.3 million, including $1.0 million in interest, of partial settlement claims through December 31, 1999 and received an additional $0.2 million payment in January 2000.

In March 2000, the City settled its disputes with certain third party real estate developers and landowners at the Circle C community. Under terms of this settlement, the lawsuits contesting the City's December 1997 annexation of all land within

the four Circle C MUDs and the dissolution of the four MUDs were dismissed with prejudice. As a result, a refund contingency included in the City's partial settlement of Stratus' reimbursement claim was eliminated. Stratus recorded a gain of approximately $7.4 million in the first quarter of 2000, representing that portion of the reimbursement infrastructure expenditures in excess of Stratus' remaining basis in these assets and related interest income. The remaining $3.1 million of the proceeds reduced Stratus' investment in Circle C.

In December 2000, Stratus received $6.9 million, including $0.6 million of interest, from the City as full and final settlement of Stratus' remaining Circle C MUD reimbursement claim. Stratus recorded a gain of $6.9 million during the fourth quarter associated with its receipt of these proceeds.

The City's WQPZ Action: The City of Austin, Texas v. Horse Thief Hollow Ranch, Ltd., et al., Cause No. 98-00248 (Travis County 345th Judicial District Court, Texas filed 1/9/98). On January 9, 1998, the City filed suit in Travis County District Court against 14 water quality protection zones (WQPZs) and their owners, including the Barton Creek

WQPZ challenging the constitutionality of the legislation authorizing the creation of water quality zones. The District Court entered an order granting the City's motion for summary judgment and declared the WQPZ legislation unconstitutional. The District Court ruling was appealed to the Texas Supreme Court. On June 19, 2000, the Texas Supreme Court, in a 6 to 3 decision, affirmed the District Court's decision that the Texas Water Code Section 26,179 enabling the creation of the water quality protection zones is unconstitutional. A Motion for Reconsideration, filed by another party, was denied and the ruling is final.

Circle C WQPZ Litigation: L.S. Ranch, Ltd. And Circle C Land Corp., v. The City of Austin, Texas, Cause No. 97-1048 (Hays County 207th Judicial District Court, Texas filed 10/31/97). Circle C Land Corp. filed a WQPZ (Circle C WQPZ) covering all of its 553 acres in the Circle C development located outside the boundaries of any municipal utility district. In November 1997, Stratus sought a declaratory judgment in the Hays County District Court to confirm the validity of the Circle C WQPZ. On September 4, 1998, the Hays County District Court ruled that the WQPZ enabling legislation was constitutional and that the Circle C WQPZ was validly created. The City appealed the Hays County District Court's ruling to the Texas Third Court of Appeals. As a result of the Texas Supreme Court's decision in The City's WQPZ Action discussed above, the Third Court of Appeals reversed the Hays County District Court decision, finding the zone legislation unconstitutional. The ruling is final.

The above two court decisions primarily affect our future development plans for certain areas within the southern portion of our Barton Creek community real estate. A significant portion of our properties contain grandfathered entitlements that are not subject to the development requirements currently in effect. We have initiated development plans for these areas that will meet the grandfathered ordinance requirements or current ordinances, as applicable.

Although the proceedings discussed above have now all been resolved and we are no longer involved in any material litigation, we may from time to time be involved in various legal proceedings of a character normally incident to the ordinary course of our business. We believe that potential liability from any of these pending or threatened proceedings will not have a material adverse effect on our financial condition or results of operations. We maintain liability insurance to cover some, but not all, potential liabilities normally incident to the ordinary course of our business as well as other insurance coverage customary in our business, with such coverage limits as

management deems prudent.

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

Not applicable.

Executive Officers of the Registrant

Certain information, as of March 16, 2001, regarding our executive officers is set forth in the following table and accompanying text.

Name	Age	Position or Office
William H. Armstrong III	36	Chairman of the Board, President and Chief Executive Officer
Kenneth N. Jones	41	General Counsel

Mr. Armstrong has been employed by us since our inception in 1992. He has served us as Chairman of the Board since August 1998, Chief Executive Officer since May 1998 and President since August 1996. Previously Mr. Armstrong served as Chief Operating Officer from August 1996 to May 1998 and as Chief Financial Officer from May 1996 to August 1996. He served as Executive Vice President from August 1995 to August 1996.

Mr. Jones has served as our General Counsel since August 1998. Mr. Jones is a partner with the law firm of Armbrust Brown & Davis, L.L.P. and he provides legal and business advisory services under a consulting arrangement with his firm.

PART II

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

Our common stock trades on Nasdaq under the symbol STRS. The following table sets forth, for the periods indicated, the range of high and low sales prices, as reported by Nasdaq.

	2000		1999	
	High	Low	High	Low
First Quarter	$4.75	$3.50	$4.63	$3.13
Second Quarter	5.13	4.00	5.00	2.88
Third Quarter	5.00	4.13	5.25	3.75
Fourth Quarter	5.03	4.00	4.88	3.75

As of March 15, 2001 there were 7,685 holders of record of our common stock. We have not in the past paid, and do not anticipated in the future paying, cash dividends on our common stock. The decision whether or not to pay dividends and in what amounts is solely within the discretion of our Board of Directors. However, our current ability to pay dividends is also restricted by terms of our credit agreement, as discussed in Note 5.

Item 6. Selected Financial Data

The following table sets forth our selected historical financial data for each of the five years in the period ended December 31, 2000. The historical financial information is derived from our audited financial statements and is not necessarily indicative of our future results. You should read the information in the table below together with Items 7. and 7A. "Management's Discussion and Analysis of Financial Condition and Results of Operations and Disclosures About Market Risks" and Item 8. "Financial Statements and Supplemental Data."

	2000	1999	1998	1997	1996a
	(In Thousands, Except Per Share Amounts)				
Years Ended December 31:					
Revenues	$ 10,099	$ 15,252	$ 18,535	$ 31,495	$ -
Loss from Partnership	-	-	-	-	(346)
Operating income (loss)	(2,446)	3,350	(572)	3,907	(566)
Equity in unconsolidated affiliates' income (loss)	1,372	307	(26)	-	-
Net income (loss)	14,222b	2,871	(2,638)	7,006c	76
Basic net income (loss) per share	0.99	0.20	(0.18)	0.49	0.01
Diluted net income (loss) per share	0.87	0.18	(0.18)	0.48	0.01
Basic average shares outstanding	14,295	14,288	14,288	14,288	14,286
Diluted average shares outstanding	16,711d	16,238d	14,288	14,517	14,390
At December 31:					
Real estate and facilities, net	93,005	91,664	96,556	105,274	-
Investment in the Partnership	-	-	-	-	56,055
Total assets	111,893	115,672	111,829	112,754	60,985
Long-term debt	8,440	16,562	29,178	37,118	- e
Stockholders' equity	81,080	66,840	63,969	66,607	59,599

a. Prior to 1997, our operating results were reported under the equity basis of accounting, reflecting our investment in an operating partnership through which we conducted our operations (see Note 1).
b. Includes $14.3 million ($0.85 per share) associated with final settlement of our Circle C Municipal Utility District claim against the City of Austin (see Note 6).
c. Includes a $4.5 million ($0.31 per share) gain from sale of all remaining oil and gas property interests.
d. Assumes the redemption of our 1.7 million shares of outstanding mandatorily redeemable preferred stock for 1.7 million shares of common stock.
e. Long-term debt was not reflected in our consolidated financial position because our investment in the operating partnership was recorded under the equity method (see Note 1). The debt amount included in Investment in the Partnership was $58.3 million for 1996.

Items 7. and 7A. Management's Discussion and Analysis of Financial Condition and Results of Operations and Disclosures About Market Risks

Overview

We are engaged in the acquisition, development, management and sale of commercial and residential real estate properties. We conduct real estate operations on properties we own and through unconsolidated affiliates we jointly own with Olympus Real Estate Corporation (see "Joint Ventures with Olympus Real Estate Corporation" below), pursuant to a strategic alliance formed in May 1998.

Our principal real estate holdings are currently in the Austin, Texas area. Our most significant acreage includes approximately 2,300 acres of undeveloped residential, multi-family and commercial property located in southwest Austin within the Barton Creek community and 465 acres of undeveloped residential, multi-family and commercial property known as the Lantana project, located south of and adjacent to the Barton Creek community. Our remaining Austin acreage consists of about

1,300 acres of undeveloped commercial and multi-family property within the Circle C community, also located in southwest Austin.

We also own 120 acres of undeveloped residential property, which are under contract for sale during 2001, and 31 acres of undeveloped commercial and multi-family property located in Dallas, Houston and San Antonio, Texas, which are being activity marketed. Unaffiliated professional real estate developers who have been retained to provide master planning, zoning, permitting, development, construction and marketing services for the properties manage these real estate interests. Under the terms of these agreements, we fund operating expenses and development costs associated with these properties, net of revenues. Also, the developers are entitled to a management fee and a 25 percent interest in the net profits, after we recover our investments and a stated rate of return, resulting from the sale of properties under their management. As of December 31, 2000, no amounts have been or are expected to be paid in connection with these net profit arrangements.

Joint Ventures with Olympus Real Estate Corporation (Olympus)

We have entered into three joint ventures with Olympus, an affiliate of Hicks, Muse, Tate & Furst Incorporated, pursuant to a strategic alliance entered into in May 1998 (see Note 2). All subsequent references to "Notes" refer to the Notes to Financial Statements located in Item 8, found elsewhere in this Annual Report on Form 10-K.

Olympus owns a 50.1 percent interest and we own a 49.9 percent interest in each joint venture. The first two joint ventures were formed on September 30, 1998 and the third was formed in the third quarter of 1999. Subsequently, two of the joint ventures were expanded to encompass new projects. See Note 4 for financial information, including condensed income statement and balance sheet data, about our unconsolidated affiliates.

Barton Creek Joint Venture

The first joint venture involved our sale of the Wimberly Lane tract within the Barton Creek community near Austin, Texas to the Oly Stratus Barton Creek I Joint Venture (Barton Creek Joint Venture) on September 30, 1998. The Barton Creek Joint Venture agreed to pay $3.3 million for the 28-acre tract. We received $2.1 million, a note for $1.2 million and made an equity contribution of $0.5 million upon formation of the joint venture. In the transaction, we deferred $1.6 million of revenues and $0.6 million of related gain associated with our 49.9 percent ownership interest in the joint venture. As manager of the project, we secured a $3.9 million project loan facility for the joint venture. The initial proceeds from this facility were used to reimburse the $1.9 million of development costs that we incurred on the project prior to the formation of the joint venture. Subsequent borrowings on the facility were used to complete the development of 75 residential lots at the "Wimberly Lane" subdivision of Barton Creek. As developer, we completed 75 residential lots during the first quarter of 1999 and immediately began marketing the lots. As manager, we sold 42 of the Wimberly Lane lots during 1999 for $4.8 million, which enabled us to repay all the borrowings outstanding under the project loan facility and to partially fund the development of 54 additional lots in the "Escala Drive" subdivision of the Barton Creek Joint Venture (see below). We sold 30 additional Wimberly Lane residential lots during 2000 for $3.5 million. The three remaining Wimberly Lane lots are scheduled to close and fund by mid-2001.

In December 1999, we sold the Barton Creek Joint Venture 174 acres of land encompassing 54 platted lots, within the "Escala Drive" subdivision of the Barton Creek community. Upon closing of the sale, we received $6.0 million and a $5.0 million note. We deferred $5.5 million of the $11.0 million of sales proceeds and $3.0 million of the $6.0 million related gain attributable to our ownership interest. The 54 lots, completed during the first half of 2000, were developed pursuant to the more restrictive development requirements of the city of Austin (the City). Each lot averages over three acres in size, making

them the largest lots developed to date within the Barton Creek community. All of the lots have scenic hill country settings and some overlook the new Tom Fazio-designed "Fazio Canyons" golf course. The development of these lots was funded through the initial equity contributions of the partners and proceeds from sales of

lots at the Wimberly Lane subdivision of the Barton Creek Joint Venture (see above). As manager, we sold 32 Escala Drive lots for $14.0 million during 2000. We expect the remaining 22 lots will close and fund during 2001.

As manager of the Barton Creek Joint Venture, we receive sales commissions and management fees for our services. We earned fees totaling $1.2 million in 2000 and $0.3 million in 1999 related to our Barton Creek Joint Venture activities. We also received a development fee upon completing the respective subdivisions in 1999 and 2000.

The Barton Creek Joint Venture has distributed approximately $16.4 million to the partners as of December 31, 2000. Our share of these distributions, approximately $8.2 million, was initially recorded as a reduction of the related Barton Creek Joint Venture notes receivable ($6.2 million) and the related accrued interest ($0.7 million). The remaining $1.3 million of distribution proceeds represented a return of equity and reduced our investment in the Barton Creek Joint Venture. Future distributions will further reduce our investment in the Barton Creek Joint Venture, which at December 31, 2000 was $4.1 million.

Walden Partnership

The second joint venture, also formed on September 30, 1998, involved us acquiring a 49.9 percent interest in the Oly Walden General Partnership (the Walden Partnership), which owns the Walden on Lake Houston project in Houston, Texas, which Olympus purchased in April 1998. We have managed this project on Olympus' behalf under the terms of a management agreement since April 1998. We paid $2.0 million for our share of the Walden Partnership, borrowing funds available to us under the $10 million convertible debt facility with Olympus (see Note 2). We will continue to manage this property, which at December 31, 2000, included 497 developed lots and 80 acres of platted but undeveloped real estate, and receive management fees and commissions for our services. During the second quarter of 1998, we negotiated agreements with homebuilders providing for the sale of approximately 90 percent of the developed lots at that time. These agreements require the purchasers to close on the lots pursuant to a specific schedule that extends through 2002. As of December 31, 2000, 433 lots have already closed and funded under these agreements. The Walden Partnership project loan, which originally totaled $8.2 million, is nonrecourse to the partners and is secured by the assets of the project. At December 31, 2000, borrowings outstanding on this project loan totaled $1.7 million. In connection with obtaining the Walden Partnership project loan, we were required to make an initial restricted cash deposit of $2.5 million as additional collateral, of which $0.6 million was still restricted at December 31, 2000.

7000 West

On August 16, 1999, we sold Olympus a 50.1 percent interest in the first 70,000 square foot office building (Phase I) of the planned 140,000 square foot Lantana Corporate Center (7000 West). Upon closing, we received $1.1 million and recognized a $0.5 million gain. We deferred our retained interest, or $0.5 million, of the sales proceeds and related gain associated with the sale of the 5.5 acres of commercial real estate associated with Phase I of the project. As developer, we completed construction on Phase I in November 1999, and as manager, we secured third party lease agreements that have fully occupied the building. During the first quarter of 2000, we completed a transaction admitting Olympus as our joint venture partner in the second 70,000 square foot office building (Phase II) at 7000

West. In this transaction, we finalized the second phase of a prior sale of an additional 5.5 acres of commercial real estate to the joint venture. Revenues from this sale of $1.1 million and the related gain of $0.9 million were deferred until construction and leasing of the building was completed, which occurred during the third quarter of 2000. At that time, we recognized $0.5 million related to Olympus' 50.1 percent share of the revenues and related gain. In our role as manager, we arranged for a $6.6 million project loan for 7000 West, which was utilized to construct Phase I. The construction of Phase II required additional financing, which was provided when we arranged for an additional $7.7 million of availability on the 7000 West development loan. The variable rate, non-recourse loan is secured by the 11 acres of land at 7000 West and both 70,000 square foot office buildings. The loan will mature in August 2001; however, we are actively pursuing a long-term financing agreement on behalf of 7000 West. At December 31, 2000, borrowings outstanding on this development loan totaled $12.0 million.

Stratus' Development Activities

Development is progressing at several sections of the Barton Creek community including the preliminary development of new single-family homesites in the vicinity of the new Tom Fazio-designed "Fazio Canyons" golf course completed in September 1999. We expect that a number of these homesites will be available for sale during 2001.

We commenced construction of a new subdivision within the Barton Creek community during the fourth quarter of 2000. This subdivision, Mirador, adjoins the successful Escala Drive subdivision, which is owned by our Barton Creek Joint Venture (see above). Our development plan for the Mirador subdivision consists of 34 estate lots, averaging 3.5 acres in size, to be completed by mid-2001.

We have received final subdivision plat approval from the City to develop approximately 170 acres of commercial and multi-family real estate within our Lantana development and we commenced initial development activities at this site during the fourth quarter of 2000. Full development on the 170 acres is expected to consist of over 800,000 square feet of office and retail space and approximately 400 multi-family units. A 36.4-acre multi-family site was sold to an apartment developer in December 2000 and is currently under construction (see "Results of Operations" below).

Results of Operations

We are continually evaluating the development potential of our properties and will continue to consider opportunities to enter into significant transactions involving our properties. As a result, and because of numerous other factors affecting our business activities as described herein, our past operating results are not necessarily indicative of our future results.

Summary operating results follow (in thousands):

	2000	1999	1998
Revenues:			
Undeveloped properties			
Unrelated parties	$ 2,101	$ 3,279	$ 1,115
Olympus	533	6,020	1,651
Recognition of deferred revenues	4,026	904	-
Total undeveloped properties	6,660	10,203	2,766
Developed properties	709	3,692	15,303
Commissions, management fees and other	2,730	1,357	466
Total revenues	$10,099	$15,252	$18,535

Operating income (loss)	$(2,446)a	$ 3,350a,b	$ (572)a,b
Net income (loss)	14,222c	2,871	(2,638)

a. Includes $0.5 million of recognized gain associated with the 7000 West (Phase II) transaction in 2000, $3.5 million of recognized gains associated with transactions involving the 7000 West (Phase I) and Barton Creek Joint Ventures in 1999 and a $0.6 million recognized gain in 1998 from the formation of the Barton Creek Joint Venture.
b. Includes reimbursement of infrastructure costs expensed in prior years of $2.8 million in 1999 and $0.8 million in 1998.
c. Includes $14.3 million of recognized gains associated with the settlement of our Circle C infrastructure reimbursement claim against the City (see "Non-Operating Results," Note 6 and Item 3. "Legal Proceedings").

Our undeveloped property revenues include both sales of undeveloped real estate to unrelated parties and to our unconsolidated affiliates (see "Joint Ventures with Olympus Real Estate Corporation" above). When we sell real estate to an entity owned jointly with Olympus, we defer recognizing revenue from the sale related to our ownership interest until sales are made to unrelated parties. Our undeveloped properties revenues for 2000 primarily reflect the recognition of previously deferred revenues from the sale of undeveloped real estate to our unconsolidated affiliates. We recognized $4.0 million of previously deferred gains as a result of sales of 30 Wimberly Lane lots and 32 Escala Drive lots at the Barton Creek Joint Venture. Our remaining undeveloped properties revenues include the sale of one acre of multi-family property in San Antonio, Texas and the 36.4-acre multi-family Lantana tract in Austin, which was sold in December 2000 for $5.3 million. In the Lantana multi-family sales transaction, we deferred recognition on approximately $3.5 million of the sales proceeds, including $1.6 million of related gain which will be recognized pro-rata as development of the related infrastructure is completed. Our sales to Olympus included its 50.1 percent interest in the 5.5 acres of commercial real estate sold to 7000 West for construction of the second 70,000 square foot building. We sold all 24 of our remaining developed lots during 2000.

Our 1999 undeveloped property revenues to unrelated parties included (1) the sale of 44 acres of residential property in Houston, (2) the sale of 34 acres of multi-family real estate in San Antonio and (3) the sale of 8 acres of multi-family real estate in Dallas. Sales of real estate to joint ventures with Olympus included the sale of 174 acres of residential property to the Barton Creek Joint Venture and the sale of 5.5 acres of commercial real estate to 7000 West (see "Joint Ventures with Olympus Real Estate Corporation" above). Our recognition of deferred revenues resulted from the sale of 42 Wimberly Lane developed lots by the Barton Creek Joint Venture. Sales of 75 single-family homesites represent our 1999 developed property revenues.

By comparison, our 1998 undeveloped real estate sales to unrelated parties included the sale of 2 acres of commercial real estate in Dallas, 27 acres of residential property in San Antonio and 17 acres of residential property in Barton Creek. Our Olympus revenues resulted from the sale of 28 acres of Barton Creek residential real estate to the Barton Creek Joint Venture, of which $1.6 million was originally deferred. Our 1998 developed property revenues resulted from the sale of 213 single-family homesites.

Commissions, management fees and other income have increased steadily over the three-year period ending December 31, 2000, reflecting our efforts to expand this part of our business. The substantial revenues during 2000 primarily reflect our increased

sales commissions from the Barton Creek Joint Venture. We sold lots at both the Escala Drive and Wimberly Lane subdivisions during 2000 and we sold the initial Wimberly Lane lots during 1999. Our management fees revenue for the past two years also includes our fees associated with the management of the 2,200-acre Lakeway project near Austin.

Costs of sales were $8.8 million in 2000, $8.4 million in 1999 and $15.1 million in 1998. The increase in 2000 from 1999 primarily reflects the recognition of previously deferred costs related to the sales of land to the Barton Creek Joint Venture, which totaled $1.9 million in 2000 and $0.6 million in 1999. This increase was partially offset by the reduction in sales during 2000. The decrease in 1999 from 1998 resulted from the reimbursement of certain infrastructure costs previously charged to expense or related to properties previously sold, which reduced cost of sales by $2.8 million during 1999 and $0.8 million in 1998. Additionally, the variance also reflects the substantial reduction in sales, particularly those related to the sales of developed lots.

Our general and administrative expenses totaled $3.7 million in 2000, $3.5 million in 1999 and $4.0 million in 1998. Our general and administrative expenses over the past three years reflect increasing costs associated with our managerial and administrative duties, primarily those associated with our unconsolidated operations. This increase was partially offset by reduced legal expenses, which totaled $0.5 million in 2000 compared to $0.8 million in 1999 and $1.5 million during 1998. Legal costs have been decreasing as we worked to resolve our Circle C disputes with the City, which have been settled (see "Non-Operating Results" and "Capital Resources and Liquidity" below).

Non-Operating Results

Net interest expense totaled $1.3 million in 2000, $0.8 million in 1999 and $2.0 million in 1998 (see Note 5). Capitalized interest totaled $1.3 million in 2000, $1.2 million in 1999 and $0.4 million in 1998.

In March 2000, the City approved a settlement agreement involving disputes between the City and other Austin-area real estate developers and landowners concerning the Circle C community. Under terms of this settlement, the lawsuits contesting the City's December 1997 annexation of all land within the four Circle C Municipal Utility Districts (MUD) and the dissolution of the four MUDs have been dismissed with prejudice. Accordingly, the City's cumulative partial payments of our Circle C MUD reimbursement claim, totaling $10.5 million, were no longer subject to a repayment contingency and we recorded approximately $7.4 million of these previously deferred proceeds in other income during the first quarter of 2000. This amount represents that portion of the reimbursed infrastructure expenditures in excess of our remaining basis in these assets, as well as related interest income on the reimbursements. The remaining $3.1 million was recorded as a reduction of our investment in Circle C. In December 2000, we received an additional $6.9 million, including $0.6 million of interest, from the City as full and final settlement of the City's obligations in this matter. We recorded the proceeds as a gain during the fourth quarter of 2000. Also see Item 3. "Legal Proceedings" for further discussion concerning our legal matters.

We previously accrued liabilities totaling $5.1 million in the connection with the previous operation of certain oil and gas properties that were sold during 1993. During 2000, management completed a review of these amounts and determined that current conditions warranted reversal of $2.1 million of these accruals. Accordingly, other income of $2.1 million is reflected in the Statement of Operations for the year ending December 31, 2000. The remaining liability represents our indemnification of the purchaser for any future abandonment costs in excess of net revenues received by the purchaser in connection with the sale of one oil and gas property in 1993. We accrued $3.0 million relating to this liability at the time of the purchase, which is

included in "Other liabilities" in the accompanying balance sheet. We periodically assesses the reasonableness of amounts recorded for this liability through the use of information provided by the owner of the property, including its net production revenues. The carrying value of this liability may be adjusted or eliminated, as additional information becomes available.

Capital Resources and Liquidity

Net cash provided by operating activities totaled $17.9 million in 2000, $20.6 million in 1999 and $11.1 million in 1998. The decrease in 2000 compared with 1999 reflects our receipt of $7.1 million from the City in settlement of our Circle C infrastructure reimbursement claim in 2000 compared with the $10.3 million we received from the City as partial settlement of our claim during 1999 (see below and Item 3. "Legal Proceedings"). The decrease also reflects our reduced sales activity during 2000. The 2000 decrease was partially offset by receipt of $6.5 million from the Barton Creek Joint Venture in fulfillment of its remaining obligations to us under terms of its initial land purchases in 1999 and 1998 (see "Joint Ventures with Olympus Real Estate Corporation" above). We also received distributions from our unconsolidated affiliates totaling $1.4 million, which represents a return on our equity investment in the joint ventures. The increase during 1999 compared to 1998 resulted primarily from the $10.3 million partial settlement from the City. The increase also reflects our receipt of previously expensed infrastructure cost reimbursements totaling $2.8 million during 1999 compared to $0.8 million for similar reimbursements in 1998. The increase was partially offset by the decrease in sales revenues during 1999.

Net cash used in investing activities totaled $5.4 million in 2000, $8.9 million in 1999 and $8.8 million in 1998. Investing activities for all three years reflect real estate and facilities capital expenditure payments, net of any related capitalized MUD reimbursements. In addition, 1999 investing activities included a $0.4 million additional investment in the Walden Partnership. Our 1998 investing activities include a $2.5 million investment in two joint ventures (see "Joint Ventures with Olympus Real Estate Corporation" above and Note 4). Real estate and facility capital expenditures have been moderate, reflecting the constraints on our development activities resulting from disputes with the City and others. Additionally, our joint ventures' capital expenditures are not reflected directly in the accompanying financial statements, as the joint ventures' results are presented using the equity method of accounting (see Note 1).

Financing activities used cash totaling $8.4 million in 2000 and $12.9 million in 1999 and provided cash of $2.1 million in 1998. We reduced our net outstanding borrowings by $8.5 million in 2000, $12.9 million in 1999 and $7.9 million in 1998. Our net reductions in outstanding borrowings included proceeds of $0.4 million during 1999 and $2.0 million during 1998 from borrowings on our convertible debt facility with Olympus (see Note 2). Additionally, our financing activities during 1998 reflect $10.0 million from the issuance of mandatorily redeemable preferred stock (see Note 3). The mandatorily redeemable preferred stock proceeds were used to reduce outstanding bank debt, and the convertible debt proceeds were used to fund our investment in the Walden Partnership (see Note 4).

On October 29, 1999, the City agreed to pay us $9.8 million, including interest of $1.0 million, as partial payment of our Circle C MUD reimbursement claim. We received a total of $10.3 million of partial payments from the City on our Circle C MUD reimbursement claim through December 31, 1999. We received a total of $7.1 million of additional settlement proceeds from the City in 2000, including its final settlement payment of $6.9 million (including interest of $0.6 million) in December 2000. We used all $17.4 million of these proceeds to reduce our borrowings outstanding under the applicable credit facilities.

Sales, limited development expenditures and the receipt of the settlement proceeds related to our Circle C MUD reimbursement claim enabled us to generate cash flow during the three years ended December 31, 2000. We used these operating cash flows to reduce our outstanding debt from $37.1 million at December 31, 1997 to $8.4 million at December 31, 2000. Historically, our funding needs were met largely from borrowings under revolving credit facilities and term loan agreements, which have been renegotiated over the past two years (see below and Note 5).

In December 1999, we established a new bank credit facility with Comerica Bank-Texas, which provided for a term loan and a revolving line of credit. We borrowed $20 million under the term loan portion of the facility and used the proceeds to repay all borrowings outstanding under our previous credit facility. The facility also made available up to an additional $10 million of borrowings under a revolving line of credit. In December 2000, we used the proceeds from our Lantana multi-family tract sale (see "Results of Operations") to repay all remaining borrowings outstanding under the existing Comerica facility and then negotiated an expanded $30 million credit facility with Comerica, with improved terms and a December 16, 2002 maturity. The new facility consists of a $20 million revolving line of credit available for general corporate purposes and a $10 million term loan commitment especially designed for potential future redemption obligations related to our mandatorily redeemable equity securities held by Olympus (see Note 3). At December 31, 2000, we had $0.4 million of borrowings outstanding on the facility, which were repaid in full in early January 2001. Borrowings outstanding on our Comerica facility totaled $1.5 million as of February 28, 2001.

Under the terms of the Comerica facility, we are required to carry an interest reserve account with the bank. The amount in this account must be sufficient to carry the potential debt service for both the term loan and the revolving line of credit for the ensuing twelve month period, adjusted quarterly. At December 31, 2000, the amount required to be

included in the
interest reserve account totaled approximately $2.0 million. This amount can be funded directly or treated as a reduction of our availability under the revolving line of credit. As of December 31, 2000, we had funded $1.1 million into the interest reserve account and the remaining $0.9 million needed to meet the $2.0 million requirement reduced our availability under the revolving line of credit to $19.1 million. We are able to withdraw amounts funded into the interest reserve account as needed.

In December 2000, we also borrowed $5.0 million under a new five-year unsecured term loan from First American Asset Management (Note 5). The proceeds of the loan are being used to fund our operations and for other general corporate purposes. We also have $3.0 million of borrowings outstanding on our convertible debt facility with Olympus (see Note 2).

We have pursued various financing arrangements available through our relationship with Olympus. On September 30, 1998, the Walden Partnership, an unconsolidated subsidiary in which we own 49.9 percent, (see "Joint Ventures with Olympus Real Estate Corporation" above and Note 4), entered into an $8.2 million project loan agreement with a commercial bank to fund the remaining development of the Walden on Lake Houston project. The three-year, variable rate loan is secured by the assets of the Walden Partnership and is nonrecourse to the partners. In addition, we secured the loan with a restricted cash deposit (see discussion below). Interest is payable monthly and is based on the bank's prime rate or the LIBOR rate at the Walden Partnership's option. In October 1998, the Walden Partnership borrowed $6.1 million on this loan and used the proceeds to repay

its outstanding bank debt associated with land acquisition and development costs incurred on the project. At December 31, 2000, borrowings outstanding on this project loan totaled $1.7 million. Restricted cash deposited with the bank for the Walden Partnership project loan totaled $0.6 million at December 31, 2000 and $1.5 million at December 31, 1999.

In April 1999, we and one of our wholly owned subsidiaries finalized a $6.6 million project development loan facility with Comerica Bank-Texas for the development of the first 70,000 square foot office building at the 140,000 square foot Lantana Corporate Center (7000 West). In August 1999, as part of the joint venture agreement with Olympus, we sold a 50.1 percent interest in the subsidiary that held the project loan. Accordingly, the project loan is now recorded by the joint venture (see "Joint Ventures with Olympus Real Estate Corporation" above and Note 4). In the first quarter of 2000, as manager of the 7000 West project, we obtained an additional $7.7 million of availability under the 7000 West development facility to provide the funding necessary to construct the second 70,000 square foot office building at the site. The variable rate, nonrecourse loan is secured by the approximate 11 acres of real estate at 7000 West and the two completed office buildings. The loan will mature in August 2001; however, we are actively pursuing long term financing options for the project. At December 31, 2000, borrowings outstanding on the project development facility totaled $12.0 million.

Our future operating cash flows and, ultimately, our ability to develop our properties and expand our business will be largely dependent on the level of our real estate sales. In turn, these sales will be significantly affected by future real estate market conditions in the area of our properties, regulatory issues, development costs, interest rate levels and our ability to continue to protect our land use and development entitlements. As discussed in "Cautionary Statements" located elsewhere in this Annual Report on Form 10-K, our financial condition and results of operations are highly dependent upon the market conditions in Austin. Currently the Austin real estate market appears to be experiencing a slowdown, which will likely affect our near-term results. We cannot at this time project how long or to what extent this current slowdown will last in Austin.

Significant development expenditures must be incurred and permits secured for certain of our Austin area properties prior to their eventual sale. In June 2000, the Texas Supreme Court ruled that the legislation creating water quality protection zones was unconstitutional (see Item 3. "Legal Proceedings"). This decision primarily affects development of the southern portion of our Barton Creek property. We have initiated plans that will meet development requirements under existing laws and regulations. Certain of our properties benefit from grandfathered entitlements that are not subject to the development requirements currently in effect. We continue to have a positive and cooperative dialogue with the City concerning land use and development permit issues.

We are continuing to pursue additional development and management fee opportunities, both individually and through our existing relationships with institutional capital sources. We also believe that we can obtain bank financing at a reasonable cost for developing our properties. However, obtaining land acquisition financing is generally expensive and uncertain.

In February 2001, our Board of Directors authorized an open market stock purchase program for up to 1.4 million shares of our common stock representing approximately 10 percent of our then outstanding common stock. The

purchases may occur over time
depending on many factors: including the market price of our common stock; our operating results, cash flow and financial

position; possible redemption of the mandatorily redeemable preferred stock held by Olympus; and general economic and market conditions.

Disclosures About Market Risks

We derive our revenues from the management, development and sale of our real estate holdings. Our net income can vary significantly with fluctuations in the market prices of real estate, which are influenced by numerous factors, including interest rate levels. Changes in interest rates also affect interest expense on our debt. At the present time, we do not hedge our exposure to changes in interest rates. Based on the bank debt outstanding at December 31, 2000, a change of 100 basis points in applicable annual interest rates would have an approximate $0.1 million impact on year 2001 net income.

Environmental

Increasing emphasis on environmental matters is likely to result in additional costs. Our future operations may require substantial capital expenditures, which could adversely affect the development of our properties and results of operations. Additional costs will be charged against our operations in future periods when such costs can be reasonably estimated. We cannot at this time accurately predict the cost associated with future environment obligations.

Cautionary Statement

Management's Discussion and Analysis of Financial Condition and Results of Operations and Disclosures about Market Risks contains forward-looking statements regarding future reimbursement for infrastructure costs, future events related to financing and the anticipated outcome of the litigation and regulatory matters, the expected results of our business strategy, and other plans and objectives of management for future operations and activities. Important factors that could cause actual results to differ materially from our expectations include economic and business conditions, business opportunities that may be presented to and pursued by us, changes in laws or regulations and other factors, many of which are beyond our control, and other factors that are described in more detail under Item 1, "Cautionary Statements."

Item 8. Financial Statements and Supplementary Data

REPORT OF MANAGEMENT

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

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

The Board of Directors, through its Audit Committee composed solely of independent non-employee directors, is responsible for overseeing the integrity and reliability of Stratus' accounting and financial reporting practices and the effectiveness of its system of internal controls. Arthur Andersen LLP and

PricewaterhouseCoopers LLP meet regularly with, and have access to, this committee, with and without management present, to discuss the results of their audit work.

William H. Armstrong III
Chairman of the Board, President
and Chief Executive Officer

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

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

We have audited the accompanying balance sheets of Stratus Properties Inc. (a Delaware Corporation) as of December 31, 2000 and 1999, and the related statements of operations, changes in stockholders' equity, and cash flow for each of the three years in the period ended December 31, 2000. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Stratus Properties Inc. as of December 31, 2000 and 1999, and the results of its operations and its cash flow for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States.

/s/Arthur Andersen LLP

Austin, Texas
January 25, 2001

STRATUS PROPERTIES INC.
BALANCE SHEETS

	December 31,	
	2000	1999
	(In Thousands)	
ASSETS		
Current assets:		
Cash and cash equivalents, including restricted cash of $0.6 million and $2.1 million, respectively (Notes 4 and 5)	$ 7,996	$ 3,964
Accounts receivable:		
Property sales	43	149
Other	553	1,160
Prepaid expenses	218	375
Total current assets	8,810	5,648
Real estate and facilities, net (Note 6)	93,005	91,664
Investments in and advances to unconsolidated affiliates (Note 4)	7,596	7,254
Other assets, including related		

party receivable (Note 4)	2,482	11,106
Total assets	$111,893	$115,672
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	$ 1,920	$ 900
Accrued interest, property taxes and other	1,486	1,537
Total current liabilities	3,406	2,437
Long-term debt (Note 5)	8,440	16,562
Other liabilities	8,967	19,833
Mandatorily redeemable preferred stock (Note 3)	10,000	10,000
Stockholders' equity:		
Preferred stock, par value $0.01, 50,000,000 shares authorized and unissued	-	-
Common stock, par value $0.01, 150,000,000 shares authorized, 14,298,270 and 14,288,270 issued and outstanding, respectively	143	143
Capital in excess of par value of common stock	176,465	176,447
Accumulated deficit	(95,528)	(109,750)
Total stockholders' equity	81,080	66,840
Total liabilities and stockholders' equity	$111,893	$115,672

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

STRATUS PROPERTIES INC.
STATEMENTS OF OPERATIONS

	Years Ended December 31,		
	2000	1999	1998
	(In Thousands, Except Per Share Amounts)		
Revenues	$10,099	$15,252	$18,535
Costs and expenses:			
Cost of sales	8,810	8,395	15,063
General and administrative expenses	3,735	3,507	4,044
Total costs and expenses	12,545	11,902	19,107
Operating income (loss)	(2,446)	3,350	(572)
Gains on settlement of Circle C municipal utility district infrastructure reimbursement claim (Note 10)	14,295	-	-
Other income, net (Note 10)	2,677	133	66
Interest expense, net	(1,280)	(789)	(2,019)
Income (loss) before income taxes and equity in unconsolidated affiliates	13,246	2,694	(2,525)
Income tax provision	(396)	(130)	(87)
Equity in unconsolidated affiliates' income (loss)	1,372	307	(26)
Net income (loss)	$14,222	$ 2,871	$(2,638)
Net income (loss) per share:			
Basic	$0.99	$0.20	$(0.18)

Diluted	$0.87	$0.18	$(0.18)
Average shares outstanding:			
Basic	14,295	14,288	14,288
Diluted	16,711	16,238	14,288

STRATUS PROPERTIES INC.
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(In Thousands)

	Preferred Stock	Common Stock	Capital in Excess of Par Value	Accumulated Deficit	Total
Balance at January 1, 1998	$ -	$ 143	$176,447	$(109,983)	$66,607
Net loss	-	-	-	(2,638)	(2,638)
Balance at December 31, 1998	-	143	176,447	(112,621)	63,969
Net income	-	-	-	2,871	2,871
Balance at December 31, 1999	-	143	176,447	(109,750)	66,840
Stock options exercised	-	-	18	-	18
Net income	-	-	-	14,222	14,222
Balance at December 31, 2000	$ -	$ 143	$176,465	$ (95,528)	$81,080

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

STRATUS PROPERTIES INC.
STATEMENTS OF CASH FLOW

	Years Ended December 31,		
	2000	1999	1998
	(In Thousands)		
Cash flow from operating activities:			
Net income (loss)	$ 14,222	$ 2,871	$(2,638)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	129	87	76
Cost of real estate sales	1,369	10,018	14,989
Equity in (income) loss of unconsolidated affiliates	(1,372)	(307)	26
Gain from previously deferred Circle C reimbursements	(7,430)	-	-
Reduction of other liability (Note 10)	(2,140)	-	-
(Increase) decrease in working capital:			
Accounts receivable and prepaid expenses	1,966	600	620
Accounts payable, accrued liabilities and other	839	(7)	(575)
Proceeds from Circle C municipal utility reimbursement	-	10,262	-

Long term receivable and other	10,338	(2,914)	(1,422)
Net cash provided by operating activities	17,921	20,610	11,076
Cash flow from investing activities:			
Real estate and facilities	(5,447)	(8,554)	(6,346)
Investment in Barton Creek Joint Venture	-	-	(494)
Investment in Oly Walden Partnership	-	(376)	(1,999)
Net cash used in investing activities	(5,447)	(8,930)	(8,839)
Cash flow from financing activities:			
Borrowings (repayments) on credit facilities, net	392	(27,118)	(9,940)
Proceeds from term loan	5,000	20,000	-
Repayments of term loan	(13,852)	(6,143)	-
Proceeds from the exercise of stock options	18	-	-
Proceeds from convertible debt facility	-	376	1,999
Proceeds from preferred stock issuance	-	-	10,000
Net cash provided by (used in) financing activities	(8,442)	(12,885)	2,059
Net increase (decrease) in cash and cash equivalents	4,032	(1,205)	4,296
Cash and cash equivalents at beginning of year	3,964	5,169	873
Cash and cash equivalents at end of year	$ 7,996	$ 3,964	$ 5,169
Interest paid	$ 1,631	$ 1,716	$ 2,338
Income taxes paid (refunded)	$ 142	$ 14	$ (118)

The accompanying notes, which include information in Notes 2, 4, 7, 9 and 10 regarding noncash transactions, are an integral part of these financial statements.

STRATUS PROPERTIES INC.
NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

Basis of Accounting. The real estate development and marketing operations of Stratus Properties Inc. (Stratus), a Delaware Corporation, are conducted in Austin and other urban areas of Texas through its wholly owned subsidiaries and through certain joint ventures (see "Investments in Unconsolidated Affiliates" below). Prior to 1997, Stratus used the equity method of accounting because the general partner of the general partnership through which Stratus conducted its operations had certain rights regarding its operations and guaranteed Stratus' long-term debt. Stratus purchased its general partner's interest and removed the general partner's debt guarantee in December 1997. Accordingly, the accompanying financial statements and related notes reflect the Stratus' financial position and results of operations under consolidation accounting effective January 1, 1997.

Reclassifications. Certain prior year amounts have been reclassified to conform to the year 2000 presentation.

Use of Estimates. The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in these financial statements and accompanying notes. The more significant

estimates include valuation allowances for deferred tax assets, estimates of future cash flows from development and sale of real estate properties, and useful lives for depreciation and amortization. Actual results could differ from those estimates.

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

Financial Instruments. The carrying amounts of receivables, other current assets, accounts payable and long-term borrowings reported in the balance sheet approximate fair value.

Earnings Per Share. The following table is a reconciliation of net income and weighted average common shares outstanding for purposes of calculating basic and diluted net income per share (in thousands, except per share amounts):

	Years Ended December 31,		
	2000	1999	1998
Basic net income per share of common stock:			
Net income (loss)	$14,222	$ 2,871	$(2,638)
Weighted average common shares outstanding	14,295	14,288	14,288
Basic net income per share of common stock	$0.99	$0.20	$(0.18)
Diluted net income (loss) per share of common stock:			
Net income (loss)	$14,222	$ 2,871	$(2,638)
Add: Interest expense from assumed conversion of convertible debt, net of income tax effect	331	-	-
	$14,553	$ 2,871	$(2,638)
Weighted average common shares outstanding	14,295	14,288	14,288
Dilutive stock options	288	238	-
Assumed redemption of preferred stock	1,712	1,712	-
Assumed conversion of convertible debt	416	-	-
Weighted average common shares outstanding for purposes of calculating diluted net income (loss) per share	16,711	16,238	14,288
Diluted net income (loss) per share	$0.87	$0.18	$(0.18)

Interest accrued on the convertible debt outstanding totaled approximately $338,000 in 2000, $270,000 in 1999 and $61,000 in 1998. There have been no dividends accrued on Stratus' mandatorily redeemable preferred stock through December 31, 2000. Although the debt was convertible into 370,000 shares in 1999, it was excluded from the diluted net income per share calculation because the effect of an assumed redemption of convertible debt was anti-dilutive. In 1998, Stratus' diluted loss per share calculation excluded the effects of

options outstanding that represented 275,000 shares of common stock in 1998, the conversion of its mandatorily redeemable preferred stock into 1.7 million shares of common stock and its debt convertible into

282,000 shares because of the loss during the year.

Stock options outstanding to purchase approximately 546,000 shares of common stock at an average exercise price of $5.48 per share in 2000, and options representing approximately 295,000 shares of common stock at an average exercise price of $6.14 per share for both 1999 and 1998, were excluded from the diluted net income (loss) per share calculations because their average exercise prices were higher than the average market price for the years presented.

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

When events or circumstances indicate that an asset's carrying amount may not be recoverable, an impairment test is performed. If projected undiscounted cash flow from the asset is less than the related carrying amount then a reduction of the carrying amount of the long-lived asset to fair value is required. Measurement of the impairment loss is based on the fair value of the asset. Generally, Stratus determines fair value using valuation techniques such as discounted expected future cash flows. No impairment losses are reflected in the accompanying financial statements.

Investment in Unconsolidated Affiliates. Stratus' investment in its affiliated 20 percent to 50 percent owned joint ventures and partnerships are accounted for on the equity method. Currently, Stratus owns a 49.9 percent interest in all of its investments in unconsolidated affiliates (see Note 4). Stratus' real estate sales to these entities are deferred to the extent of its ownership interest in the unconsolidated affiliate. The deferred revenues are recognized ratably as the unconsolidated affiliates sell the real estate to unrelated third parties.

Recent Accounting Pronouncements. In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" (SFAS 133). SFAS 133, as subsequently amended, is effective for fiscal years beginning after June 15, 2000 and establishes accounting and reporting standards requiring that every derivative instrument (including certain derivative instruments embedded in other contracts) be recorded in the balance sheet as either an asset or liability measured at its fair value. The accounting for changes in the fair value of a derivative depends on the intended use of the derivative and the resulting designation. Stratus adopted SFAS 133 effective January 1, 2001, with its adoption having no impact on its financial position or results of operations.

In December 1999, the Securities and Exchange Commission issued Staff Accounting Bulletin ("SAB") No. 101 which summarizes certain of the staff's views in applying generally accepted accounting principles to revenue recognition in financial statements. SAB 101 became effective in the fourth quarter of 2000. The adoption of SAB 101 had no material effect on Stratus' financial position or results of operations.

2. Olympus Transaction

On May 22, 1998, Stratus and Olympus Real Estate Corporation (Olympus), an affiliate of Hicks, Muse, Tate & Furst Incorporated, formed a strategic alliance to develop certain of Stratus' existing properties and to pursue new real estate acquisition and development opportunities. Under the terms of the agreement, Olympus made a $10 million investment in Stratus' mandatorily redeemable preferred stock, provided a $10 million

convertible debt financing facility to Stratus and agreed to make available up to $50 million of additional capital representing its share of direct investments in joint Stratus/Olympus projects. Olympus has the right to nominate one member or up to 20 percent of Stratus' Board of Directors, whichever is greater. Currently, Stratus has fixed the number of its Board of Directors at four members, with one member being nominated by Olympus.

The $10 million mandatorily redeemable preferred stock was issued at a stated value of $5.84 per share, the average closing price of Stratus' common stock during the 30 trading days ended March 2, 1998. Stratus used the proceeds from the sale of these securities to repay debt. For further discussion about mandatorily redeemable preferred stock, see Note 3 below.

The $10 million convertible debt facility is available to Stratus in whole or in part until May 22, 2004 and is intended to fund Stratus' equity investment in new Stratus/Olympus joint venture opportunities involving properties not currently owned by Stratus. On September 30, 1998, Stratus borrowed $2.0 million under this convertible debt facility to fund its investment in the Oly Walden General Partnership (Walden Partnership) (see Note 4). During the third quarter of 1999, Stratus borrowed an additional $0.4 million under the convertible debt facility to fund its share of an additional capital contribution to the Walden Partnership. Interest under this facility accrues at 12 percent and is payable quarterly or added to principal at Olympus' option. Through December 31, 2000, Olympus had elected to add the interest to principal, resulting in an outstanding amount on the facility of approximately $3.0 million. Outstanding principal under the facility is convertible at any time by the holder into Stratus' common stock at a conversion price of $7.31, which is 125 percent of the average closing price of Stratus' common stock during the 30 trading days ended March 2, 1998. If not converted into common stock, the convertible debt matures on May 22, 2004. If the combination of interest at 12 percent and the value of the conversion right does not provide Olympus with at least a 15 percent annual return on the convertible debt, Stratus must pay Olympus additional interest upon retirement of the convertible debt in an amount necessary to yield a 15 percent annual return. The convertible debt is nonrecourse to Stratus and will be secured solely by Stratus' interest in Stratus/Olympus joint venture opportunities financed with the proceeds from the convertible debt.

Through May 22, 2001, Olympus has agreed to make available up to $50 million, of which it had invested approximately $13.4 million as of December 31, 2000, for its share of capital for direct investments in Stratus/Olympus joint acquisition and development activities. In return, Stratus has provided Olympus with a right of first refusal to participate for no less than a 50 percent interest in all new acquisition and development projects on properties not currently owned by Stratus, as well as development opportunities on existing properties in which Stratus seeks third-party equity participation.

3. Mandatorily Redeemable Preferred Stock

Stratus has outstanding 1,712,328 shares of mandatorily redeemable preferred stock, stated value of $5.84 per share. Each share of preferred stock will share dividends and distributions, if any, ratably with Stratus' common stock. The preferred stock is redeemable at the holder's option at any time after May 22, 2001, for cash in an amount per share equal to 95 percent of the average closing price per share of common stock for the 10 trading days preceding the redemption date (the "common stock equivalent value") or, at Stratus' option, after May 22, 2003 for the greater of the common stock equivalent value or their stated value per share, plus accrued and unpaid dividends, if any. The preferred stock must be redeemed no later than May 22, 2004. Stratus has the option to satisfy the redemption with shares of its common stock on a one-for-one share basis, subject to certain limitations. See Note 5 for disclosure

of a loan commitment specifically designated to meet the potential future redemption obligations related to these shares of preferred stock.

4. Investment in Unconsolidated Affiliates

Stratus has investments in three joint ventures. Stratus owns a 49.9 percent interest in each joint venture and Olympus owns the remaining 50.1 percent interest. Accordingly, Stratus accounts for its investments in the joint ventures utilizing the equity method of accounting. Stratus develops and manages each project undertaken by the joint ventures and receives development fees, sales commissions, and other management fees for its services.

On September 30, 1998, Stratus entered into two separate joint ventures with Olympus. The first provided for the development of 75 residential lots at the Barton Creek subdivision known as Wimberly Lane. In this transaction, Stratus sold land to the Oly Stratus Barton Creek I Joint Venture (Barton Creek Joint Venture), for approximately $3.3 million. Stratus deferred its equity interest in the sale, or $1.6 million, for financial accounting purposes, which is being recognized ratably as the developed lots are sold to unrelated third parties. Upon closing, Stratus received $2.1 million and a $1.2 million note and invested approximately $0.5 million in the now fully developed project. In December 1999, Stratus sold 174 acres of land encompassing 54 platted lots within the Barton Creek Escala Drive subdivision to the Barton Creek Joint Venture for $11.0 million. Upon the closing of the sale, Stratus received $6.0 million and a $5.0 million note. Stratus deferred $5.5 million of the $11.0 million of sales proceeds and $3.0 million of the $6.0 million related gain attributable to our ownership interest. Stratus is recognizing these deferred amounts as the lots in the fully developed Escala Drive project are sold to unrelated third parties. Stratus, as manager of the project, sold 30 Wimberly Lane lots and 32 Escala Drive lots in 2000 and 42 Wimberly Lane lots during 1999. Stratus recognized previously deferred gains totaling $2.1 million in 2000 and $0.3 million in 1999 as a result of the Barton Creek Joint Venture's lot sales. Deferred gains remaining to be recognized from Barton Creek Joint Venture lot sales totaled $1.2 million at

December 31, 2000.

In connection with its lots sales during both 2000 and 1999, the Barton Creek Joint Venture has distributed a total of $16.4 million to the partners. Stratus' portion of the distributions, approximately $8.2 million, have been recorded as a repayment of the Barton Creek notes receivable and related accrued interest ($6.9 million) and a $1.3 million reduction of its investment in the Barton Creek Joint Venture. All future distributions by the Barton Creek Joint Venture will reduce Stratus' investment in the joint venture as a return of partners' capital.

The second transaction involved approximately 700 developed lots and 80 acres of platted but undeveloped real estate at the Walden on Lake Houston project (Walden). Olympus originally purchased Walden in April 1998 when it contained 930 developed lots and 80 acres of undeveloped property. Stratus has served as manager of this project since Olympus' purchase. Stratus acquired its interest in the Walden Partnership for $2.0 million of borrowings under its convertible debt facility with Olympus (see Note 2). On September 30, 1999, Stratus borrowed an additional $0.4 million under the convertible debt facility to fund its share of an additional capital contribution to the Walden Partnership. The Walden project had 497 developed lots and 80 acres of undeveloped property remaining at December 31, 2000. As of December 31, 2000, the Walden Partnership had not yet made any distributions to the partners.

Stratus negotiated an $8.2 million project development loan for the Walden Partnership, which is nonrecourse to the partners and is secured by the Walden Partnership's assets. At December

31, 2000, borrowings of $1.7 million were outstanding on the project loan. The loan also required that a wholly owned subsidiary of Stratus deposit a total of $2.5 million of restricted cash with the bank as additional collateral. The project loan agreement for the Walden Partnership permits a $0.30 reduction of this restricted cash deposit for every $1.00 of principal repaid on the Walden Partnership loan. At December 31, 2000, Stratus had approximately $0.6 million of restricted cash associated with this agreement.

On August 16, 1999, Stratus sold Olympus a 50.1 percent interest in a 70,000 square foot office building, which is the first phase of the 140,000 square foot Lantana Corporate Center (7000 West). Stratus received $1.1 million upon closing and recognized a $0.5 million gain relating to Olympus' ownership interest in the building. Stratus deferred its retained interest, or $0.5 million, of the sales proceeds and related gain resulting from the sale of the 5.5 acres of commercial real estate associated with Phase I of the project. As developer, Stratus completed construction on the first building in November 1999 and as manager has secured lease agreements which have fully occupied the building. During the first quarter of 2000, Stratus completed a second sale of 5.5 acres of commercial real estate to 7000 West, which was used as the site for the second 70,000 square foot office building (Phase II). Upon completion and leasing of Phase II during the second quarter of 2000, Stratus recognized the $0.5 million of the revenues and related gain associated with Olympus' ownership interest in 7000 West. The 7000 West Joint Venture has distributed approximately $0.1 million to the partners, which has been recorded as a reduction of Stratus' investment in 7000 West.

Funds for the construction of the first building at 7000 West were provided by a $6.6 million project loan that Stratus negotiated in April 1999. During the first quarter of 2000, as manager of the 7000 West project, Stratus obtained an additional $7.7 million of availability under the 7000 West development facility to provide the funding necessary to construct Phase II. The variable rate, nonrecourse loan is secured by the approximate 11 acres of real estate and the two completed office buildings at 7000 West and is scheduled to mature in August 2001. At December 31, 2000, borrowings outstanding on the 7000 West development loan totaled $12.0 million.

The summarized unaudited financial information of Stratus' unconsolidated affiliates as of December 31, 2000 and 1999, and for the years then ended, and as of December 31, 1998 and for the period from inception (September 30, 1998) to December 31, 1998, follows (in thousands):

	Barton Creek Joint Venture	Walden Partnership	7000 West	Total
Earnings data (year ended December 31, 2000):				
Revenues	$17,454	$ 2,396	$ 1,357	$21,207
Operating income (loss)	4,461	(1,074)	(909)	2,478
Net income (loss)	4,580	(1,007)	(909)	2,664
Stratus' equity in net income (loss)	2,286	(460)a	(454)	1,372
Earnings data (year ended December 31, 1999):				
Revenues	4,787	2,993	21	7,801
Operating income (loss)	1,039	(510)	(83)	446
Net income (loss)	1,039	(485)	(74)	480
Stratus' equity in net income (loss)	518	(174)a	(37)	307

Earnings data (inception to December 31, 1998):				
Revenues	-	875	-	875
Operating loss	-	(75)	-	(75)
Net loss	-	(51)	-	(51)
Stratus' equity in net loss	-	(26)	-	(26)
Balance sheet data (at December 31, 2000):				
Current assets	$ 3,227	$ 501	$ 1,490	$ 5,218
Real estate and facilities, net	5,181	7,350	14,696	27,227
Total assets	8,408	7,851	16,186	32,445
Current liabilities	177	1,946	12,635	14,758
Total liabilities	177	8,124b	12,635	20,936
Net assets (liabilities)	8,231	(273)	3,551	11,509
Stratus' equity in net assets (liabilities)	4,107	(136)	1,772	5,743
Balance sheet data (at December 31, 1999):				
Current assets	2,328	1,207	1,069	4,604
Real estate and facilities, net	15,880	8,788	7,584	32,252
Total assets	18,482	10,094	8,999	37,575
Current liabilities	261	2,722	773	3,756
Total liabilities	12,180	9,355b	5,637	27,172
Net assets	6,302	740	3,362	10,404
Stratus' equity in net assets	3,145	369	1,678	5,192

a. Includes recognition of deferred income $42,000 in 2000 and $67,000 in 1999, representing the difference in Stratus' investment in the Walden Partnership and its underlying equity at the date of acquisition. Stratus will recognize the remaining difference as the related real estate is sold. At December 31, 2000, Stratus had $228,000 of remaining unrecognized Walden Partnership deferred income

b. Includes a $2.1 million note payable to Stratus.

5. Long-Term Debt

	December 31,	
	2000	1999
	(In Thousands)	
Comerica facility, average rate 9.5% in 2000 and 9.5% in 1999	$ 397	$13,857
Unsecured term loan, average rate 9.25% in 2000	5,000	-
Convertible debt facility with Olympus, average rate 12.0% in 2000 and 1999 (Note 2)	3,043	2,705
	$8,440	$16,562

Stratus had a commercial bank credit facility that provided for borrowings of up to $35 million through December 31, 1999. Borrowings on this facility yielded an average rate of 5.6 percent in 1999. In December 1999, Stratus negotiated a new facility agreement with Comerica Bank-Texas. The new facility provided for a $20 million term loan and a $10 million revolving line of credit. Stratus borrowed $20 million under the term loan portion of the facility and used the proceeds to repay all outstanding borrowings under a previous credit facility

(discussed above), which was then terminated. This retirement of the previous credit facility removed the third-party guarantee of Stratus' indebtedness (Note 1). As consideration for the guarantee, Stratus paid the guarantor an annual fee, which

totaled $0.2 million in both 1999 and 1998. In December 2000, Stratus repaid all remaining borrowings outstanding under the existing Comerica facility and then negotiated an expanded $30 million facility arrangement, which will mature on December 16, 2002. Under terms of the new agreement, Stratus now has availability of $20 million under a revolving line of credit and a $10 million term loan commitment specifically designated for potential future redemption obligations related to Stratus' mandatorily redeemable preferred stock held by Olympus (Note 3).

Interest on the Comerica facility is variable and accrues at either the lender's prime rate plus 1 percent or LIBOR plus 250 basis points at Stratus' option. The term loan and revolving line of credit contain certain customary restrictions and are secured by a lien on all of Stratus' real property assets, its interests in unconsolidated affiliates and the future receipt of municipal utility district reimbursements and other infrastructure receivables. The credit facility also contains covenants, which prohibit the payment of dividends and impose certain other restrictions. Stratus also is required to deposit funds into an interest reserve account with the bank. The amount in this account must be sufficient to carry the potential debt service for both the term loan and the revolving line of credit for the ensuing twelve-month period, adjusted quarterly. The amount of the interest reserve totaled approximately $2.0 million at December 31, 2000. The amount can be funded directly by Stratus or by reducing Stratus' availability under the revolving line of credit. As of December 31, 2000, Stratus has funded the interest reserve account by depositing $1.1 million into the account and by reducing its availability under the revolving line of credit by $0.9 million, which reduced Stratus' availability to $19.1 million. Stratus is able to withdraw any of the proceeds it deposits into the interest reserve account. At December 31, 1999, Stratus had deposited $0.6 million within a Comerica restricted account.

Also in December 2000, Stratus entered into a five-year unsecured term loan from First American Asset Management. Interest on the loan, which matures on January 1, 2006, accrues at an annual rate of 9.25 percent and is payable monthly. The proceeds of the loan will be used to fund Stratus' ongoing operations and for other general corporate purposes.

Capitalized interest totaled $1.3 million in 2000, $1.2 million in 1999 and $0.4 million in 1998.

6. Real Estate

	December 31,	
	2000	1999
	(In Thousands)	
Land held for development or sale:		
Austin, Texas area, net of accumulated depreciation of $189,000 for 2000 and $209,000 for 1999	$88,130	$86,178
Other areas of Texas	4,875	5,486
	$93,005	$91,664

Stratus' investment in real estate includes approximately 4,200 acres of land located in Austin, Dallas, Houston and San Antonio, Texas. The principal holdings of Stratus are located in the Austin area and consist of approximately 2,300 acres of undeveloped residential, multi-family and commercial property within the Barton Creek community. Stratus' remaining Austin properties include 465 acres of undeveloped residential, multi-family and commercial property known as the Lantana tract, south

of and adjacent to the Barton Creek community and the approximate 1,300 acres of undeveloped commercial and multi-family property within the Circle C Ranch development.

Stratus also owns 120 acres of undeveloped residential property and 31 acres of undeveloped commercial and multi-family residential property located in Dallas, Houston and San Antonio, Texas. These properties are being managed and actively marketed by unaffiliated professional real estate developers. Under the terms of the related development agreements, the operating expenses and development costs, net of revenues, are funded by Stratus. The developers are entitled to a management fee and a 25 percent interest in the net profits, after Stratus recovers its investment and a stated rate of return, resulting from the sale of the managed properties. As of December 31, 2000, no amounts have been paid in connection with these net profit arrangements.

Various regulatory matters and litigation involving Stratus' development of its Austin-area properties were resolved during 2000, as further discussed below.

Annexation/Circle C MUD Reimbursement Suit On December 19, 1997, the City of Austin (the City) annexed all land formerly lying within the Circle C project. Stratus' property located within Circle C's municipal utility districts (MUD) and annexed by the City is subject to the City's zoning and development regulations. Additionally, the City is required to assume all MUD debt and reimburse Stratus for a significant portion of the costs incurred for water, wastewater and drainage infrastructure. Because the City failed to pay these costs upon annexation, as required by statute, Stratus sued the City.

In late October 1999, Circle C Land Corp., a wholly owned subsidiary of Stratus, and the City reached an agreement regarding a portion of Circle C's claims against the City. As a result of this agreement, Stratus received approximately $10.3 million, including $1.0 million in interest, of partial settlement claims through December 31, 1999 and received an additional $0.2 million payment in January 2000.

In March 2000, the City settled its disputes with certain third party real estate developers and landowners at the Circle C community. Under terms of this settlement, the lawsuits contesting the City's December 1997 annexation of all land within the four Circle C MUDs and the dissolution of the four MUDs were dismissed with prejudice. As a result, a refund contingency included in the City's partial settlement of Stratus' reimbursement claim was eliminated. Stratus recorded a gain of approximately $7.4 million in the first quarter of 2000, representing that portion of the reimbursement infrastructure expenditures in excess of Stratus' remaining basis in these assets and related interest income. The remaining $3.1 million of the proceeds reduced Stratus' investment in Circle C.

In December 2000, Stratus received $6.9 million, including $0.6 million of interest, from the City as full and final settlement of Stratus' Circle C MUD reimbursement claim. Stratus recorded a gain of $6.9 million during the fourth quarter associated with its receipt of these proceeds.

The City's WQPZ Action On January 9, 1998, the City filed suit in Travis County District Court against 14 water quality protection zones (WQPZs) and their owners, including the Barton Creek WQPZ challenging the constitutionality of the legislation authorizing the creation of water quality zones. The District Court entered an order granting the City's motion for summary judgment and declared the WQPZ legislation unconstitutional. The District Court ruling was appealed to the Texas Supreme Court. On June 19, 2000, the Texas Supreme Court, in a 6 to 3 decision, affirmed the District Court's decision that the Texas Water Code Section 26,179 enabling the creation of the water quality protection

zones is unconstitutional. A Motion for Reconsideration, filed by another party, was denied and the ruling is final.

Circle C WQPZ Litigation Circle C Land Corp. filed a WQPZ (Circle C WQPZ) covering all of its 553 acres in the Circle C development located outside the boundaries of any municipal utility district. In November 1997, Stratus sought a declaratory judgment in the Hays County District Court to confirm the validity of the Circle C WQPZ. On September 4, 1998, the Hays County District Court ruled that the WQPZ enabling legislation was constitutional and that the Circle C WQPZ was validly created. The City appealed the Hays County District Court's ruling to the Texas Third Court of Appeals. As a result of the Texas Supreme Court's decision in The City's WQPZ Action discussed above, the Third Court of Appeals reversed the Hays County District Court decision, finding the zone legislation unconstitutional. The ruling is final.

The above two court decisions primarily affect Stratus' future development plans for certain areas within the southern portion of its Barton Creek community. A significant portion of Stratus' properties contain grandfathered entitlements that are not subject to the development requirements currently in effect. Stratus has initiated development plans for these areas that will meet the grandfathered ordinance requirements or current ordinances, as applicable.

7. Income Taxes

Income taxes are recorded pursuant to SFAS 109 "Accounting for Income Taxes." No benefit has been recognized for any period presented with respect to Stratus' net deferred assets, as a full valuation allowance has been provided because of Stratus' operating history and its expectation of incurring tax losses for the near future. Therefore, the final determination of the gross deferred tax asset amounts had no impact to Stratus' financial statements. The components of deferred taxes follow:

	December 31,	
	2000	1999
	(In Thousands)	
Deferred tax assets:		
Net operating losses (expire 2001-2018)	$ 12,167	$ 14,539
Real estate and facilities, net	10,518	11,192
Alternative minimum tax credits and depletion allowance (no expiration)	496	898
Other future deduction carryforwards (expire 2001-2003)	52	347
Valuation allowance	(23,233)	(26,976)
	$ -	$ -

Income taxes charged to income follow:

	2000	1999	1998
	(In Thousands)		
Current income tax provision			
Federal	$(351)	$ (60)	$-
State	(45)	(70)	(87)
	(396)	(130)	(87)

Income tax provision	$(396)	$(130)	$(87)

Reconciliations of the differences between the income tax (provision) benefit computed at the federal statutory tax rate and the income tax provision recorded follow:

	2000		1999		1998	
	Amount	Percent	Amount	Percent	Amount	Percent
	(Dollars In Thousands)					
Income tax benefit (provision) computed at the federal statutory income tax rate	$(5,116)	(35)%	$(1,050)	(35)%	$ 893	35%
Increase (decrease) attributable to:						
Change in valuation allowance	3,742	26	1,212	40	(1,521)	(59)
State taxes and other	978	6	(292)	(9)	541	21
Income tax provision	$ (396)	(3)%	$ (130)	(4)%	$ (87)	(3)%

8. Transactions with Affiliates

Management Services. Stratus owns 10 percent of FM Services Company, which provides certain management and administrative services to Stratus including technical, administrative, accounting, financial, tax and other services. Services are provided on a cost reimbursement basis pursuant to a management services agreement. Fees paid under this services agreement totaled $1.0 million in 2000, $0.9 million in 1999 and $1.0 million in 1998. Stratus believes the costs of these services do not differ materially from those costs that would have been incurred had the relevant personnel providing these services been employed directly by Stratus. As a result of an expected reduction in the level of services to be provided to Stratus under the services agreement, the agreement was amended effective January 1, 2001, with Stratus' fees for 2001 estimated at $0.4 million.

9. Employee Benefits

Stock Options. Stratus' Stock Option Plan, 1998 Stock Option Plan and Stock Option Plan for Non-Employee Directors (the Plans) provide for the issuance of stock options representing 2.0 million shares of common stock and stock appreciation rights at no less than market value at time of grant. Generally, stock options are exercisable in 25 percent annual increments beginning one year from the date of grant and expire 10 years after the date of grant. At December 31, 2000, 364,250 options were available for new grants under the Plans. A summary of stock options, including 100,000 stock appreciation rights outstanding at December 31, 2000, follows:

	2000		1999		1998	
	Number of Options	Average Option Price	Number of Options	Average Option Price	Number of Options	Average Option Price
Beginning of year	1,263,875	$3.50	1,067,625	$3.42	1,050,000	$2.98
Granted	473,750	4.54	196,250	3.92	304,000	6.05

Exercised	(60,000)	1.76	-	-	(50,000)	1.75
Expired/Forfeited	(4,375)	4.50	-	-	(236,375)	5.21
End of year	1,673,250	3.85	1,263,875	3.50	1,067,625	3.42

Summary information of fixed stock options outstanding at December 31, 2000 follows:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Of Options	Weighted Average Remaining Life	Weighted Average Option Price	Number of Options	Weighted Average Option Price
$1.50 to $1.81	270,000	4.8 years	$1.56	270,000	$1.56
$2.63 to $3.91	520,625	7.1 years	3.52	319,062	3.37
$4.03 to $4.81	498,750	9.3 years	4.53	11,250	4.55
$6.19	283,875	6.9 years	6.19	142,875	6.19
	1,573,250			743,187	

Stratus has adopted the disclosure-only provisions of SFAS 123, "Accounting for Stock Based Compensation," and continues to apply Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations in accounting for its stock-based compensation plans. Accordingly, Stratus has recognized no compensation costs associated with its stock option grants. If Stratus had determined compensation costs for its stock option grants based on the fair value of the awards at their grant dates, its net income would have decreased by $828,000 ($0.05 per share) in 2000, $752,000 ($0.05 per share) in 1999 and its net loss would have increased by $523,000 ($0.04 per share) in 1998. For the pro forma computations, the fair values of the option grants were estimated on the dates of grant using the Black-Scholes option pricing model. These values totaled $3.27 in 2000, $2.75 in 1999 and $4.35 per option in 1998. The weighted average assumptions used include a risk-free interest rate of 6.0 percent in 2000, 5.4 percent in 1999 and 5.7 percent in 1998, expected lives of 10 years and expected volatility of 55 percent in 2000, 54 percent in 1999 and 55 percent in 1998. These pro forma effects are not necessarily representative of future years. No other discounts or restrictions related to vesting or the likelihood of vesting of fixed stock options were applied.

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

Stratus previously accrued liabilities totaling $5.1 million in the connection with the operation of certain oil and gas properties that were sold during 1993. During 2000 management completed a review of these amounts and determined that current conditions warranted reversal of $2.1 million of these accruals. Accordingly, other income of $2.1 million is reflected in the Statement of Operations for the year ending December 31, 2000. The remaining liability represents Stratus' indemnification of the purchaser for any future abandonment costs in excess of net revenues received by the purchaser in connection with the sale of

one oil and gas property in 1993. Stratus accrued $3.0 million relating to this liability at the time of the purchase, which is included in "Other liabilities" in the accompanying balance sheets. Stratus periodically assesses the reasonableness of amounts recorded for this liability through the use of information provided by the operator of the property, including its net production revenues. The carrying value of this liability may be adjusted, as additional information becomes available.

11. Quarterly Financial Information (Unaudited)

	Revenues	Operating Income (Loss)	Net Income (Loss)	Net Income (Loss) Per Share Basic	Net Income (Loss) Per Share Diluted
	(In Thousands, Except Per Share Amounts)				
2000					
1st Quarter	$ 2,113	$ (522)	$ 7,278a	$ 0.51	$ 0.44
2nd Quarter	2,942	364	575	0.04	0.04
3rd Quarter	2,019	(492)	164	0.01	0.01
4th Quarter	3,025	(1,796)	6,205b	0.43	0.38
	$10,099	$(2,446)	$14,222	0.99	0.87
1999					
1st Quarter	$ 1,697	$ (218)c	$ (479)	$(0.03)	$(0.03)
2nd Quarter	2,917	733c	535	0.04	0.03
3rd Quarter	1,907	765d	760	0.05	0.05
4th Quarter	8,731	2,070e	2,055	0.14	0.13
	$15,252	$3,350	$ 2,871	0.20	0.18

a. Includes $7.4 million gain ($0.45 per share) recognition associated with the partial settlement of the Circle C MUD reimbursement claim (Note 6).
b. Included $6.9 million gain ($0.41 per share) associated with the full and final settlement of the Circle C MUD reimbursement claim (Note 6).
c. Includes reimbursement of previously expensed infrastructure costs totaling $0.8 million ($0.06 per share) in the first quarter and $2.0 million ($0.12 per share) in the second quarter.
d. Includes a $0.5 million gain ($0.03 per share) on the sale of 50.1 percent of Phase I of the Lantana Corporate Center to Olympus Real Estate Corporation in connection with the formation of the 7000 West Joint Venture (see Note 4).
e. Includes a $3.0 million gain ($0.18 per share) on the sale of 174 acres to the Barton Creek Joint Venture (see Note 4).

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

Not applicable.

PART III

Item 10. Directors and Executive Officers of the Registrant

The information set forth under the caption "Information About Nominees and Directors" of the Proxy Statement submitted to the stockholders of the registrant in connection with its 2001 annual meeting to be held on May 10, 2001, is incorporated herein by reference.

Item 11. Executive Compensation

The information set forth under the captions "Director Compensation" and "Executive Officer Compensation" of the Proxy Statement submitted to the stockholders of the registrant in connection with its 2001 annual meeting to be held on May 10,

2001, is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management

The information set forth under the captions "Common Stock Ownership of Certain Beneficial Owners" and "Common Stock Ownership of Directors and Executive Officer" of the Proxy Statement submitted to the stockholders of the registrant in connection with its 2001 annual meeting to be held on May 10, 2001, is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions

The information set forth under the caption "Certain Transactions" of the Proxy Statement submitted to the stockholders of the registrant in connection with its 2001 annual meeting to be held on May 10, 2001, is incorporated herein by reference.

PART IV

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

(a)(1) Financial Statements. Reference is made to the Financial Statements beginning on page 15 hereof.

(a)(2) Financial Statement Schedules. Reference is made to the Index to Financial Statements appearing on page F-1 hereof.

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

(b) Reports on Form 8-K. During the last quarter covered by this report and as of March 28, 2001, the registrant filed two Current Reports on Form 8-K dated January 5, 2001 and February 9, 2001 reporting events under Item 5.

SIGNATURES

Pursuant to the requirements of Section 13 of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on March 28, 2001.

STRATUS PROPERTIES INC.

By: /s/ William H. Armstrong III
William H. Armstrong III
Chairman of the Board, President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated, on March 28, 2001.

/s/ William H. Armstrong III William H. Armstrong III	Chairman of the Board, President, and Chief Executive Officer (Principal Executive and Financial Officer)
* C. Donald Whitmire, Jr.	Vice President and Controller (Principal Accounting Officer)

*		Director
Robert L. Adair III		
*		Director
James C. Leslie		
*		Director
Michael D. Madden		

*By: /s/ William H. Armstrong III
William H. Armstrong III
Attorney-in-Fact

STRATUS PROPERTIES INC.
EXHIBIT INDEX

Exhibit Number	
3.1	Amended and Restated Certificate of Incorporation of Stratus. Incorporated by reference to Exhibit 3.1 to Stratus' 1998 Form 10-K.
3.2	By-laws of Stratus, as amended as of February 11, 1999. Incorporated by Reference to Exhibit 3.2 to Stratus' 1998 Form 10-K.
4.1	Stratus' Certificate of Designations of Series A Participating Cumulative Preferred Stock. Incorporated by reference to Exhibit 4.1 to Stratus' 1992 Form 10-K.
4.2	Rights Agreement dated as of May 28, 1992 between Stratus and Mellon Securities Trust Company, as Rights Agent. Incorporated by reference to Exhibit 4.2 to Stratus' 1992 Form 10-K.
4.3	Amendment No. 1 to Rights Agreement dated as of April 21, 1997 between Stratus and the Rights Agent. Incorporated by reference to Exhibit 4 to Stratus' Current Report on Form 8-K dated April 21, 1997.
4.4	The loan agreement by and between Comerica Bank-Texas and Stratus Properties Inc., Stratus Properties Operating Co., L.P., Circle C Land Corp. and Austin 290 Properties Inc. dated December 21, 1999. Incorporated by reference to Exhibit 4.4 to Stratus 1999 Form 10-K.
4.5	Certificate of Designations of the Series B Participating Preferred Stock of Stratus Properties Inc. Incorporated by reference to Exhibit 4.1 to Stratus' Current Report on Form 8-K dated June 3, 1998.
4.6	Investor Rights Agreement, dated as of May 22, 1998, by and between Stratus Properties Inc. and Oly/Stratus Equities, L.P. Incorporated by reference to Exhibit 4.2 to Stratus' Current Report on Form 8-K dated June 3, 1998.
4.7	Loan Agreement, dated as of May 22, 1998, by and among Stratus Ventures I Borrower L.L.C., Oly Lender Stratus, L.P. and Stratus Properties Inc. Incorporated by reference to Exhibit 4.3 to Stratus' Current Report

on Form 8-K dated June 3, 1998.

10.1 Amended and Restated Services Agreement, dated as of December 23, 1997 between FM Services Company and Stratus. Incorporated by reference to Exhibit 10.2 to Stratus' 1997 Form 10-K.

10.2 Joint Venture Agreement between Freeport-McMoRan Resource Partners, Limited Partnership and the Partnership, dated June 11, 1992. Incorporated by reference to Exhibit 10.3 to Stratus' 1992 Form 10-K.

10.3 Development and Management Agreement dated and effective as of June 1, 1991 by and between Longhorn Development Company and Precept Properties, Inc. (the "Precept Properties Agreement"). Incorporated by reference to Exhibit 10.8 to Stratus' 1992 Form 10-K.

10.4 Assignment dated June 11, 1992 of the Precept Properties Agreement by and among FTX (successor by merger to FMI Credit Corporation, as successor by merger to Longhorn Development Company), the Partnership and Precept Properties, Inc. Incorporated by reference to Exhibit 10.9 to Stratus' 1992 Form 10-K.

10.5 Master Agreement, dated as of May 22, 1998, by and among Oly Fund II GP Investments, L.P., Oly Lender Stratus, L.P., Oly/Stratus Equities, L.P., Stratus Properties Inc. and Stratus Ventures I Borrower L.L.C. Incorporated by reference to Exhibit 99.1 to Stratus' Current Report on Form 8-K dated June 3, 1998.

10.6 Securities Purchase Agreement, dated as of May 22, 1998, by and between Oly/Stratus Equities, L.P. and Stratus Properties Inc. Incorporated by reference to Exhibit 99.2 to Stratus' Current Report on Form 8-K dated June 3, 1998.

10.7 Oly Stratus Barton Creek I Amended and Restated Joint Venture Agreement between Oly ABC West I, L.P. and Stratus ABC West I, L.P. dated December 28, 1999. Incorporated by reference to Exhibit 10.7 to the Stratus 1999 Form 10-K.

10.8 Amendment No. 1 to the Oly Stratus ABC West I Joint Venture Agreement dated November 9, 1998. Incorporated by reference to Exhibit 10.11 to the Stratus 1998 Third Quarter 10-Q.

10.9 Management Agreement between Oly Stratus ABC West I Joint Venture and Stratus Management L.L.C. dated September 30, 1998. Incorporated by reference to Exhibit 10.12 to the Stratus 1998 Third Quarter 10-Q.

10.10 Loan Agreement dated September 30, 1998 between Oly Stratus ABC West I Joint Venture and Oly Lender Stratus, L.P. Incorporated by reference to Exhibit 10.13 to the Stratus 1998 Third Quarter 10-Q.

10.11 General Partnership Agreement dated April 8, 1998 by and between Oly/Houston Walden, L.P. and Oly/FM Walden, L.P. Incorporated by reference to Exhibit 10.14 to the Stratus 1998 Third Quarter 10-Q.

10.12 Amendment No. 1 to the General Partnership Agreement dated September 30, 1998 by and among Oly/Houston Walden, L.P., Oly/FM Walden, L.P. and Stratus Ventures I Walden, L.P. Incorporated by reference to Exhibit 10.15 to the Stratus 1998 Third Quarter 10-Q.

10.13 Development Loan Agreement dated September 30, 1998 by and between Oly Walden General Partnership and

Bank One, Texas, N.A. Incorporated by reference to Exhibit 10.16 to the Stratus 1998 Third Quarter 10-Q.

10.14 Guaranty Agreement dated September 30, 1998 by and between Oly Walden General Partnership and Bank One, Texas, N.A. Incorporated by reference to Exhibit 10.17 to the Stratus 1998 Third Quarter 10-Q.

10.15 Management Agreement dated April 9, 1998 by and between Oly/FM Walden, L.P. and Stratus Management, L.L.C. Incorporated by reference to Exhibit 10.18 to the Stratus 1998 Third Quarter 10-Q.

10.16 Amended and Restated Joint Venture Agreement dated August 16, 1999 by and between Oly Lantana, L.P., and Stratus 7000 West, Ltd. Incorporated by reference to Exhibit 10.18 to the Quarterly Report on Form 10-Q of Stratus for the Quarter ended September 30, 1999.

10.17 Guaranty Agreement dated December 31, 1999 by and between Stratus Properties Inc. and Comerica Bank-Texas. Incorporated by reference to Stratus' Quarterly Report on Form 10-Q for the Quarter ended March 31, 2000.

10.18 Guaranty Agreement dated February 24, 2000 by and between Stratus Properties Inc. and Comerica Bank-Texas. Incorporated by reference to Stratus' Quarterly Report on Form 10-Q for the Quarter ended March 31, 2000.

10.19 Amended Loan Agreement dated December 27, 2000 by and between Stratus Properties Inc. and Comerica-Bank Texas.

10.20 Loan Agreement dated December 28, 2000 by and between Stratus Properties Inc. and Holliday Fenoglio Fowler, L.P., subsequently assigned to an affiliate of First American Asset Management.

10.21 Stratus' Performance Incentive Awards Program, as amended effective February 11, 1999. Incorporated by reference to Exhibit 10.18 to Stratus' 1998 Form 10-K.

10.22 Stratus Stock Option Plan, as amended. Incorporated by reference to Exhibit 10.9 to Stratus' 1997 Form 10-K.

10.23 Stratus 1996 Stock Option Plan for Non-Employee Directors, as amended. Incorporated by reference to Exhibit 10.10 to Stratus' 1997 Form 10-K.

10.24 Stratus Properties Inc. 1998 Stock Option Plan as amended effective February 11, 1999. Incorporated by reference to Exhibit 10.21 to Stratus' 1998 Form 10-K.

21.1 List of subsidiaries.

23.1 Consent of Arthur Andersen LLP.

24.1 Certified resolution of the Board of Directors of Stratus authorizing this report to be signed on behalf of any officer or director pursuant to a Power of Attorney.

24.2 Powers of attorney pursuant to which a report has been signed on behalf of certain officers and directors of Stratus.

STRATUS PROPERTIES INC.
INDEX TO FINANCIAL STATEMENTS

The financial statements in the schedule listed below should be read in conjunction with the financial statements of Stratus contained elsewhere in this Annual Report on Form 10-K.

Schedules other than the one listed above have been omitted since they are either not required, not applicable or the required information is included in the financial statements or notes thereto.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

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

We have audited, in accordance with auditing standards generally accepted in the United States, the financial statements as of December 31, 2000 and 1999 and for each of the three years in the period ended December 31, 2000 included elsewhere in Stratus Properties Inc.'s Annual Report on Form 10-K, and have issued our report thereon dated January 25, 2001. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule is the responsibility of the Company's management and is presented for the purpose of complying with the Securities and Exchange Commission's rules and is not part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, fairly states in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

/s/ Arthur Andersen LLP

Austin, Texas
January 25, 2001

Stratus Properties Inc.
REAL ESTATE AND ACCUMULATED DEPRECIATION
December 31, 2000
(In Thousands)

SCHEDULE III

	Intial Cost		Cost Capitalized Subsequent to Acquisitions	Gross Amounts at December 31, 2000	
	Land	Building and Improve-ments	Land	Land	Building and Improv-ements
Undevloped Acerage					
Camino Real, San Antonio, TX	$ 311	$ -	$ 59	$ 370	$ -
Copper Lakes, Houston, TX	1,922	-	1,710	3,632	-
Bent Tree Apt./ Retail, Dallas TX	873	-	-	873	-
Barton Creek, Austin, TX	20,589	-	42,153	62,742	-
Lantana, Austin, TX	3,195	-	3,512	6,707	-
Longhorn Properties, Austin, TX	15,792	-	2,539	18,331	-
Operating Properties					
Corporate offices, Austin, TX	-	538	-	-	538

	$42,682	$ 538	$ 49,972	$92,654	$ 538

(continued from above)

Stratus Properties Inc.
REAL ESTATE AND ACCUMLATED DEPRECIATION (Continued)
December 31, 2000

	Total	Acres	Accumulated Depreciation	Year Acquired
Undevloped Acerage				
Camino Real, San Antonio, TX	$ 370	21	$ -	1990
Copper Lakes, Houston, TX	3,632	120	-	1991
Bent Tree Apt./ Retail, Dallas TX	873	10	-	1990
Barton Creek, Austin, TX	62,742	2,273	-	1988
Lantana, Austin, TX	6,707	465	-	1994
Longhorn Properties, Austin, TX	18,331	1,277	-	1992
Operating Properties				
Corporate Offices, Austin, TX	538	-	189	-
	$93,194	4,166	$ 189	

Stratus Properties Inc.
Notes to Schedule III
(In Thousands)

(1) Reconciliation of Real Estate Properties:

The changes in real estate assets for the years ended December 31, 2000 and 1999 are as follows:

	2000	1999
	(in thousands)	
Balance, beginning of year	$ 91,873	$ 96,678
Acquisitions	82	40
Improvements and other	2,608	5,173
Cost of real estate sold	(1,369)	(10,018)
Balance, end of year	$ 93,194	$ 91,873

The aggregate net book value for federal income tax purposes as of December 31, 2000 was $111,459,000.

(2) Reconciliation of Accumulated Depreciation:

The changes in accumulated depreciation for the years ended December 31, 2000 and 1999 are as follows:

	2000	1999
	(in thousands)	

Balance, beginning of year	$ 209	$ 122
Retirement of assets	(149)	-
Depreciation expense	129	87
Balance, end of year	$ 189	$ 209

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

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

Exhibit 10.19

AMENDMENT TO LOAN AGREEMENT

This AMENDMENT TO LOAN AGREEMENT (this "Amendment") is made and entered into to be effective as of December 27, 2000 (the "Amendment Date"), by and among STRATUS PROPERTIES INC., a Delaware corporation ("Stratus"), STRATUS PROPERTIES OPERATING CO., L.P., a Delaware limited partnership, CIRCLE C LAND CORP., a Texas corporation, and AUSTIN 290 PROPERTIES, INC., a Texas corporation (herein individually and collectively referred to as the "Borrower"), and COMERICA BANK-TEXAS, a state banking association (herein referred to as the "Lender").

W I T N E S S E T H:

WHEREAS, Borrower, as Maker, executed that certain Promissory Note dated December 16, 1999, in the original principal amount of $20,000,000 U.S., in favor of and payable to the order of Lender, as Payee, which Promissory Note has been amended (including, without limitation, a reduction in the stated principal amount of such Promissory Note to $10,000,000.00 U.S. and the addition of a limited revolving feature) pursuant to that certain Amendment to Promissory Note of even date herewith executed by Borrower and Lender (together, as amended, the "Revolving Specific Advance Note"), which Revolving Specific Advance Note evidences a loan (the "Revolving Specific Advance Loan") made by Lender to Borrower in connection with and pursuant to that certain Loan Agreement dated December 16, 1999, executed by and among Borrower and Lender (the "Loan Agreement"), as amended by this Amendment; and

WHEREAS, Borrower, as Maker, executed that certain Revolving Credit Note dated December 16, 1999, in the original principal amount of $10,000,000.00 U.S., in favor of and payable to the order of Lender, as Payee, which Revolving Credit Note has been amended (including, without limitation, an increase in the stated principal amount of such Revolving Credit Note to $20,000,000.00 U.S.) pursuant to that certain Amendment to Revolving Credit Note of even date herewith executed by Borrower and Lender (together, as amended, the "Revolving Credit Note"), which Revolving Credit Note evidences a loan (the "Revolving Credit Loan") made by Lender to Borrower in connection with and pursuant to the Loan Agreement, as amended by this Amendment (the Revolving Credit Note and the Revolving Specific Advance Note, as amended, are hereinafter collectively referred to as the "Notes", and the Revolving Credit Loan and the Revolving Specific Advance Loan are hereinafter collectively referred to as the "Loans"); and

WHEREAS, the current unpaid principal balance of the Revolving Specific Advance Note as of the date hereof is approximately $920,839.00 (the "Current Outstanding Principal Balance of the Revolving Specific Advance Note"); and

WHEREAS, the current unpaid principal balance of the Revolving Credit Note as of the date hereof is approximately $4,434,167.00; and

WHEREAS, the Revolving Specific Advance Note and the Revolving Credit Note are cross-defaulted and cross-collateralized, and are secured by, among other things and without limitation, the deeds of trust, assignments and other items referenced in Section 5.1 of each of the Revolving Specific Advance Note and the Revolving Credit Note, and further described in the Loan Agreement, as the same have been amended pursuant to that certain Modification Agreement of even date herewith executed by Borrower and Lender (collectively, as amended, the "Lien Instruments" or the "Security Instruments"); and

WHEREAS, Borrower hereby acknowledges that (i) Borrower is obligated to Lender under the Notes, the Loan Agreement, the Lien Instruments and the other Loan Documents (as such term is defined

in the Loan Agreement), (ii) Borrower has no defense, offset or counterclaim with respect to the sums owed to Lender under the Notes, the Loan Agreement, the Lien Instruments and the other Loan Documents, or with respect to any covenant in the Notes, the Loan Agreement, this Amendment, the Lien Instruments or any of the other Loan Documents, and (iii) Lender, on and as of the date hereof, has fully performed all obligations to Borrower which Lender may have had or has on and as of the date hereof; and

WHEREAS, Borrower and Lender desire to enter into this Amendment in order to modify and amend certain of the terms and provisions of the Loan Agreement as set forth herein.

NOW, THEREFORE, in consideration of the foregoing premises and the mutual covenants and agreements contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Borrower and Lender hereby agree as follows:

1. Recitals. The recitals set forth above are true, accurate and correct, and are incorporated herein by this reference.

2. Capitalized Terms. Any capitalized terms not defined herein shall have the meaning ascribed to them in the Loan Agreement, as modified hereby.

3. Modification of Loan Agreement. Borrower and Lender hereby agree to modify the Loan Agreement as follows:

3.1 Modification of Defined Terms. The following defined terms, as set forth in Addendum 1 of the Loan Agreement, as such terms are used in the Loan Agreement (as modified hereby), are hereby amended as follows:

(a) "Agreement": The term "Agreement" is hereby revised to include this Amendment.

(b) "Deeds of Trust": The term "Deeds of Trust" is hereby revised to include the Modification Agreement of even date with this Amendment, executed by Borrower and Lender, whereby the Deeds of Trust were amended as provided therein. The Deeds of Trust, as amended, shall continue in full force and effect to secure repayment of the Notes and the obligations of Borrower under the Loan Agreement and this Amendment and the other Loan Documents, as modified.

(c) "Extension Fee": The term "Extension Fee" is hereby deleted in its entirety.

(d) "Extension Loans": The term "Extension Loans" is hereby deleted in its entirety.

(e) "Loan Documents": The term "Loan Documents" is hereby revised to include the Agreement (as modified by this Amendment), the Notes (as modified by the Amendment to Promissory Note and by the Amendment to Revolving Credit Note, as described in the recitals to this Amendment), the Deeds of Trust (as modified by the Modification Agreement described in subparagraph (b) above), and all other documents, instruments or agreements included within the definition of "Loan Documents" as set forth in the Loan Agreement, as such documents may have been or may hereafter be amended from time to time.

(f) "Loan Extension": The term "Loan Extension" is hereby deleted in its entirety.

(g) "Loans": The definition of the term "Loans" is hereby amended and replaced to read as follows:

"'Loans' shall mean, collectively, the Revolving Credit Loan and the Revolving Specific Advance Loan, and "Loan" shall mean any of them."

(h) "Maximum Loan Amount": The definition of the term "Maximum

Loan Amount" is hereby amended and replaced to read as follows:

"'Maximum Loan Amount' shall mean the lesser of: (i) thirty-five percent (35%) of the fair market value of the Primary Collateral as indicated by (A) the Primary Collateral Appraisals delivered to and accepted by Bank on or prior to the date hereof, or (B) at Bank's option and Borrowers' expense, (1) newly prepared and updated Primary Collateral Appraisals acceptable to Bank effective as of the date prepared and delivered to Bank (or updates of the values presented in the Primary Collateral Appraisals previously delivered to and accepted by Bank) or (2) recertifications of the accuracy and values presented in the Primary Collateral Appraisals delivered to and accepted by Bank on or about the date hereof; provided that if the Current Outstanding Principal Balance of the Revolving Specific Advance Note is repaid such that it is reduced to $10,000 or less but the Specific Advance has not yet been funded by Bank upon and subject to the terms and conditions set forth herein, then thirty percent (30%) of the fair market value of the Primary Collateral as determined in accordance with the foregoing; or (ii) the sum of $30,000,000.00."

(i) "Notes": The definition of the term "Notes" is hereby amended and replaced to read as follows:

"'Notes' shall mean, collectively, whether one or more, the Revolving Credit Note and the Revolving Specific Advance Note, and "Note" shall mean any of them, executed and delivered by Borrowers payable to the order of Bank, evidencing the Loans, as the same may be renewed, extended, modified, increased or restated from time to time."

3.2 Substitution of Defined Terms. The following defined terms, as set forth in Addendum 1 of the Loan Agreement, as such terms are used in the Loan Agreement (as modified hereby), are hereby amended, substituted and replaced as follows:

(a) The term "Revolving Loan" is hereby amended, substituted and replaced to read "Revolving Credit Loan" throughout the Loan Agreement (as modified hereby), and the definition of "Revolving Loan" is hereby substituted and replaced with the following "Revolving Credit Loan" definition:

"'Revolving Credit Loan' shall mean the Loan made, or to be made, by Bank to or for the credit of Borrowers in one or more Advances not to exceed at any one time the Revolving Credit Loan Maximum Amount, pursuant to this Agreement, the Revolving Credit Note, and the Loan Terms, Conditions and Procedures Addendum."

(b) The term "Revolving Loan Maturity Date" is hereby amended, substituted and replaced to read "Revolving Credit Loan Maturity Date" throughout the Loan Agreement (as modified hereby), and the definition of "Revolving Loan Maturity Date" is hereby substituted and replaced with the following "Revolving Credit Loan Maturity Date" definition:

"'Revolving Credit Loan Maturity Date' shall mean December 16, 2002, or such earlier date on which the entire unpaid principal amount of the Revolving Credit Loan becomes due and

payable whether by the lapse of time, acceleration or otherwise; provided, however, if any such date is not a Business Day, then the Revolving Credit Loan Maturity Date shall be the next succeeding Business Day."

(c) The term "Revolving Loan Maximum Amount" is hereby amended, substituted and replaced to read "Revolving Credit Loan Maximum Amount" throughout the Loan Agreement (as modified hereby), and the definition of "Revolving Loan Maximum Amount" is hereby substituted and replaced with the following "Revolving Credit Loan Maximum Amount" definition:

"'Revolving Credit Loan Maximum Amount' shall mean Twenty Million Dollars ($20,000,000.00)."

(d) The term "Revolving Loan Note" is hereby amended, substituted and replaced to read "Revolving Credit Note" throughout the Loan Agreement (as modified hereby), and the definition of "Revolving Loan Note" is hereby substituted and replaced with the following "Revolving Credit Note" definition:

"'Revolving Credit Note' shall mean the Revolving Credit Note dated December 16, 1999, made by Borrowers payable to the order of the Bank, as amended by that certain Amendment to Revolving Credit Note dated December 27, 2000, by and between Borrowers and Bank, as the same may be renewed, extended, modified, increased or restated from time to time."

(e) The term "Term Loan" is hereby amended, substituted and replaced to read "Revolving Specific Advance Loan" throughout the Loan Agreement (as modified hereby), and the definition of "Term Loan" is hereby substituted and replaced with the following "Revolving Specific Advance Loan" definition:

"'Revolving Specific Advance Loan' shall mean the Loan made, or to be made, by Bank to or for the credit of Borrowers in no more than two (2) Advances, including only (1) the initial advance under the Revolving Specific Advance Loan which Borrowers and Lender acknowledge has already been advanced by Lender to Borrowers, of which approximately $920,839.00 currently remains outstanding as of December 27, 2000 (the "Current Outstanding Principal Balance of the Revolving Specific Advance Loan"), and (2) the Specific Advance, if made hereunder, in an amount up to but not to exceed Ten Million Dollars ($10,000,000), which Advances together shall not exceed at any one time the Revolving Specific Advance Loan Maximum Amount, pursuant to this Agreement, the Revolving Specific Advance Note, and the Loan Terms, Conditions and Procedures Addendum."

(f) The term "Term Loan Maturity Date" is hereby amended, substituted and replaced to read "Revolving Specific Advance Loan Maturity Date" throughout the Loan Agreement (as modified hereby), and the definition of "Term Loan Maturity Date" is hereby substituted and replaced with the following "Revolving Specific Advance Loan Maturity Date" definition:

"'Revolving Specific Advance Loan Maturity Date' shall mean December 16, 2002, or such earlier date on which the entire unpaid principal amount of the Revolving Specific Advance Loan becomes due and payable whether by the lapse of time, acceleration or otherwise; provided, however, if any such date is not a Business Day, then the

Revolving Specific Advance Loan Maturity Date shall be the next succeeding Business Day."

(g) The term "Term Note" is hereby amended, substituted and replaced to read "Revolving Specific Advance Note" throughout the Loan Agreement (as modified hereby), and the definition of "Term Note" is hereby substituted and replaced with the following "Revolving Specific Advance Note" definition:

"'Revolving Specific Advance Note' shall mean that certain Promissory Note dated December 16, 1999, made by Borrowers payable to the order of the Bank, as amended by that certain Amendment to Promissory Note dated December 27, 2000, by and between Borrowers and Bank, as the same may be renewed, extended, modified, increased or restated from time to time."

3.3 Additional Defined Terms. The following defined terms are hereby added to and made a part of Addendum 1 to the Loan Agreement, as such terms are used in the Loan Agreement (as modified hereby):

(a) "Revolving Specific Advance Loan Maximum Amount" shall mean Ten Million Dollars ($10,000,000.00)."

(b) "Specific Advance" shall mean the second (and final) Advance under the Revolving Specific Advance Loan in an amount up to but not to exceed the sum of $10,000,000 for the purposes stated in, and pursuant to the terms and conditions of, this Agreement, the Revolving Specific Advance Note, and the Loan Terms, Conditions and Procedures Addendum. The Specific Advance shall be deemed an Advance and included in the definition of "Advance" for all purposes of this Agreement."

3.4 Modification of Capital Structure. Notwithstanding anything to the contrary in the Loan Agreement, Borrowers may repurchase (i) up to $10,000,000 of the outstanding common stock of Stratus, plus (ii) up to $10,000,000 of the mandatorily redeemable preferred stock of Stratus currently held by Olympus Realty; provided, however, that all other terms, conditions and restrictions set forth in the Loan Agreement (including, without limitation, all other terms, conditions and restrictions set forth in Sections 5.1, 5.7 and 5.8 of the Loan Agreement) shall remain in full force and effect, except to the extent modified by this Amendment.

3.5 Deletion of Covenant Regarding Olympus Agreements. Section 5.16 of the Loan Agreement is hereby deleted in its entirety.

3.6 Modification of Agreements to Lend. The first two (2) sentences of Section 1.1 of Addendum 2 of the Loan Agreement are hereby amended and replaced in their entirety with the following:

"Bank hereby agrees to lend to Borrowers up to but not in excess of (i) with respect to the Revolving Credit Loan, the Revolving Credit Loan Maximum Amount, and (ii) with respect to the Revolving Specific Advance Loan, the Revolving Specific Advance Loan Maximum Amount, and Borrowers hereby agree to borrow such sums from Bank, all upon and subject to the terms and provisions of this Agreement, such sums to be evidenced by, respectively, the Revolving Credit Note and Revolving Specific Advance Note. Subject to the terms and provisions of this Agreement, the Notes, and the other Loan Documents, principal repaid on (i) the Revolving Credit Loan, and (ii) the Revolving Specific Advance Loan (but only for purposes of the Specific Advance, if made hereunder), may be reborrowed by Borrowers."

Furthermore, the third sentence of Section 1.1 of Addendum 2 of the Loan Agreement is hereby deleted in its entirety. Except as otherwise amended as provided above, the remainder of Section 1.1 of Addendum 2 of the Loan Agreement remains intact and in full force and effect.

3.7 Modification of Advances. Borrower and Lender hereby acknowledge that the first Advance under the Revolving Specific Advance Loan has been made by Lender to Borrower. The Specific Advance, being the second and final Advance to be made under the Revolving Specific Advance Loan, may be made by Lender to Borrower only upon and subject to the terms and conditions set forth in the Loan Agreement, as modified by this Amendment. Section 1.2 of Addendum 2 of the Loan Agreement, which in part governs Advances, is hereby amended and replaced with the following:

"1.2 Advances. The entire amount of the Specific Advance under the Revolving Specific Advance Loan shall be disbursed to Borrowers in only one (1) Advance and only upon (i) repayment of the Current Outstanding Principal Balance of the Revolving Specific Advance Note, such that the Current Outstanding Principal Balance of the Revolving Specific Advance Note has been reduced to $10,000 or less, and (ii) satisfaction of all the terms and conditions set forth in this Agreement that apply to the Specific Advance (including, without limitation, the terms and conditions set forth in this Section 1.2, and Sections 1.1, 1.3, 1.4, 2.1, 2.3, 2.4, 2.5 and 2.15 of this Addendum 2, all of which are hereby deemed to apply to the Specific Advance unless otherwise agreed to by Bank). The proceeds of the Revolving Credit Loan shall be disbursed to Borrowers in one or more Advances upon satisfaction of the applicable conditions to Advances set forth in this Agreement."

3.8 Modification of Limitation on Advances. Section 1.3 of Addendum 2 of the Loan Agreement is hereby amended and replaced with the following:

"1.3 Limitation on Advances. Under no circumstances shall Bank be required to disburse (i) any proceeds of the Revolving Credit Loan that would cause the outstanding balance thereof at any one time to exceed the Revolving Credit Loan Maximum Amount, (ii) any proceeds of the Revolving Specific Advance Loan that would cause the outstanding balance thereof at any one time to exceed the Revolving Specific Advance Loan Maximum Amount, or (iii) any proceeds of either of the Loans that would cause the aggregate outstanding balance of the Loans at any one time to exceed the Maximum Loan Amount."

3.9 Extension of Maturity Dates and Cancellation of Extension Option. The maturity dates of the Notes are extended pursuant to the terms of the Notes (as amended) and this Amendment, and the loan extension option referenced in Section 1.6 is hereby deemed to be canceled and of no further force or effect. Accordingly, Section 1.6 of Addendum 2 of the Loan Agreement is hereby deleted in its entirety.

3.10 Modification of Advance Procedure. Section 2.1(c)(iii) of Addendum 2 of the Loan Agreement is hereby amended and replaced with the following:

"(iii) the making of such Advance will not cause (A) the aggregate principal amount outstanding on the Revolving Specific Advance Note to exceed the Revolving Specific Advance Maximum Amount, (B) the aggregate principal amount outstanding on the Revolving Credit Note to exceed the Revolving Credit Loan Maximum Amount, or (C) the aggregate

principal amount outstanding on both the Revolving Specific Advance Note and the Revolving Credit Note to exceed the Maximum Loan Amount;"

3.11 Modification of Voluntary Prepayment. Section 2.2 of Addendum 2 of the Loan Agreement is hereby amended and replaced with the following:

"2.2 Voluntary Prepayment. Borrowers may prepay all or part of the outstanding balance under the Revolving Specific Advance Note and/or the Revolving Credit Note at any time, without premium, penalty or prejudice to the right of Borrowers to reborrow sums of the Loans under the terms of this Agreement, subject to the terms and conditions of the Loan Documents."

3.12 Addition of Revolving Specific Advance Maximum Amount to Section 2.3 of Addendum 2: Section 2.3 of Addendum 2 of the Loan Agreement is hereby amended and replaced with the following:

"2.3 Maximum Loan Amounts and Reduction of Indebtedness. Notwithstanding anything contained in this Agreement to the contrary, (i) the aggregate principal amount of the Revolving Credit Loan at any time outstanding shall not exceed the Revolving Credit Loan Maximum Amount, and (ii) the aggregate principal amount of the Revolving Specific Advance Loan at any time outstanding shall not exceed the Revolving Specific Advance Loan Maximum Amount. If either of said limitations is exceeded at any time, Borrowers shall immediately, without demand by Bank, pay to Bank an amount not less than such excess, or, if Bank, in its sole discretion, shall so agree, Borrowers shall provide Bank cash collateral in an amount not less than such excess, and Borrowers hereby pledge and grant to Bank a security interest in such cash collateral so provided to Bank."

3.13 Modification of Use of Proceeds of Loans. Section 2.5 of Addendum 2 of the Loan Agreement is hereby amended and replaced with the following:

"2.5 Use of Proceeds of Loans. The proceeds of the first Advance under the Revolving Specific Advance Loan (which Advance has already been made by Bank to Borrowers hereunder) shall be used to repay existing and outstanding Debt of Borrowers and the costs and expenses incurred by Borrowers in connection with the transactions contemplated by this Agreement, and Borrowers shall promptly provide written evidence satisfactory to Bank that such Debt has been paid and discharged, and that any and all security interests, mortgages and other Liens and encumbrances securing such Debt have been fully discharged and terminated. The proceeds of the Specific Advance under the Revolving Specific Advance Loan, if made hereunder, shall be used solely for the purpose of repurchasing and acquiring from Olympus Realty the mandatorily redeemable preferred stock of Stratus currently held by Olympus Realty, the amount of which is estimated to be $10,000,000. Borrowers shall promptly provide written evidence satisfactory to Bank that such preferred stock has been repurchased as provided above. The proceeds of the Revolving Credit Loan shall be used for pre-development costs, such as earnest money deposits, and property improvements in connection with the Land and other working capital needs of Borrowers, including corporate and project

general, administrative and operating costs, pursuit costs, entitlement costs, taxes, business endeavors associated with the development of commercial and residential real properties and for land acquisitions in accordance with the terms of Section 2.18 of this Addendum."

3.14 Conditions to Subsequent Advances. The conditions precedent to subsequent Advances under the Revolving Credit Loan as set forth in Section 2.15 of Addendum 2 of the Loan Agreement shall also apply to the Specific Advance to the extent required by Lender, and shall further include payment of the fees set forth in Section 4 of this Amendment. In the event that any such condition precedent is not so satisfied but Lender elects to make the Specific Advance notwithstanding the same, such election shall not constitute a waiver of such condition and the condition shall be satisfied prior to any further Advances under the Revolving Credit Loan. In the event Borrowers are unable to satisfy any such condition, no such Advance shall have the effect of precluding Lender from thereafter declaring such inability to be an Event of Default. Furthermore, Section 2.15(e) of Addendum 2 is hereby amended to read as follows:

"(e) Upon making the Advance on the Revolving Credit Loan then requested and/or the Specific Advance (if such Advance is made hereunder), as the case may be, the amount outstanding on both the Revolving Credit Loan and Revolving Specific Advance Loan in the aggregate shall not exceed the Maximum Loan Amount."

3.15 Modification of Additional Land Acquisitions. Section 2.18 of Addendum 2 of the Loan Agreement is hereby amended and replaced with the following:

"2.18 Additional Land Acquisitions. Subject to the satisfaction of all conditions precedent to Advances on the Revolving Credit Loan, Bank hereby agrees to make one or more Advances on the Revolving Credit Loan to Borrowers in an amount not to exceed, without prior Bank approval, (i) $3,000,000 at any one time, or (ii) $10,000,000.00 in the aggregate, for the purpose of the acquisition of fee title to real property, provided that Borrowers (i) provide Bank with information about such real property as Bank may reasonably request, (ii) execute and deliver to Bank a deed of trust, substantially in the form of the Deeds of Trust, granting to Bank a deed of trust first lien on such real property, (iii) cause the Title Company to provide Bank with a Title Policy insuring such deed of trust as a first lien on such real property and containing only such exceptions to title acceptable to Bank, and in an amount and otherwise on terms and conditions satisfactory to Bank, and (iv) execute and deliver to Bank its proposed disposition plan of such real property which must be reasonably satisfactory to Bank. Any and all real estate assets acquired in whole or part with Advances made under this Section are sometimes referred to as 'Section 2.18 Assets.' Notwithstanding anything in this Agreement to the contrary, such Section 2.18 Assets shall, for purposes of this Agreement, be deemed to be included as 'Other Collateral'; provided, however, that such Section 2.18 Assets may be designated as part of the 'Primary Collateral' by obtaining an appraisal, an environmental audit and other documents that may be required by Bank to classify such Section 2.18 Assets as 'Primary Collateral.'"

3.16 Modification of Application of Payments. Notwithstanding anything to the contrary set forth in Section 2.20 of Addendum 2 to the Loan Agreement or in any of the other Loan Documents, so long as no Event of Default exists, all payments made on any of the Loans (including, without limitation, the application of net proceeds received from MUD Reimburseables, the application of net proceeds from the sale of Section 2.18 Assets, the application of net proceeds from the sale of Primary Collateral or Other Collateral or Partnership Distributions, the application of net proceeds from the conveyance of Primary Collateral or Other Collateral to a Related Party, and release price proceeds from any other source) shall be applied in the following manner only after such time as the Current Outstanding Principal Balance of the Revolving Specific Advance Loan has been reduced to $10,000 or less (otherwise, the provisions of such Section 2.20 shall continue to control in full force and effect):

(1) First, such proceeds shall be applied equally (i.e. on a 50%/50% basis) to pay interest current on each of the Revolving Specific Advance Note and the Revolving Credit Note and to withhold an amount necessary to pay interest current at month end (and to establish or replenish the Interest Reserve Escrow Account);

(2) Second, such proceeds shall be applied equally (i.e. on a 50%/50% basis) to pay any other sums (other than principal) then due and payable under each of the Revolving Specific Advance Loan and the Revolving Credit Loan;

(3) Third, such proceeds shall be applied equally (i.e. on a 50%/50% basis) to pay the outstanding principal balance then due under each of the Revolving Specific Advance Note and the Revolving Credit Note; and

(4) Any remaining proceeds after application pursuant to (1), (2) and (3) above shall be distributed to Borrowers at their discretion.

3.17 Modification of Release Provisions. Notwithstanding anything in the Loan Agreement to the contrary, no release price will be required for the release of either Primary Collateral or Other Collateral from the lien of the Deeds of Trust in the event such Primary Collateral or Other Collateral is the subject of additional project financing by Lender pursuant to a separate loan between any Borrower and Lender, and only so long as (i) in connection with such loan, Lender has a first priority lien and security interest in such Primary Collateral or Other Collateral securing repayment of such loan, (ii) Borrower owns 100% of the Primary Collateral or Other Collateral which is the subject of such separate loan, and any and all equity in the project is funded solely by Borrower without any third-parties having any ownership or equity interest therein, and (iii) such loan is cross-defaulted and cross-collateralized with the Loans to the extent required by Lender. If the Land sought to be released as provided above is Primary Collateral, then such Primary Collateral shall be removed from the borrowing base (i.e., such Primary Collateral shall be removed from the loan-to-value calculations for purposes of determining the Maximum Loan Amount allowed hereunder). Except as modified hereby, all of the release provisions (including, without limitation, the provisions requiring payment of a release price) as set forth in the Loan Agreement will continue to apply with respect to any release of Primary Collateral or Other Collateral.

3.18 Letters of Credit.

A. Conditions to Letters of Credit. Subject to the terms and conditions set forth below in this Section 3.19, Borrower may, prior to the maturity date of the Notes, request Lender to issue one or more letters of credit (each a "Letter of Credit", and together "Letters of Credit") under and as part of the Revolving Credit Loan, provided that the following conditions are satisfied:

(1) such Letter of Credit and any amounts to be disbursed or advanced under such Letter of Credit shall be used only for the

same purposes as allowed for Advances under the Revolving Credit Loan, as set forth in Section 2.5 of Addendum 2 of the Loan Agreement;

(2) after taking into account any such Letter of Credit, the sum of (i) the then existing LC Obligations (as defined below), plus (ii) the then outstanding principal balance of the Revolving Credit Loan, does not (and shall at no time) exceed the Revolving Credit Loan Maximum Amount. Accordingly, the amount of all LC Obligations, if any, shall be applied against the amount of Advances available to Borrower under the Revolving Credit Loan;

(3) the expiration date of such Letter of Credit is not more than six (6) months after the maturity date of the Notes;

(4) such Letter of Credit shall be classified as a "Standby" Letter of Credit in accordance with applicable laws and regulations applicable to Lender and in accordance with the Lender's customary practices at such times for reporting to regulatory authorities;

(5) the issuance of such Letter of Credit will be in compliance with all applicable governmental restrictions, policies, and guidelines and will not subject Lender to any cost which is not reimbursable by Borrower under the Loan Documents;

(6) the form and terms of such Letter of Credit must be acceptable to Lender in its sole discretion;

(7) all other conditions in this Amendment to the issuance of such Letter of Credit shall have been satisfied;

(8) immediately before and after the issuance of such Letter of Credit, no Event of Default shall have occurred and be continuing, and no event shall have occurred which, with the passage of time or notice, could constitute an Event of Default; and

(9) the representations and warranties of Borrower contained in the Loan Agreement (as modified hereby) and the other Loan Documents shall be true and correct on and as of the date of issuance of such Letter of Credit.

Lender will honor any such request by Borrower for the issuance of a Letter of Credit if the foregoing conditions (1) through (9) (collectively, the "LC Conditions") have been met as of the date of issuance of such Letter of Credit. Lender may choose to honor any such request for any other Letter of Credit but has no obligation to do so and may refuse to issue any other requested Letter of Credit for any reason which Lender in its sole discretion deems relevant.

For purposes hereof, (i) the term "LC Obligations" means, at the time in question, the sum of all Matured LC Obligations plus the maximum amounts which Lender might then or thereafter be called upon to advance under all Letters of Credit then outstanding, and (ii) the term "Matured LC Obligations" means all amounts paid by Lender on drafts or demands for payment drawn or made under as purported to be under any Letter of Credit, and all other amounts due and owing to Lender under any application by Borrower for any Letter of Credit to be issued by Lender (a "LC Application"), to the extent the same have not been repaid to Lender (with the proceeds of an Advance or otherwise).

B. Requesting Letters of Credit. Borrower must make written application for any Letter of Credit at least five (5) business days before the date on which Borrower desires for Lender to issue such Letter of Credit. By making any such written application, Borrower shall be deemed to have represented and warranted that the LC Conditions will be met as of the date of issuance of such Letter of Credit. Two (2) business days after the LC Conditions have been met (or if Lender otherwise desires to issue such Letter of Credit), Lender will issue such Letter of Credit at Lender's office in Dallas, Texas. If any provisions of any LC Application conflict with any provisions of this

Amendment, the provisions of this Amendment shall govern and control.

C. Reimbursement and Participations.

(1) Reimbursement by Borrower. Each Matured LC Obligation shall constitute an Advance under the Revolving Credit Loan. To the extent the same has not been repaid to Lender (with the proceeds of an Advance under the Revolving Credit Loan or otherwise), Borrower promises to pay to Lender, or to Lender's order, on demand, (i) the full amount of each Matured LC Obligation, whether such obligation accrues before or after the maturity date of the Loans, together with (ii) interest thereon at a rate per annum equal to the Applicable Base Rate (as such term is defined in the Revolving Credit Note) until repaid in full; provided that after the maturity date of the Loans or following a default or an Event of Default under the Loan Agreement or the other Loan Documents, such interest shall accrue at the Default Rate (as such term is defined in the Revolving Credit Note).

(2) Letter of Credit Advances. If the beneficiary of any Letter of Credit makes a draft or other demand for payment thereunder, then Borrower may, during the interval between the making thereof and the honoring thereof by Lender, request Lender to make an Advance under the Revolving Credit Loan to Borrower in the amount of such draft or demand, which Advance shall be made concurrently with Lender's payment of such draft or demand and shall be immediately used by Lender to repay the amount of the resulting Matured LC Obligation. Such a request by Borrower shall be made in compliance with all of the provisions hereof.

D. Letter of Credit Fees.
In consideration of Lender's issuance of any Letter of Credit, Borrower agrees to pay to Lender a letter of credit issuance fee at a rate equal to two percent (2.0%) per annum. Each such fee will be calculated based on the term and face amount of such Letter of Credit and the above applicable rate and will be payable upon issuance. In no event shall the issuance fee be less than $500.00 for any Letter of Credit.

E. No Duty to Inquire.

(1) Drafts and Demands. Lender is authorized and instructed to accept and pay drafts and demands for payment under any Letter of Credit without requiring, and without responsibility for, any determination as to the existence of any event giving rise to said draft, either at the time of acceptance of payment or thereafter. Lender is under no duty to determine the proper identity of anyone presenting such a draft or making such a demand (whether by tested telex or otherwise) as the officer, representative or agent of any beneficiary under any Letter of Credit, and payment by Lender to any such beneficiary when requested by any such purported officer, representative or agent is hereby authorized and approved. Borrower agrees to hold Lender harmless and indemnified against any liability or claim in connection with or arising out of the subject matter of this section, WHICH INDEMNITY SHALL APPLY WHETHER OR NOT ANY SUCH LIABILITY OR CLAIM IS IN ANY WAY OR TO ANY EXTENT OWED, IN WHOLE OR IN PART, UNDER ANY CLAIM OR THEORY OF STRICT LIABILITY, OR ARE CAUSED, IN WHOLE OR IN PART, BY ANY NEGLIGENT ACT OR OMISSION OF ANY KIND BY LENDER, provided only that Lender shall not be entitled to indemnification for that portion, if any, of any liability or claim which is proximately caused by its own individual gross negligence or willful misconduct, as determined in a final judgment.

(2) Extension of Letter of Credit Maturity. If the maturity of any Letter of Credit is extended by its terms or by Law or governmental action, if any extension of the maturity or time for presentation of drafts or any other modification of the terms of any Letter of Credit is made at the request of Borrower, or if the amount of any Letter of Credit is increased at the request of Borrower, this Amendment shall be binding upon Borrower with respect to such Letter of Credit as so extended, increased or otherwise modified, with respect to drafts and property covered

thereby, and with respect to any action taken by Lender, or Lender's correspondents in accordance with such extension, increase or other modification.

(3) Transferees of Letters of Credit. If any Letter of Credit provides that it is transferable, Lender shall have no duty to determine the proper identity of anyone appearing as transferee of such Letter of Credit, nor shall Lender be charged with responsibility of any nature or character for the validity or correctness of any transfer or successive transfers, and payment by Lender to any purported transferee or transferees as determined by Lender is hereby authorized and approved, and Borrower further agrees to hold Lender harmless and indemnified against any liability or claim in connection with or arising out of the foregoing, WHICH INDEMNITY SHALL APPLY WHETHER OR NOT ANY SUCH LIABILITY OR CLAIM IS IN ANY WAY OR TO ANY EXTENT OWED, IN WHOLE OR IN PART, UNDER ANY CLAIM OR THEORY OF STRICT LIABILITY, OR ARE CAUSED, IN WHOLE OR IN PART, BY ANY NEGLIGENT ACT OR OMISSION OF ANY KIND BY LENDER, provided only that Lender shall not be entitled to indemnification for that portion, if any, of any liability or claim which is proximately caused by its own individual gross negligence or willful misconduct, as determined in a final judgment.

F. LC Collateral.

(1) Acceleration of LC Obligations. On the maturity date of the Notes, or if the Loans or either of them becomes immediately due and payable pursuant to the Loan Documents, then, unless Lender otherwise specifically elects to the contrary, all LC Obligations shall become immediately due and payable without regard to whether or not actual drawings or payments on the Letters of Credit have occurred, and Borrower shall be obligated to pay to Lender immediately an amount equal to the aggregate LC Obligations which are then outstanding. All amounts so paid shall first be applied to Matured LC Obligations and the remainder will be held by Lender as security for the remaining LC Obligations (all such amounts held as security for LC Obligations being herein collectively called "LC Collateral") until such LC Obligations become Matured LC Obligations, at which time such LC Collateral shall be applied to such Matured LC Obligations.

(2) Investment of LC Collateral. Pending application thereof, all LC Collateral shall be invested by Lender in such investments as Lender may elect. All interest on such investments shall be reinvested or applied to Matured LC Obligations. When all indebtedness evidenced by the Notes and all LC Obligations have been satisfied in full, all Letters of Credit have expired or been terminated, and all of Borrower's reimbursement obligations in connection therewith have been satisfied in full, Lender shall release any remaining LC Collateral. Borrower hereby assigns and grants to Lender a continuing security interest in all LC Collateral, all investments purchased with such LC Collateral, and all proceeds thereof to secure its Matured LC Obligations and its obligations under this Amendment, the Loan Agreement, the Notes and the other Loan Documents. Borrower further agrees that Lender shall have all of the rights and remedies of a secured party under the Uniform Commercial Code as adopted in the State of Texas with respect to such security interest and that an Event of Default under the Loan Agreement (as modified hereby) shall constitute a default for purposes of such security interest.

(3) Payment of LC Collateral. When Borrower is required to provide LC Collateral for any reason and fails to do so on the day when required, Lender may without notice to Borrower provide such LC Collateral (whether by transfers from other accounts maintained with Lender or otherwise) using any available funds of Borrower.

4. Payment of Fees.

(a) Contemporaneously with the execution and delivery of this

Amendment, Borrower shall remit to Lender cash funds in the amount of $37,500.00, which sum shall be in payment of and as additional consideration for the modification and extension of the Revolving Specific Advance Loan. An additional $37,500.00 will be paid by Borrower to Lender at the time of the funding of the Specific Advance (if such advance is made hereunder), which sum shall be in payment of and further consideration for the funding of the Specific Advance.

(b) Contemporaneously with the execution and delivery of this Amendment, Borrower shall remit to Lender (i) cash funds in the amount of $75,000.00, which sum shall be in payment of and as additional consideration for the modification of the Revolving Credit Loan, and (ii) an additional amount of $50,000.00 in payment of and as additional consideration for the extension of the maturity date of the Revolving Credit Loan as set forth herein.

(c) Lender's obligation to make the Specific Advance or any further Advances under the Revolving Credit Note are and shall be subject to and further conditioned upon payment of the foregoing fees.

5. Holliday Loan. Notwithstanding the limitations and restrictions contained in Section 5.4 of the Loan Agreement to the contrary, Lender hereby consents to an unsecured loan from Holliday Fenoglio Fowler, L.P., a Texas limited partnership ("Holliday") to Stratus Properties, Inc. ("Stratus") in a principal amount not to exceed $10,000,000 (the "Holliday Loan"), provided that the following terms, covenants and restrictions shall be satisfied and complied with at all times throughout the term of the Holliday Loan until the Loans have been repaid in full and all other obligations of Borrower under the Loan Documents have been fully satisfied: (i) neither the stated principal amount of the Holliday Loan, nor the outstanding principal balance of the Holliday Loan, shall at any time exceed $10,000,000; (ii) the proceeds of the Holliday Loan shall be used only for general corporate purposes of Stratus, including the use of such proceeds for the purpose of repurchasing the common stock of Stratus; (iii) the Holliday Loan is not and shall at no time be secured by any of the real property or other collateral securing the Loans or otherwise be secured by any Liens in contravention of any terms or provisions in the Loan Agreement (including, without limitation, Section 5.5 thereof), as modified hereby, or any of the other Loan Documents; (iv) Lender's rights to receive, use and apply any and all proceeds and other amounts as set forth in Sections 2.19 and 2.20 of Addendum 2 and elsewhere in the Loan Agreement (as modified hereby) shall continue in full force and effect and shall not be affected in any manner by the Holliday Loan, and Holliday (and any subsequent holder of the Holliday Loan) shall have no rights to the receipt of any such proceeds, and Borrower shall not utilize any of such proceeds for repayment of or application to any of the indebtedness evidenced by the Holliday Loan except to the extent permitted by Section 2.20 of Addendum 2 of the Loan Agreement (as modified hereby); (v) without the prior written approval of Lender, no proceeds of the Loans shall be used by Borrower to repay any principal or other amounts then outstanding under the Holliday Loan, except that proceeds of the Revolving Credit Loan may be used by Borrower for the repayment of ordinary interest then due and payable under the Holliday Loan so long as no Event of Default exists and is continuing under the Loan Agreement (as modified hereby) or the other Loan Documents; (vi) without Lender's written consent, Stratus and Borrower shall not prepay any principal portion of the indebtedness under the Holliday Loan during the first eighteen (18) months of the term of the Holliday Loan; and (vii) the promissory note, loan agreement and other loan documents (if any) executed in connection with the Holliday Loan shall be on terms consistent with the foregoing and otherwise on terms reasonably acceptable to Lender, and shall not, without Lender's written consent, be amended or modified in any manner that (a) conflicts with any of the foregoing terms, covenants and restrictions, (b) increases the principal amount of the Holliday Loan to more than $10,000,000, or (c) would cause a default or an event of default under the Loan Agreement (as

modified hereby) or any of the other Loan Documents. Lender hereby consents that Holliday may assign its interest in the Holliday Loan to American Select Portfolio Inc., a Minnesota corporation, so long as the foregoing terms are complied with. Borrower shall promptly provide Lender with a copy of any notice of default received by Stratus or Borrower from Holliday (or the then holder of the Holliday Loan) or delivered by Stratus or Borrower to Holliday (or the then holder of the Holliday Loan), in connection with the Holliday Loan. Any failure of Borrower or the Holliday Loan to comply with any of the foregoing conditions, covenants and restrictions set forth in items (i) through (vii) above shall be an Event of Default under the Loan Agreement (as modified hereby) and the other Loan Documents. Any default or event of default under the Holliday Loan which continues beyond any applicable grace or cure period thereunder shall also constitute an Event of Default under the Loan Agreement (as amended hereby) and the other Loan Documents.

6. Title Insurance. Contemporaneously with the execution and delivery hereof, the Borrower shall cause the Title Company to issue with respect to the mortgagee title policy previously issued to Lender in connection with the Loans (the "Title Policy"), the standard Texas Form T-38 Endorsement pursuant to Rule P-9B(3) of the Basic Manual of Rules, Rates and Forms for the Writing of Title Insurance in the State of Texas (the "Title Manual"), and the Standard Texas Form T-33 Endorsement pursuant to Rule P-9B(6) of the Title Manual, all acceptable to Lender, confirming that the Title Policy has not been reduced or terminated by virtue of the terms and provisions of this Amendment and the other Loan Modification Documents (as defined below).

7. Acknowledgment by Borrower. Except as otherwise specified herein, the terms and provisions hereof shall in no manner impair, limit, restrict or otherwise affect the obligations of Borrower or any third party to Lender, as evidenced by the Loan Documents. Borrower hereby acknowledges, agrees and represents that (i) Borrower is indebted to Lender pursuant to the terms of the Notes as modified; (ii) the liens, security interests and assignments created and evidenced by the Security Instruments are, respectively, valid and subsisting liens, security interests and assignments of the respective dignity and priority recited in the Security Instruments; (iii) there are no claims or offsets against, or defenses or counterclaims to, the terms or provisions of the Security Instruments or the other Loan Documents, and the other obligations created or evidenced by the Security Instruments or the other Loan Documents; (iv) Borrower has no claims, offsets, defenses or counterclaims arising from any of Lender's acts or omissions with respect to the Mortgaged Property, the Security Instruments or the other Loan Documents or Lender's performance under the Security Instruments or the other Loan Documents or with respect to the Mortgaged Property; (v) the representations and warranties of Borrower contained in the Loan Agreement, the Security Instruments and the other Loan Documents are and remain true and correct as of the date hereof; and (vi) Lender is not in default and no event has occurred which, with the passage of time, giving of notice, or both, would constitute a default by Lender of Lender's obligations under the terms and provisions of the Loan Documents.

8. No Waiver of Remedies. Except as may be expressly set forth herein, nothing contained in this Amendment shall prejudice, act as, or be deemed to be a waiver of any right or remedy available to Lender by reason of the occurrence or existence of any fact, circumstance or event constituting a default under the Notes or the other Loan Documents.

9. Effectiveness of the Security Instruments. Except as expressly modified by the terms and provisions of this Amendment, the Amendment to Promissory Note referenced above, the Amendment to Revolving Credit Note referenced above, and the Modification Agreement referenced above (collectively, the "Loan Modification Documents"), each of the terms and provisions of the Loan Agreement, the Notes, the Security Instruments and the other Loan Documents are hereby ratified and shall remain in full force and

effect; provided, however, that any reference in any of the Security Instruments to the Loans, the amounts constituting the Loans, any defined terms, or to any of the other Security Instruments shall be deemed, from and after the date hereof, to refer to the Loans, the amounts constituting the Loans, defined terms and to the Notes, the Loan Agreement, the Lien Instruments and such other Loan Documents, as modified by the Loan Modification Documents.

10. Costs and Expenses. Contemporaneously with the execution and delivery hereof, Borrower shall pay, or cause to be paid, all costs and expenses incident to the preparation, execution and recordation of the Loan Modification Documents and the consummation of the transaction contemplated hereby, including, but not limited to, recording fees, title insurance policy or endorsement premiums or other charges of the Title Company, and reasonable fees and expenses of legal counsel to Lender.

11. Additional Documentation. From time to time, Borrower shall execute or procure and deliver to Lender such other and further documents and instruments evidencing, securing or pertaining to the Loans or the Loan Documents as shall be reasonably requested by Lender so as to evidence or effect the terms and provisions hereof. Upon Lender's request, Borrower shall cause to be delivered to Lender an opinion of counsel, satisfactory to Lender as to form, substance and rendering attorney, opining to (i) the validity and enforceability of this Amendment and the other Loan Modification Documents and the terms and provisions hereof and thereof, and any other agreement executed in connection with the transaction contemplated hereby; (ii) the authority of Borrower, and any constituents of Borrower, to execute, deliver and perform its or their respective obligations under the Loan Documents, as modified by the Loan Modification Documents; and (iii) such other matters as reasonably requested by Lender.

12. Severability. If any clause or provision of this Amendment is or should ever be held to be illegal, invalid or unenforceable under any present or future law applicable to the terms hereof, then and in that event, it is the intention of the parties hereto that the remainder of this Amendment shall not be affected thereby, and that in lieu of each such clause or provision of this Amendment that is illegal, invalid or unenforceable, such clause or provision shall be judicially construed and interpreted to be as similar in substance and content to such illegal, invalid or unenforceable clause or provision, as the context thereof would reasonably suggest, so as to thereafter be legal, valid and enforceable

13. Borrower's Reaffirmation. Borrower hereby reaffirms all of its obligations under the Notes (as amended), the Loan Agreement (as amended hereby), the Lien Instruments (as amended) and the other Loan Documents, and acknowledges that it has no claims, offsets or defenses with respect to the payment of sums due under the Notes (as amended), the Loan Agreement (as amended hereby), the Lien Instruments (as amended) or the other Loan Documents.

14. Continuing Effect; Ratification. Except as expressly amended and modified by this Amendment, the Loan Agreement shall remain unchanged and in full force and effect. The Loan Agreement, as modified by this Amendment, and all documents, assignments, transfers, liens and security rights pertaining to it, are hereby ratified, reaffirmed and confirmed in all respects as valid, subsisting and continuing in full force and effect. The Loan Agreement and this Amendment shall together comprise the Loan Agreement with respect to the Loans.

15. No Waiver. The execution and delivery of this Amendment shall in no way be deemed to be a waiver by Lender of any default or potential default by Borrower under the Loan Agreement or the other Loan Documents or of any rights, powers or remedies of Lender under the Loan Agreement or the other Loan Documents, and shall in no way limit, impair or prejudice Lender from exercising any past, present or future right, power or remedy available to it under the Loan Agreement and the other Loan Documents.

16. No Novation. It is the intent of the parties that this Amendment shall not constitute a novation and shall in no way limit, diminish, impair or adversely affect the lien priority of the Lien Instruments. All of the liens and security interests securing the Loans, including, without limitation, the liens and security interests created by the Lien Instruments, are hereby ratified, reinstated, renewed, confirmed and extended to secure the Loans and the Notes as modified.

17. Binding Effect. This Amendment shall be binding upon and shall inure to the benefit of Borrower and Lender, and their respective successors and assigns.

18. Governing Law. This Amendment shall be construed in accordance with and governed by the laws of the State of Texas.

19. Counterpart Execution. This Amendment may be executed in any number of counterparts, each of which shall be deemed an original, but together shall constitute one and the same instrument.

20. Notice of Final Agreement. This Amendment is the entire agreement between the parties with respect to modifications of documents provided for herein and supersedes all prior conflicting or inconsistent agreements, consents and understandings relating to such subject matter.

THE NOTES, THE LOAN AGREEMENT, THIS AMENDMENT, THE LIEN INSTRUMENTS AND THE OTHER LOAN DOCUMENTS REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES.

THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN PARTIES.

[SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF, Borrower and Lender have executed this Amendment to be effective as of the Amendment Date.

BORROWER:

STRATUS PROPERTIES INC.,
a Delaware corporation

By: /s/ William H. Armstrong, III

Name: William H. Armstrong, III
Title: Chairman of the Board, President and Chief Executive Officer

STRATUS PROPERTIES OPERATING CO., L.P.,
a Delaware limited partnership

By: STRS L.L.C.,
a Delaware limited liability company,
General Partner

By: Stratus Properties Inc.,
a Delaware corporation,
Sole Member

By: /s/ William H. Armstrong III

Name: William H. Armstrong, III
Title: Chairman of the Board, President and Chief Executive Officer

CIRCLE C LAND CORP.,
a Texas corporation

By: /s/ William H. Armstrong III

Name: William H. Armstrong, III
Title: President

AUSTIN 290 PROPERTIES, INC.,
a Texas corporation

By: /s/ William H. Armstrong III

Name: William H. Armstrong, III
Title: President

LENDER:

COMERICA BANK-TEXAS,
a state banking association

By: /s/ Shery R. Layne

Name: Shery R. Layne
Title: Senior Vice President

AMENDMENT TO REVOLVING CREDIT NOTE
AMENDMENT TO REVOLVING CREDIT NOTE

This AMENDMENT TO REVOLVING CREDIT NOTE (this "Amendment") is made and entered into to be effective as of December 27, 2000 (the "Amendment Date"), by and among STRATUS PROPERTIES INC., a Delaware corporation, STRATUS PROPERTIES OPERATING CO., L.P., a Delaware limited partnership, CIRCLE C LAND CORP., a Texas corporation, and AUSTIN 290 PROPERTIES, INC., a Texas corporation (herein individually and collectively referred to as the "Borrower"), and COMERICA BANK-TEXAS, a state banking association (herein referred to as the "Lender").

W I T N E S S E T H:

WHEREAS, Borrower, as Maker, executed that certain Revolving Credit Note (the "Note") dated December 16, 1999, in the original principal amount of $10,000,000 U.S., in favor of and payable to

the order of Lender, as Payee, which Note evidences a loan ("Loan") made by Lender to Borrower in connection with and pursuant to that certain Loan Agreement dated December 16, 1999, executed by and among Borrower and Lender, as amended by that certain Amendment to Loan Agreement of even date herewith by and among Borrower and Lender (together, as amended, the "Loan Agreement"); and

WHEREAS, the Note is secured by, among other things and without limitation, the deeds of trust, assignments and other items referenced in Section 5.1 of the Note (collectively, the "Lien Instruments"); and

WHEREAS, the current unpaid principal balance of the Note as of the date hereof is approximately $4,434,167.00; and

WHEREAS, Borrower hereby acknowledges that (i) Borrower is obligated to Lender under the Note, the Lien Instruments and the other Loan Documents (as such term is defined in Section 5.1 of the Note), (ii) Borrower has no defense, offset or counterclaim with respect to the sums owed to Lender under the Note, the Lien Instruments and the other Loan Documents, or with respect to any covenant in the Note, this Amendment, the Lien Instruments or any of the other Loan Documents, and (iii) Lender, on and as of the date hereof, has fully performed all obligations to Borrower which Lender may have had or has on and as of the date hereof; and

WHEREAS, Borrower and Lender desire to enter into this Amendment in order to modify and amend certain of the terms and provisions of the Note as set forth herein.

NOW, THEREFORE, in consideration of the foregoing premises and the mutual covenants and agreements contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Borrower and Lender hereby agree as follows:

1. Recitals. The recitals set forth above are true, accurate and correct, and are incorporated herein by this reference.

2. Capitalized Terms. Any capitalized terms not defined herein shall have the meaning ascribed to them in the Note.

3. Modification of Note. Borrower and Lender hereby agree to modify the Note as follows:

3.1 Modification of Principal Amount of the Note. Borrower and Lender hereby acknowledge that the current outstanding principal balance of the Note as of the date hereof is approximately $4,434,167.00, and Borrower and Lender hereby agree to modify and increase the face principal amount of the Note from $10,000,000.00 U.S. to $20,000,000.00 U.S. Accordingly, (i) the face principal amount of the Note of "$10,000,000.00 U.S." as indicated in the top left-hand corner on the first page of the Note is hereby amended to be increased to the sum of "$20,000,000.00 U.S.", and (ii) the principal sum of the Note of "TEN MILLION AND NO/100 DOLLARS ($10,000,000.00)" in Section 1.1 of the Note is hereby amended to read "TWENTY MILLION AND NO/100 DOLLARS ($20,000,000.00)".

3.2 Revolving Nature of the Note. The Note shall continue as a revolving promissory note, such that, prior to the Maturity Date, a portion of the principal balance of the Note which has been repaid may be reborrowed; provided, however, that the following conditions are satisfied: (i) no default or event of default exists and is continuing under the Note or any of the other Loan Documents; (ii) the outstanding principal balance of the Note does not at any time (and shall at no time) exceed the sum of $20,000,000; and (iii) all additional terms and conditions set forth in the Note and the Loan Agreement with respect to Advances under the Note shall have been satisfied.

3.3 Extension of Maturity Date and Cancellation of Extension Option. The maturity of the Note is hereby extended to December 16, 2002, and the Extension Option is hereby deemed to be canceled and of no further force or effect. Accordingly, (i) the

definition of "Extension Option" contained in Section 2.3 of the Note is hereby deleted in its entirety, and (ii) the definition of "Maturity Date" contained in Section 2.3 of the Note is hereby amended and replaced in its entirety with the following:

> "'Maturity Date' shall mean December 16, 2002; subject, however, to the right of acceleration as herein provided and as provided elsewhere in the Loan Documents (hereinafter defined)."

3.4 Modification of Applicable Base Rate. The definition of "Applicable Base Rate" as set forth in Section 2.3 of the Note is hereby amended to read as follows:

> "'Applicable Base Rate' shall mean the lesser of (a) the Base Rate from time to time in effect plus one percent (1.0%) per annum, or (b) the Maximum Lawful Rate; provided, however, that upon repayment of the Current Outstanding Principal Balance of the Revolving Specific Advance Note (as such Current Outstanding Principal Balance is defined in the Revolving Specific Advance Note, as amended) such that the Current Outstanding Principal Balance of the Revolving Specific Advance Note has been reduced to $10,000.00 or less, then the Applicable Base Rate for purposes of this Note shall mean the lesser of (a) the Base Rate from time to time in effect plus one-half of one percent (.50%), or (b) the Maximum Lawful Rate. Fluctuations in the Applicable Base Rate shall become effective immediately, without necessity for any notice whatsoever."

3.5 Modification of Applicable LIBOR Rate. The definition of "Applicable LIBOR Rate" as set forth in Section 2.3 of the Note is hereby amended to read as follows:

> "'Applicable LIBOR Rate' shall mean the lesser of (a) the rate of interest equal to the Adjusted LIBOR Rate in effect for the subject Interest Period plus three percent (3.0%) or (b) the Maximum Lawful Rate; provided, however, that upon repayment of the Current Outstanding Principal Balance of the Revolving Specific Advance Note (as such Current Outstanding Principal Balance is defined in the Revolving Specific Advance Note, as amended) such that the Current Outstanding Principal Balance of the Revolving Specific Advance Note has been reduced to $10,000.00 or less, then the Applicable LIBOR Rate for purposes of this Note shall mean the lesser of (a) the rate of interest equal to the Adjusted LIBOR Rate in effect for the subject Interest Period plus two and one-half of one percent (2.50%) or (b) the Maximum Lawful Rate."

3.6 Definition of Loan Agreement. The definition of "Loan Agreement" as set forth in Section 2.3 of the Note is hereby amended to add the following clause at the end of such definition:

> ", as amended by that certain Amendment to Loan Agreement dated as of December 27, 2000, by and between Maker, as borrower, and Payee, as lender."

3.7 Definition of $20,000,000.00 Term Note. The definition of "$20,000,000.00 Term Note" as set forth in Section 2.3 of the Note is hereby deleted and amended to read as follows:

"'Revolving Specific Advance Note' shall mean the Promissory Note dated December 16, 1999, executed by Maker in favor of Payee, as amended by that certain Amendment to Promissory Note dated as of December 27, 2000, executed by and between Maker and Payee, which Revolving Specific Advance Note (as amended) is cross-defaulted and cross-collateralized with this Note."

3.8 Modification of Payment Schedule. Section 3.1(b) of the Note is hereby deleted in its entirety.

3.9 Modification of Prepayment Provisions. Section 3.6 of the Note is hereby amended and replaced with the following:

"3.6 Prepayment. Maker shall have the right to prepay without premium or penalty, subject to the other terms and conditions in this Note, any principal then outstanding under this Note but must also pay the amount of then accrued but unpaid interest on the amount of principal being so repaid. Any partial prepayments of principal shall be applied in inverse order of maturity to the last maturing installment(s) of principal. Notwithstanding anything to the contrary set forth in this Section 3.6, to the extent Maker should attempt to effectuate a prepayment of all or any portion of a LIBOR Rate Tranche, then any such prepayment may be effectuated only on the last day of the then current Interest Period applicable to such LIBOR Rate Tranche, provided, however Maker may prepay a LIBOR Rate Tranche provided the compensation called for in Section 3.8 below is also paid simultaneously with the LIBOR Rate Tranche prepayment."

4. Borrower's Reaffirmation. Borrower hereby reaffirms all of its obligations under the Note (as amended hereby), the Lien Instruments and the other Loan Documents, and acknowledges that it has no claims, offsets or defenses with respect to the payment of sums due under the Note (as amended hereby), the Lien Instruments or the other Loan Documents.

5. Continuing Effect; Ratification. Except as expressly amended and modified by this Amendment, the Note shall remain unchanged and in full force and effect. The Note, as modified by this Amendment, and all documents, assignments, transfers, liens and security rights pertaining to it, are hereby ratified, reaffirmed and confirmed in all respects as valid, subsisting and continuing in full force and effect. The Note and this Amendment shall together comprise the Note evidencing the Loan.

6. No Waiver. The execution and delivery of this Amendment shall in no way be deemed to be a waiver by Lender of any default or potential default by Borrower under the Note or the other Loan Documents or of any rights, powers or remedies of Lender under the Note or the other Loan Documents, and shall in no way limit, impair or prejudice Lender from exercising any past, present or future right, power or remedy available to it under the Note and the other Loan Documents.

7. No Novation. It is the intent of the parties that this Amendment shall not constitute a novation and shall in no way limit, diminish, impair or adversely affect the lien priority of the Lien Instruments. All of the liens and security interests securing the Loan, including, without limitation, the liens and security interests created by the Lien Instruments, are hereby ratified, reinstated, renewed, confirmed and extended to secure

the Loan and the Note as modified hereby.

8. Binding Effect. This Amendment shall be binding upon and shall inure to the benefit of Borrower, Lender and any subsequent holder of the Note, and their respective successors and assigns.

9. Governing Law. This Amendment shall be construed in accordance with and governed by the laws of the State of Texas.

10. Counterpart Execution. This Amendment may be executed in any number of counterparts, each of which shall be deemed an original, but together shall constitute one and the same instrument.

11. Notice of Final Agreement. This Agreement is the entire agreement between the parties with respect to modifications of documents provided for herein and supersedes all prior conflicting or inconsistent agreements, consents and understandings relating to such subject matter.

THE NOTE, THIS AMENDMENT, THE LOAN AGREEMENT, THE LIEN INSTRUMENTS AND THE OTHER LOAN DOCUMENTS REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES.

THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN PARTIES.

[SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF, Borrower and Lender have executed this Amendment to be effective as of the Amendment Date.

BORROWER:

STRATUS PROPERTIES INC.,
a Delaware corporation

By: /s/ William H. Armstrong III

Name: William H. Armstrong, III
Title: Chairman of the Board, President and Chief Executive Officer

STRATUS PROPERTIES OPERATING CO., L.P.,
a Delaware limited partnership

By: STRS L.L.C.,
a Delaware limited liability company,
General Partner

By: Stratus Properties Inc.,
a Delaware corporation,
Sole Member

By: /s/ William H. Armstrong III

Name: William H.Armstrong, III
Title: Chairman of the Board,President and Chief Executive Officer

CIRCLE C LAND CORP.,
a Texas corporation

By: /s/ William H. Armstrong III
Name: William H. Armstrong, III
Title: President

AUSTIN 290 PROPERTIES, INC.,
a Texas corporation

By: /s/ William H. Armstrong III
Name: William H. Armstrong, III
Title: President

LENDER:

COMERICA BANK-TEXAS,
a state banking association

By: /s/ Shery R. Lane
Name: Shery R. Lane
Title: Senior Vice President

Exhibit 10.20

LOAN AGREEMENT

THIS LOAN AGREEMENT is made as of December 28, 2000 among STRATUS PROPERTIES INC., a Delaware corporation ("Borrower"), and HOLLIDAY FENOGLIO FOWLER, L.P., a Texas limited partnership ("Lender").

WHEREAS, Borrower and Lender desire to set forth herein the terms and conditions upon which Lender shall provide financing to Borrower;

NOW, THEREFORE, the parties hereto hereby agree as follows:

Section 1. Certain Definitions and Index to Definitions.

A. Accounting Terms. Unless otherwise specified herein, all accounting terms used herein shall be interpreted, all accounting determinations hereunder shall be made, and all financial statements required to be delivered hereunder shall be prepared in accordance with GAAP and practices consistently applied.

B. Definitions. Capitalized terms used herein shall have the respective meanings set forth in Schedule 1 attached hereto when used in this Agreement (including the Exhibits hereto) except as the context shall otherwise require. Schedule 1 is hereby made a part of this Agreement.

Section 2. Loan.

A. Loan Amount. Lender agrees to provide a loan to Borrower in the amount of FIVE MILLION AND 00/100 DOLLARS ($5,000,000.00) ("Loan"), provided that all conditions precedent described in this Agreement have been met or waived by Lender and that Borrower is not otherwise in default as of the date of disbursement.

B. Note. Borrower's obligation to repay the Loan shall be further evidenced by the Note. Reference is made to the Note for certain terms relating to interest rate, payments, prepayment, Maturity Date and additional terms governing the Loan.

C. Origination Fee. Borrower agrees to pay Lender, upon Lender advancing the Loan, an origination fee of $50,000.00.

Section 3. Payments by Borrower.

A. General. All payments hereunder shall be made by Borrower to Lender at the Lending Office, or at such other place as Lender may designate in writing. Payments shall be made by wire transfer.

B. Other Outstanding Obligations. Unless required to be paid sooner hereunder, any and all Obligations in addition to the amounts due under the Note shall be due and payable in full upon the Maturity Date.

Section 4. Conditions Precedent. As conditions precedent to Lender's obligation to advance the Loan to Borrower:

A. Borrower shall deliver, or cause to be delivered, to Lender:

(1) A duly executed copy of this Agreement, the Note, and any and all other Loan Documents.

(2) A favorable written opinion of counsel for Borrower, addressed to Lender and in form and substance

acceptable to Lender and its counsel.

(3) Current financial statements of Borrower in form and substance acceptable to Lender.

(4) The following organizational documents of Borrower:

(a) Borrower's Certificate of Incorporation as certified by the Secretary of State of the state of Borrower's organization and by the corporate secretary of Borrower, a Certificate of Good Standing dated no less recently than thirty (30) calendar days prior to the date of this Agreement, issued by the Secretary of State of the state of Borrower's organization, stating that Borrower is in good standing in such state, and evidence of good standing to transact business in the State of Texas, dated no less recently than thirty (30) calendar days prior to the date of this Agreement, issued by the Secretary of State of the State of Texas.

(b) A resolution of the board of directors of Borrower, certified as of the date of this Agreement by its corporate secretary, authorizing the execution, delivery and performance of this Agreement and the other Loan Documents, and all other instruments or documents to be delivered by Borrower pursuant to this Agreement.

(c) A certificate of Borrower's corporate secretary as to the incumbency and authenticity of the signatures of the officers of Borrower executing any Loan Documents (Lender being entitled to rely thereon until a new such certificate has been furnished to Lender).

B. All acts, conditions, and things (including, without limitation, the obtaining of any necessary regulatory approvals and the making of any required filings, recordings or registrations) required to be done and performed and to have happened prior to the execution, delivery and performance of the Loan Documents to constitute the same legal, valid and binding obligations of Borrower, enforceable in accordance with their respective terms, subject to limitations as to enforceability which might result from bankruptcy, insolvency, moratorium and other similar laws affecting creditors' rights generally and subject to limitations on the availability of equitable remedies, shall have been done and performed and shall have happened in compliance with all applicable laws or shall have been waived by Lender in writing.

C. All documentation shall be satisfactory in form and substance to Lender, and Lender shall have received any and all further information, documents and opinions which Lender may reasonably have requested in connection therewith, such documents, where appropriate, to be certified by proper authorities and officials of Borrower.

D. All representations and warranties of Borrower to Lender set forth herein or in any of the Loan Documents shall be accurate and complete in all material respects.

E. There shall not exist an Event of Default or an event which with the giving of notice or passage of time, or both, would be an Event of Default.

Section 5. Representations and Warranties of Borrower. Borrower represents and warrants to Lender as follows:

A. Capacity. Borrower is duly organized, validly existing, and in good standing under the laws of the state of its organization (as described herein) and is authorized

to do business in the State of Texas and in any and all other jurisdictions in which its ownership of Property or conduct of business legally requires such authorization and the failure to do so would have a Material Adverse Effect, and has full power, authority, and legal right to own its properties and assets and to conduct its business as presently conducted or proposed to be conducted, and the consummation of the transactions contemplated herein do not, and will not, require the consent or approval of, or filing with, any Person which has not been obtained.

B. Authority. Borrower has full power, authority and legal right to execute and deliver, and to perform and observe the provisions of the Loan Documents to be executed by Borrower. The execution, delivery and performance of the Loan Documents have been duly authorized by all necessary action, and when duly executed and delivered, will be legal, valid, and binding obligations of Borrower enforceable in accordance with their respective terms, subject to limitations as to enforceability which might result from bankruptcy, insolvency, moratorium and other similar laws affecting creditors' rights generally and subject to limitations on the availability of equitable remedies.

C. Compliance. The execution and delivery of the Loan Documents and compliance with their terms will not violate any provision of applicable law and will not result in a breach of any of the terms or conditions of, or result in the imposition of any lien, charge, or encumbrance upon any properties of Borrower pursuant to, or constitute a default (with due notice or lapse of time or both) or result in an occurrence of an event pursuant to which any holder or holders of Indebtedness may declare the same due and payable.

D. Financial Statements. The financial statements provided by Borrower to Lender pursuant to subsection 4.A(3) are correct and complete as of the dates indicated in such statements and fairly present the financial condition and results of operations of Borrower for the fiscal periods indicated therein.

E. Material Adverse Events. Since the Statement Dates, neither any event nor the passage of time has resulted in a Material Adverse Effect.

F. Litigation. Except as heretofore disclosed by Borrower to Lender in writing, there are no actions or proceedings pending, or to the knowledge of Borrower threatened, against or affecting Borrower which, if adversely determined, could reasonably be expected to have a Material Adverse Effect. Borrower is not in default with respect to any applicable laws or regulations which materially affect the operations or financial condition of Borrower, nor is it in default with respect to any other writ, injunction, demand, or decree or in default under any indenture, agreement, or other instrument to which Borrower is a party or by which Borrower may be bound where any such default would have a Materially Adverse Effect.

G. Taxes. Borrower has filed or caused to be filed all tax returns which are required to be filed by it. Borrower has paid, or made provision for the payment of, all taxes which have or may have become due pursuant to said returns or otherwise or pursuant to an assessment received by Borrower, except such taxes, if any, as are being contested in good faith and as to which adequate reserves have been provided. The charges, accruals, and reserves in respect of income taxes on the books of Borrower are adequate. Borrower knows of no proposed material tax assessment against it and no extension of time for the assessment of federal, state, or local taxes of Borrower is in effect or has been requested, except as disclosed in the financial statements furnished to Lender.

H. Accurate Information. All written information supplied to Lender by or on behalf of Borrower is and shall be true and correct in all material respects, and all financial projections or forecasts of future results or events supplied to Lender by or on behalf of Borrower have been prepared in good faith and based on good faith estimates and assumptions of the management of Borrower, and Borrower has no reason to believe that such projections or forecasts are not reasonable.

I. Use of Loan Proceeds. Borrower is not engaged principally in, nor does it have as one of its important activities, the business of extending credit for the purpose of purchasing or carrying any margin stock (within the meaning of Regulation U of the Board of Governors of the Federal Reserve System), and no part of any advance made hereunder will be used to purchase or carry margin stock, extend credit to others for the purpose of purchasing or carrying any margin stock, or used for any purpose which violates Regulation U or Regulation X of the Board of Governors of the Federal Reserve System or any other provision of law.

J. ERISA. No plan (as that term is defined in the Employee Retirement Income Security Act of 1974 ("ERISA")) of the Borrower (a "Plan") which is subject to Part 3 of Subtitle B of Title 1 of ERISA had an accumulated funding deficiency (as such term is defined in ERISA) as of the last day of the most recent fiscal year of such Plan ended prior to the date hereof, or would have had such an accumulated funding deficiency on such date if such year were the first year of such Plan, and no material liability to the Pension Benefit Guaranty Corporation has been, or is expected by the Borrower to be, incurred with respect to any such Plan. No Reportable Event (as defined in ERISA) has occurred and is continuing in respect to any such Plan.

Section 6. Affirmative Covenants of Borrower. Until payment in full of the Obligations, Borrower agrees that:

A. Financial Statements, Reports and Certifications. Borrower will furnish to Lender, in form and substance satisfactory to Lender:

(1) As soon as possible after the end of each fiscal year of Borrower, and in any event within ninety (90) Business Days thereafter, (i) a complete copy of its annual audit which shall include the balance sheet of Borrower as of the close of the fiscal year and an income statement for such year, certified by the Auditors without material qualification, (ii) a statement of changes in partners' equity and cash flows for the period ended on such date, certified by the Auditors, and (iii) a statement certified by the chief financial officer of Borrower that no act or omission has occurred which has resulted in an Event or Default or, if not cured, remedied, waived or otherwise eliminated to the satisfaction of Lender, would result in an Event of Default;

(2) No later than thirty (30) Business Days after the close of each Accounting Period, (i) Borrower's balance sheet as of the close of such Accounting Period and its income statement for that portion of the then current fiscal year through the end of such Accounting Period prepared in accordance with GAAP and certified as being complete, correct, and fairly representing its financial condition and results of operations by the chief financial officer of Borrower, subject to the absence of footnotes and year-end adjustments, (ii) a statement of changes in equity and cash flows for the period ended on such date, certified by the chief financial officer of Borrower, and (iii) a completed Borrower's Officer's Compliance Certificate;

(3) Promptly upon the filing or receiving thereof, copies of all reports which the Borrower files under ERISA or which the Borrower receives from the Pension Benefit Guaranty Corporation if such report shows any material violation or potential violation by the Borrower of its obligations under ERISA; and

(4) Such other information concerning Borrower as Lender may reasonably request.

B. Other Information. Borrower will (1) maintain accurate books and records concerning its business in a manner consistent with Borrower's current bookkeeping and record-keeping practices (provided such practices result in accurate books and records), (2) upon request, furnish to Lender such information, statements, lists of Property and accounts, budgets, forecasts, or reports as Lender may reasonably request with respect to the business, affairs, and financial condition of Borrower, and (3) permit Lender or representatives thereof, upon at least forty eight (48) hours prior written notice to Borrower, to inspect during Borrower's usual business hours, the properties of Borrower and to inspect, audit, make copies of, and make extracts from the books or accounts of Borrower.

C. Expenses. Borrower shall pay all reasonable out-of-pocket expenses of Lender (including, but not limited to, fees and disbursements of Lender's counsel) incident to (1) preparation and negotiation of the Loan Documents and any amendments, extensions and renewals thereof, (2) following an Event of Default, the protection and exercise of the rights of Lender under the Loan Documents, or (3) defense by Lender against all claims against Lender relating to any acts of commission or omission directly or indirectly relating to the Loan Documents, all whether by judicial proceedings or otherwise, but excluding claims related to Lender's gross negligence or intentional misconduct. Borrower will also pay and save Lender harmless from any and all liability with respect to any stamp or other taxes (other than transfer or income taxes) which may be determined to be payable in connection with the making of the Loan Documents.

D. Taxes and Expenses Regarding Borrower's Property. Borrower shall make due and timely payment or deposit of all taxes, assessments or contributions required of it, except such deposits, assessments or contributions which are being contested in good faith and as to which, in the reasonable determination of Lender, adequate reserves have been provided.

E. Notice of Events. Promptly after the later of (i) the occurrence thereof or (ii) such time as Borrower has knowledge of the occurrence thereof, Borrower will give Lender written notice of any Event of Default or any event which with the giving of notice or passage of time, or both, would become an Event of Default; provided, however, in the event that the respective Event of Default is subsequently cured as permitted herein, such failure to give notice shall also be deemed to be cured.

F. Notice of Litigation. In addition to any regularly scheduled reporting required to be delivered with the Borrower's Officer's Certificate, Borrower will promptly give notice to Lender in writing of (i) any litigation or other proceedings against Borrower involving claims for amounts in excess of $250,000 that Borrower does not reasonably expect are covered by insurance, (ii) any labor controversy resulting in or threatening to result in a strike against Borrower, or (iii) any proposal by any public authority to acquire a material portion of the assets or business of Borrower.

G. Other Debt. Borrower will promptly pay and discharge any and all Indebtedness when due (where the

failure to do so either individually or in the aggregate with any such other unpaid Indebtedness would have a Material Adverse Effect), and lawful claims which, if unpaid, might become a lien or charge upon the Property of Borrower, except such as may in good faith be contested or disputed or for which arrangements for deferred payment have been made, provided appropriate reserves are maintained to the satisfaction of Lender for the eventual payment thereof in the event it is found that such Indebtedness is an Indebtedness payable by Borrower, and when such dispute or contest is settled and determined, will promptly pay the full amount then due.

H. Cooperation. Borrower will execute and deliver to Lender any and all documents, and do or cause to be done any and all other acts reasonably deemed necessary by Lender, in its reasonable discretion, to effect the provisions and purposes of this Agreement.

I. Maintenance of Insurance; Notice of Loss. Borrower shall maintain such insurance with reputable insurance carriers as is normally carried by companies engaged in similar businesses and owning similar Property. Upon request from Lender, Borrower will provide Lender with certificates indicating that such insurance is in effect and all premiums due have been paid.

J. Location of Business. Borrower will give Lender written notice immediately upon forming an intention to change the location of its chief place of business.

K. Maintenance of Existence. Borrower will preserve and maintain its legal existence and all rights, privileges and franchises necessary or desirable in the normal conduct of its business, will conduct its business in an orderly, efficient and regular manner, and will comply with all applicable laws and regulations and the terms of any indenture, contract or other instrument to which it may be a party or under which it or its properties may be bound, in each instance where the failure to do so would have a Material Adverse Effect.

L. Compliance with ERISA. Cause each Plan to comply and be administered in accordance with those provisions of ERISA which are applicable to such Plan.

Section 7. Negative Covenants of Borrower. Until payment in full of the Obligations, without the prior written consent of Lender (which consent may be withheld in the sole discretion and determination of Lender), Borrower will not do any of the following:

A. Sale of Assets. Borrower will not sell, abandon, or otherwise dispose of any of its assets except in the ordinary course of business.

B. Consolidation, Merger, etc. Borrower will not consolidate with, merge into, or sell (whether in a single transaction or in a series of transactions) all or substantially all of its assets to any Person.

C. Change in Business. Borrower will not make any change in the nature of the business of Borrower or a Subsidiary which would result in a material change in the character of the business of Borrower, taken as a whole.

D. Transactions with Affiliates. Borrower will not enter into any transaction with any Person affiliated with Borrower on terms materially less favorable to Borrower, than at the time could be available to Borrower, from any Person not affiliated with Borrower.

E. Plans. Borrower will not sponsor or contribute to any other Plan or other defined benefit pension plan or contributes to any multi-employer pension plan.

F. Dividends, Redemptions.

(1) Borrower will not, except as allowed below, declare or pay any dividend on, or declare or make any other distribution on account of, any stock interest or other ownership interest.

(2) Borrower will not, except as allowed below, directly or indirectly redeem, retire, purchase, or otherwise acquire beneficially any shares of any class of its own stock now or hereafter outstanding or set apart any sum for any such purpose. The foregoing notwithstanding, Borrower may redeem, retire, purchase or otherwise acquire beneficially shares of common stock of Borrower in an aggregate amount that does not exceed $5,000,000.00.

G. Indebtedness. Borrower will not incur any Indebtedness other than Permitted Debt.

Section 8. Events of Default; Remedies. If any of the following events occurs, it is hereby defined as and declared to be and to constitute an "Event of Default":

A. Borrower shall fail to make any payment of principal, interest or other amount under the Note, when due whether at maturity, upon acceleration, or otherwise, and such default shall continue for three (3) Business Days after written notice to Borrower from Lender (except that Borrower shall not be entitled to said three (3) Business Day notice period more than twice in any twelve (12) calendar month period); or

B. Borrower shall default in the payment of any of the other Obligations when due, and such default shall continue for ten (10) Business Days after written notice to Borrower from Lender; or

C. An order for relief shall be entered against Borrower or any Subsidiary by any United States Bankruptcy Court; or Borrower or any Subsidiary shall generally not pay its debts as they become due (within the meaning of 11 U.S.C. 303(h) as at any time amended or any successor statute thereto) or make an assignment for the benefit of creditors; or Borrower or any Subsidiary shall apply for or consent to the appointment of a custodian, receiver, trustee, or similar officer for it or for all or any substantial part of its Property; or such custodian, receiver, trustee, or similar officer shall be appointed without the application or consent of Borrower or such Subsidiary and such appointment shall continue undischarged for a period of sixty (60) calendar days; or Borrower or such Subsidiary shall institute (by petition, application, answer, consent, or otherwise) any bankruptcy, insolvency, reorganization, moratorium, arrangement, readjustment of debt, dissolution, liquidation or similar proceeding relating to it under the laws of any jurisdiction; or any such proceeding shall be instituted (by petition, application, or otherwise) against Borrower or such Subsidiary and shall remain undismissed for a period of sixty (60) calendar days; or any judgment, writ, warrant of attachment, execution, or similar process shall be issued or levied against a substantial part of the Property of Borrower or such Subsidiary and such judgment, writ, or similar process shall not be released, vacated, or fully bonded within sixty (60) calendar days after its issue or levy; or

D. Borrower shall be in breach of any other agreement, covenant, obligation, representation or warranty hereunder or with respect to any of the Loan Documents, and such breach shall continue for twenty (20) Business Days after whichever of the following dates is the earliest: (i) the date on which Borrower gives notice of such breach to Lender, and (ii) the date on which Lender gives notice of

such breach to Borrower; provided, however, such twenty (20) Business Day period may be extended for up to an additional thirty (30) calendar days if and only if Lender extends such time period in writing following Lender's good faith determination that (X) Borrower is continuously and diligently taking action to cure such breach, and (Y) such breach cannot be cured within the initial twenty (20)-day cure period; or

E. The aggregate book value of the Borrower's assets shall at any time be less than (1) $50,000,000 minus (2) the product of $50,000,000 multiplied by the Cash Collateral Factor.

F. The aggregate market value of the Borrower's assets shall at any time be less than (1) $75,000,000 minus (2) the product of $75,000,000 multiplied by the Cash Collateral Factor.

G. The Debt Service Coverage Ratio measured on a quarterly basis for the previous twelve (12) months shall be less than (1) (a) 5.0 minus (b) the product of 5.0 multiplied by the Cash Collateral Factor, to (2) 1.0.

H. The ratio of (1) the Borrower's Indebtedness to (2) the aggregate market value of the Borrower's assets shall at any time exceed (a) sixty percent (60.0%) minus (b) the product of sixty percent (60.0%) multiplied by the Cash Collateral Factor.

I. The ratio of (1) the Borrower's Secured Indebtedness to (2) the aggregate market value of the Borrower's assets shall at any time exceed (1) forty percent (40.0%) minus (2) forty percent (40.0%) multiplied by the Cash Collateral Factor.

J. An "Event of Default" as defined in the Comerica Loan Agreement shall occur.

K. Any Reportable Event (as defined in ERISA) shall have occurred and continue for 30 days; or any Plan shall have been terminated by the Borrower not in compliance with ERISA, or a trustee shall have been appointed by a court to administer any Plan, or the Pension Benefit Guaranty Corporation shall have instituted proceedings to terminate any Plan or to appoint a trustee to administer any Plan.

THEN, at Lender's option unless and until cured or waived in writing by Lender and regardless of any prior forbearance by Lender, all Obligations shall, without presentment, demand, protest, or notice of any kind, all of which are hereby expressly waived, be forthwith automatically due and payable in full, and Lender may, immediately and without expiration of any period of grace, enforce payment of all Obligations and exercise any and all other remedies granted to it at law, in equity, or otherwise.

Section 9. Disclaimer for Negligence. Lender shall not be liable for any claims, demands, losses or damages made, claimed or suffered by Borrower, excepting such as may arise through or could be caused by Lender's gross negligence or willful misconduct, and specifically disclaiming any liability of Lender to Borrower arising or claimed to have arisen out of Lender's ordinary negligence.

Section 10. Limitation of Consequential Damage. Lender shall not be responsible for any lost profits of Borrower arising from any breach of contract, tort (excluding Lender's gross negligence or willful misconduct), or any other wrong arising from the establishment, administration or collection of the obligations evidenced hereby.

Section 11. Indemnification and Expenses. Borrower agrees to hold Lender harmless from and indemnify Lender against all liabilities, losses, damages, judgments, costs and expenses of any kind which may be imposed on, incurred by or asserted against

Lender (collectively, the "Costs") relating to or arising out of this Agreement, any other Loan Document, or any transaction contemplated hereby or thereby, or any amendment, supplement or modification of, or any waiver or consent under or in respect of, this Agreement, any other Loan Document, or any transaction contemplated hereby or thereby, that, in each case, results from anything other than Lender's gross negligence or willful misconduct. Borrower also agrees to reimburse Lender as and when billed by Lender for all Lender's reasonable costs and expenses incurred in connection with the enforcement or the preservation of Lender's rights under this Agreement, any other Loan Document, or any transaction contemplated hereby or thereby, including without limitation the reasonable fees and disbursements of its counsel. Borrower's obligations under this Section 11 shall survive repayment of the Loan.

Section 12. Miscellaneous.

A. Entire Agreement. The Loan Documents embody the entire agreement and understanding between the parties hereto and supersede all prior agreements and understandings relating to the subject matter hereof. No course of prior dealings between the parties, no usage of the trade, and no parole or extrinsic evidence of any nature, shall be used or be relevant to supplement, explain or modify any term used herein.

B. No Waiver. No failure to exercise and no delay in exercising any right, power, or remedy hereunder or under the Loan Documents shall impair any right, power, or remedy which Lender may have, nor shall any such delay be construed to be a waiver of any of such rights, powers, or remedies, or any acquiescence in any breach or default under the Loan Documents; nor shall any waiver of any breach or default of Borrower hereunder be deemed a waiver of any default or breach subsequently occurring. The rights and remedies specified in the Loan Documents are cumulative and not exclusive of each other or of any rights or remedies which Lender would otherwise have.

C. Survival. All representations, warranties and agreements herein contained on the part of Borrower shall survive the making of advances hereunder and all such representations, warranties and agreements shall be effective so long as the Obligations arising pursuant to the terms of this Agreement remain unpaid or for such longer periods as may be expressly stated therein.

D. Notices. All notices of any type hereunder shall be effective as against Borrower or Lender, as the case may be, upon the first to occur of (a) three (3) Business Days after deposit in a receptacle under the control of the United States Postal Service, (b) one (1) Business Day after being transmitted by electronic means to a receiver under the control of the receiving party, provided there is an electronic confirmation of receipt, or (c) actual receipt by an employee or agent of the receiving party. For the purposes hereof, the addresses are as follows:

DEBTOR:	with a copy to:
Stratus Properties Inc. 98 San Jacinto Boulevard, Suite 220 Austin, TX 78791 Attention: Mr. William H. Armstrong III Phone: (512) 478-5788 Fax: (512) 478-6340	Armbrust, Brown & Davis, L.L.P. 100 Congress Avenue, Suite 1300 Austin, TX 78701 Attention: Kenneth Jones, Esq. Phone: (512) 435-2312 Fax: (512) 435-2360
LENDER:	with a copy to:
3003 West Alabama Street Houston, Texas 77098	Leonard, Street and Deinard Suite 2300, 150 S. Fifth

Attention: Nancy Goodson	Street Minneapolis, Minnesota 55402 Attention: Andrew P. Lee
Phone: (713) 527-9646 Fax: (713) 521-7334	Phone: (612) 335-1881 Fax: (612) 335-1657

E. Separability of Provisions. In the event that any one or more of the provisions contained in this Agreement should be invalid, illegal or unenforceable in any respect, the validity, legality, and enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby.

F. Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of Borrower, Lender, and their respective successors and assigns, provided, however, that Borrower may not transfer its rights or obligations under any of the Loan Documents without the prior written consent of Lender which may be withheld in its sole and absolute discretion. Lender may assign its interest in the Loan Documents, in whole, or in part, without any consent from, or notice to, Borrower.

G. Counterparts. This Agreement may be executed in any number of counterparts all of which taken together shall constitute one agreement and any party hereto may execute this Agreement by signing any such Counterpart.

H. Choice of Law; Location of Loan. This Agreement shall be governed by and construed in accordance with the laws of the State of Minnesota. Lender and Borrower agree that the Loan will be negotiated, funded and closed in the State of Minnesota.

I. Amendment and Waiver. Neither this Agreement nor any provisions hereof may be changed, waived, discharged or terminated orally, but only by an instrument in writing signed by the party against whom enforcement of the change, waiver, discharge or termination is sought.

J. Plural. When permitted by the context, the singular includes the plural and vice versa.

K. Retention of Records. Lender shall retain any documents, schedules, invoices or other papers delivered by Borrower only for such period as Lender, at its sole discretion, may determine necessary.

L. Headings. Section and paragraph headings and numbers have been set forth for convenience only.

M. Information to Participants. Borrower agrees that Lender may furnish any financial or other information concerning Borrower or any of its Subsidiaries heretofore or hereafter provided by Borrower to Lender, pursuant to this Agreement or otherwise, to any prospective or actual purchaser of any participation or other interest in any of the loans made by Lender to Borrower (whether under this Agreement or otherwise), or to any prospective purchaser of any securities issued or to be issued by Lender; provided, however, any such delivery shall be delivered on the condition that such information is delivered on a confidential basis.

N. Acknowledgments. Borrower hereby acknowledges that: (i) it has been advised by counsel in the negotiation, execution and delivery of this Agreement and the other Loan Documents; (ii) Lender has no fiduciary relationship to Borrower, and the relationship between Borrower and Lender is solely that of debtor and creditor; and (iii) no joint venture exists between Lender and Borrower.

Section 13. Submission to Jurisdiction; Venue. To

induce Lender to enter into this Agreement, Borrower irrevocably agrees that, subject to Lender's sole discretion, all actions and proceedings in any way, manner or respect, arising out of, from or related to this Agreement or the other Loan Documents shall be litigated in courts having situs within the City of Minneapolis, State of Minnesota. Borrower hereby consents and submits to the jurisdiction of any local, state or federal court located within said City and State. Borrower hereby waives any right it may have to transfer or change the venue of any litigation brought against Borrower by Lender in accordance with this paragraph.

Section 14. Waiver Of Trial By Jury. In recognition of the higher costs and delay which may result from a jury trial, the parties hereto waive any right to trial by jury of any claim, demand, action or cause of action (1) arising hereunder or any other instrument, document or agreement executed or delivered in connection herewith, or (2) in any way connected with or related or incidental to the dealings of the parties hereto or any of them with respect hereto or any other instrument, document or agreement executed or delivered in connection herewith, or the transactions related hereto or thereto, in each case whether now existing or hereafter arising, and whether sounding in contract or tort or otherwise; and each party hereby agrees and consents that any such claim, demand, action or cause of action shall be decided by court trial without a jury, and that any party hereto may file an original counterpart or a copy of this section with any court as written evidence of the consent of the parties hereto to the waiver of their right to trial by jury.

Section 14. Liability of Officers, Directors, Shareholders. Notwithstanding anything contained herein or in the other Loan Documents, or any conduct or course of conduct by the parties hereto, before or after signing the Loan Documents, this Agreement shall not be construed as creating any rights, claims or causes of action against any partner of Borrower or any officers, directors, or shareholders of Borrower.

[This space was intentionally left blank.]

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

BORROWER:

STRATUS PROPERTIES INC., a Delaware corporation

By: /s/ William H. Armstrong III

Name: William H. Armstrong, III

Its: President

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

LENDER:

HOLLIDAY FENOGLIO FOWLER L.P., a Texas limited partnership, by HFF-GP, Inc., a Delaware corporation, its general partner

By:

Name:

Its:

SCHEDULE 1 TO LOAN AGREEMENT

CERTAIN DEFINITIONS

"Accounting Period" means each calendar quarter during the term of the Loan, commencing on July 1, 2000.

"Agreement" means the Loan Agreement to which this Schedule 1 is attached to and made a part of.

"Auditors" means Borrower's independent certified public accountants, which shall be of nationally recognized standing and otherwise reasonably acceptable to Lender.

"Borrower" has the meaning provided in the introductory paragraph of the Agreement.

"Borrower's Officer's Compliance Certificate" means a certificate made by a duly authorized officer of Borrower and addressed to Lender, in the form attached hereto as Exhibit B.

"Business Day" means any day excluding Saturday or Sunday and excluding any day on which national banking associations are closed for business.

"Cash Collateral Account" means a blocked deposit account held by Lender in which funds are deposited by Borrower, which funds are pledged as collateral for the Loan pursuant to an agreement satisfactory to Lender in form and substance.

"Cash Collateral Factor" means at any time the ratio of (1) the balance in the Cash Collateral Account to (2) the principal balance of the Loan.

"Comerica Debt" means the Indebtedness incurred by Borrower from time to time pursuant to the Comerica Loan Agreement.

"Comerica Loan Agreement" means that certain Loan Agreement dated as of December 16, 1999, among Borrower and certain Affiliates of Borrower and Comerica Bank-Texas, as amended by Amendment to Loan Agreement dated December 27, 2000.

"Controlled Group" means a "controlled group of corporations" as defined in Section 1563(a) (4) of the Internal Revenue Code of 1954, as amended, determined without regard to Section 1563(a) and (e) (3) (c) of such Code, of which Borrower is a part.

"Costs" has the meaning contained in Section 11.

"Debt Service" means, with respect to a specified period, scheduled payments of principal and interest with respect to the respective Indebtedness.

"Debt Service Coverage Ratio" means for any period of time the ratio of (1) the sum of the Borrower's net income during that period plus interest, depreciation, amortization and income tax expense during that period to (2) Debt Service on all of Borrower's Indebtedness.

"Events of Default" has the meaning contained in Section 8 of the Agreement.

"GAAP" shall mean generally accepted accounting principles as in effect from time to time in the United States.

"Indebtedness" of any Person means all items of indebtedness which, in accordance with GAAP, would be deemed a liability of such Person as of the date as of which indebtedness is to be determined and shall also include, without duplication, all indebtedness and liabilities of others assumed or guaranteed by such Person or in respect of which such Person is secondarily or contingently liable (other than by endorsement of instruments in the course of collection) that would otherwise be deemed to be liabilities under GAAP, whether by reason of any agreement to acquire such indebtedness, to supply or advance sums, or otherwise.

"Lender" has the meaning provided in the introductory paragraph of the Agreement.

"Lending Office" shall refer to Lender's office described in Section 12.D of the Agreement.

"Loan" has the meaning contained in Subsection 2.A. of the Agreement.

"Loan Documents" means the Agreement, the Note, and any riders, supplements and amendments thereto, mortgages, security agreements, assignments, pledges, subordination agreements or guaranties delivered in connection with the Agreement and all other documents or instruments heretofore, now or hereafter executed, pursuant to the Agreement, or any of the aforesaid.

"Material Adverse Effect" means with respect to any event or circumstance, a material adverse effect on:

(i) the ability of Borrower to perform its obligations under the Agreement, the Note, or any other Loan Document; or

(ii) the validity, enforceability or collectibility of the Note, the Agreement or any other Loan Document.

"Maturity Date" means January 1, 2006.

"Note" means the Promissory Note dated as of the date of the Agreement made by Borrower to Lender pursuant to Subsection 2.B. of the Agreement in the form attached hereto as Exhibit A, together with any replacements, modifications, amendments, renewals and extensions thereof.

"Obligations" means and includes all amounts owing by Borrower to Lender under the Note and the other Loan Documents, together with any and all loans, advances, debts, liabilities, obligations, letters of credit, or acceptance transactions, trust receipt transactions, or any other financial accommodations, owing by Borrower to Lender of every kind and description (whether or not evidenced by any note or other instrument and whether or not for the payment of money), direct or indirect, absolute or contingent, due or to become due, now existing or arising hereafter with respect to the Note and the other Loan Documents, including, without limitation, all interest, fees, charges, expenses, attorneys' fees, and accountants' fees chargeable to Borrower and incurred by Lender in connection the Loan.

"Permitted Debt" means (i) the Loan, (ii) the Comerica Debt, (iii) any other Indebtedness of Borrower for fair value received that is secured by assets owned by Borrower having an appraised value equal to or greater than the indebtedness secured thereby (and which assets do not secure other indebtedness), (iv) debt outstanding as of the date of the Loan Agreement, (v) unsecured trade, utility or non-extraordinary accounts payable in the ordinary course of business and other unsecured debt of Borrower at any one time not to exceed $500,000.00, and (vi) guaranties of Borrower guaranteeing project development and/or construction costs and related costs, provided that Borrower has a direct or indirect interest in such projects and that the aggregate amount, at any one time, of such guaranties does not

exceed the sum of $15,000,000.00.

"Person" means any individual, entity, government, governmental agency or any other entity and whether acting in an individual, fiduciary or other capacity.

"Plan" means any employee pension benefit plan subject to Title IV of ERISA and maintained by Borrower or any member of a Controlled Group or any such plan to which Borrower or any member of a Controlled Group is required to contribute on behalf of any of its employees.

"Property" shall mean any and all right, title and interest of a specified Person in and to any and all property, whether real or personal, tangible or intangible, and wherever situated.

"Secured Indebtedness" means any Indebtedness that is subject to any security interest or lien securing the payment of money.

"Statement Dates" means the dates of the financial statements delivered to Lender pursuant to Section 4.A(3) of the Agreement.

"Subsidiary" means (i) any entity of which more than fifty percent (50%) of the outstanding having ordinary voting power (irrespective of whether or not at the time class or classes of shall have or might have voting power by reason of the happening of any contingency) is at the time directly or indirectly owned by Borrower and/or any Subsidiary, (ii) any limited liability company or similar entity of which more than fifty percent (50%) of the member interests of such limited liability company are directly or indirectly owned by Borrower and/or any Subsidiary, and (iii) any partnership of which more than fifty percent (50%) of the limited partner interests of such limited partnership or any of the general partner interests of such limited partnership are directly or indirectly owned by Borrower and/or any Subsidiary.

Exhibit 21.1

List of Subsidiaries of
STRATUS PROPERTIES INC.

Entity	Organized	Name Under Which It Does Business
Stratus Properties Operating Co. L.P.	Delaware	Same
Circle C Land Corp.	Texas	Same

Exhibit 23.1

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation of our reports included in this Form 10-K, into Stratus Properties Inc.'s previously filed Registration Statements on Forms S-8 (File Nos. 33-78798, 333-31059 and 333-52995).

/s/ Arthur Andersen LLP

Austin, Texas
March 28, 2001

Exhibit 24.1

Stratus Properties Inc.

Secretary's Certificate

I, Douglas N. Currault II, Assistant Secretary of Stratus Properties Inc. (the "Corporation"), a corporation organized and existing under the laws of the State of Delaware, do hereby certify that the following resolution was duly adopted by the Board of Directors of the Corporation at a meeting held on February 10, 1993, and that such resolution has not been amended, modified or rescinded and is in full force and effect:

> RESOLVED, That any report, registration statement or other form filed on behalf of this corporation pursuant to the Securities Exchange Act of 1934, or any amendment to any such report, registration statement or other form, may be signed on behalf of any director or officer of this corporation pursuant to a power of attorney executed by such director or officer.

IN WITNESS WHEREOF, I have hereunto signed my name and affixed the seal of the Corporation on this 28th day of March, 2001.

/s/ Douglas N. Currault II

Douglas N. Currault II
Assistant Secretary

Seal

Exhibit 24.2

POWER OF ATTORNEY

BE IT KNOWN: That the undersigned, in his capacity or capacities as an officer and/or a member of the Board of Directors of Stratus Properties Inc., a Delaware corporation (the "Company"), does hereby make, constitute and appoint WILLIAM H. ARMSTRONG III and KENNETH N. JONES, and each of them acting individually, his true and lawful attorney-in-fact with power to act without the others and with full power of substitution, to execute, deliver and file, for and on behalf of him, in his name and in his capacity or capacities as aforesaid, an Annual Report of the Company on Form 10-K for the year ended December 31, 2000, and any amendment or amendments thereto and any other document in support thereof or supplemental thereto, and the undersigned hereby grants to said attorneys, and each of them, full power and authority to do and perform each and every act and thing whatsoever that said attorney or attorneys may deem necessary or advisable to carry out fully the intent of the foregoing as the undersigned might or could do personally or in the capacity or capacities as aforesaid, hereby ratifying and confirming all acts and things which said attorney or attorneys may do or cause to be done by virtue of this Power of Attorney.

EXECUTED this 7th day of February, 2001.

/s/ Robert L. Adair III
Robert L. Adair III

POWER OF ATTORNEY

BE IT KNOWN: That the undersigned, in his capacity or capacities as an officer and/or a member of the Board of Directors of Stratus Properties Inc., a Delaware corporation (the "Company"), does hereby make, constitute and appoint KENNETH N. JONES, his true and lawful attorney-in-fact with full power of substitution, to execute, deliver and file, for and on behalf of him, in his name and in his capacity or capacities as aforesaid, an Annual Report of the Company on Form 10-K for the year ended December 31, 2000, and any amendment or amendments thereto and any other document in support thereof or supplemental thereto, and the undersigned hereby grants to said attorney, full power and authority to do and perform each and every act and thing whatsoever that said attorney may deem necessary or advisable to carry out fully the intent of the foregoing as the undersigned might or could do personally or in the capacity or capacities as aforesaid, hereby ratifying and confirming all acts and things which said attorney may do or cause to be done by virtue of this Power of Attorney.

EXECUTED this 7th day of February, 2001.

/s/ William H. Armstrong III
William H. Armstrong III

POWER OF ATTORNEY

BE IT KNOWN: That the undersigned, in his capacity or capacities as an officer and/or a member of the Board of Directors of Stratus Properties Inc., a Delaware corporation (the "Company"), does hereby make, constitute and appoint WILLIAM H. ARMSTRONG III and KENNETH N. JONES, and each of them acting individually, his true and lawful attorney-in-fact with power to

act without the others and with full power of substitution, to execute, deliver and file, for and on behalf of him, in his name and in his capacity or capacities as aforesaid, an Annual Report of the Company on Form 10-K for the year ended December 31, 2000, and any amendment or amendments thereto and any other document in support thereof or supplemental thereto, and the undersigned hereby grants to said attorneys, and each of them, full power and authority to do and perform each and every act and thing whatsoever that said attorney or attorneys may deem necessary or advisable to carry out fully the intent of the foregoing as the undersigned might or could do personally or in the capacity or capacities as aforesaid, hereby ratifying and confirming all acts and things which said attorney or attorneys may do or cause to be done by virtue of this Power of Attorney.

EXECUTED this 7th day of February, 2001.

/s/ James C. Leslie
James C. Leslie

POWER OF ATTORNEY

BE IT KNOWN: That the undersigned, in his capacity or capacities as an officer and/or a member of the Board of Directors of Stratus Properties Inc., a Delaware corporation (the "Company"), does hereby make, constitute and appoint WILLIAM H. ARMSTRONG III and KENNETH N. JONES, and each of them acting individually, his true and lawful attorney-in-fact with power to act without the others and with full power of substitution, to execute, deliver and file, for and on behalf of him, in his name and in his capacity or capacities as aforesaid, an Annual Report of the Company on Form 10-K for the year ended December 31, 2000, and any amendment or amendments thereto and any other document in support thereof or supplemental thereto, and the undersigned hereby grants to said attorneys, and each of them, full power and authority to do and perform each and every act and thing whatsoever that said attorney or attorneys may deem necessary or advisable to carry out fully the intent of the foregoing as the undersigned might or could do personally or in the capacity or capacities as aforesaid, hereby ratifying and confirming all acts and things which said attorney or attorneys may do or cause to be done by virtue of this Power of Attorney.

EXECUTED this 13th day of February, 2001.

/s/ Michael D. Madden
Michael D. Madden

POWER OF ATTORNEY

BE IT KNOWN: That the undersigned, in his capacity or capacities as an officer and/or a member of the Board of Directors of Stratus Properties Inc., a Delaware corporation (the "Company"), does hereby make, constitute and appoint WILLIAM H. ARMSTRONG III and KENNETH N. JONES, and each of them acting individually, his true and lawful attorney-in-fact with power to act without the others and with full power of substitution, to execute, deliver and file, for and on behalf of him, in his name and in his capacity or capacities as aforesaid, an Annual Report of the Company on Form 10-K for the year ended December 31, 2000, and any amendment or amendments thereto and any other document in support thereof or supplemental thereto, and the undersigned

hereby grants to said attorneys, and each of them, full power and authority to do and perform each and every act and thing whatsoever that said attorney or attorneys may deem necessary or advisable to carry out fully the intent of the foregoing as the undersigned might or could do personally or in the capacity or capacities as aforesaid, hereby ratifying and confirming all acts and things which said attorney or attorneys may do or cause to be done by virtue of this Power of Attorney.

EXECUTED this 7th day of February, 2001.

/s/ C. Donald Whitmire, Jr.
C. Donald Whitmire, Jr.