

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 OR 15(d) of The Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): December 13, 2013

S T R A T U S ®

Stratus Properties Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation)

0-19989
(Commission File
Number)

72-1211572
(I.R.S. Employer
Identification Number)

212 Lavaca St., Suite 300
Austin, Texas
(Address of principal executive offices)

78701
(Zip Code)

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

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 1.01. Entry into a Material Definitive Agreement.

On December 13, 2013, Tract 107, L.L.C. (Tract 107), a joint venture between Stratus Properties Inc. (Stratus) and Moffett Holdings, LLC, entered into (1) a Fifth Modification and Extension Agreement, effective as of December 12, 2013, with Comerica Bank (Comerica), as lender, and Stratus, as guarantor (the Loan Modification Agreement), which amended that certain Construction Loan Agreement by and between Tract 107 and Comerica dated as of May 17, 2011 (the Loan Agreement) and (2) an Amended and Restated Promissory Note with Comerica, effective as of December 12, 2013, secured by the assets at Parkside Village, which replaced that certain Promissory Note by and between Tract 107 and Comerica dated as of May 17, 2011. Stratus has provided a limited guaranty under the Loan Agreement.

The Loan Modification Agreement extended the maturity date by seven years, from December 31, 2013 to December 31, 2020, increased the principal amount available under the Loan Agreement by approximately \$8.67 million to a total principal amount of approximately \$19.67 million, replaced the debt coverage provision by providing for a minimum debt yield, as defined in the Loan Agreement, of 9.1%, and amended certain other provisions of the Loan Agreement. Pursuant to the Loan Modification Agreement, Tract 107 received an advance of approximately \$7.47 million. Currently, the aggregate principal balance outstanding under the Loan Agreement is \$17.67 million. Advances of the approximately \$2 million of principal that remains available are expected to be made to fund remaining construction activities at Parkside Village.

The foregoing summary of the Loan Modification Agreement and the Amended and Restated Promissory Note does not purport to be complete and is subject to, and qualified in its entirety by, reference to the full text of the Loan Modification Agreement and the Amended and Restated Promissory Note, which are filed as Exhibits 10.1 and 10.2 hereto and incorporated herein by reference.

Item 2.03. Creation of a Direct Financial Obligation or an Obligation under an Off-Balance Sheet Arrangement of the Registrant.

See Item 1.01 which is incorporated herein by reference.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits.

The Exhibits included as part of this Current Report are listed in the attached Exhibit Index.

SIGNATURE

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

Stratus Properties Inc.

By: /s/ Erin D. Pickens

Erin D. Pickens
Senior Vice President and
Chief Financial Officer
(authorized signatory and
Principal Financial Officer)

Date: December 18, 2013

Stratus Properties Inc.
Exhibit Index

Exhibit
Number

- [10.1](#) Fifth Modification and Extension Agreement by and among Tract 107, L.L.C., Stratus Properties Inc. and Comerica Bank effective as of December 12, 2013.
- [10.2](#) Amended and Restated Promissory Note by and between Tract 107, L.L.C. and Comerica Bank effective as of December 12, 2013.

After Recording Return to:
Thompson & Knight LLP
1722 Routh Street, Suite 1500
Dallas, Texas 75201
Attention: Mark M. Sloan

FIFTH MODIFICATION AND EXTENSION AGREEMENT

This FIFTH MODIFICATION AND EXTENSION AGREEMENT (this "**Agreement**") is executed on the date of acknowledgment below but is dated effective as of December 12, 2013 (the "**Effective Date**") by and among **TRACT 107, L.L.C.**, a Texas limited liability company ("**Borrower**"), **STRATUS PROPERTIES, INC.**, a Delaware corporation ("**Guarantor**"), and together with Borrower herein sometimes collectively referred to as the "**Loan Parties**" or "**Loan Party**", as the context may require) and **COMERICA BANK** ("**Lender**");

WITNESSETH:

WHEREAS, the following documents have previously been executed and delivered by Borrower to Lender relating to a loan (the "**Original Loan**"), *inter alia*,

1. that certain Promissory Note dated as of May 17, 2011, payable to the order of Lender in the original principal sum of \$13,664,456.00, with interest and principal payable as therein provided (as amended by the Modification Agreements [as hereinafter defined], the "**Original Note**");
2. that certain Construction Loan Agreement dated of even date with the Original Note between Borrower and Lender (as amended by the Modification Agreements, the "**Loan Agreement**"); and
3. that certain Deed of Trust, Security Agreement and Fixture Filing dated of even date with the Original Note from Borrower to David J. Neumeyer, Trustee, securing the payment of, *inter alia*, the Original Note, covering certain real and personal property described therein (the "**Mortgaged Property**"), recorded under Clerk's File No. 2011080017 of the Real Property Records of Travis County, Texas (as modified by the Modification Agreements, the "**Deed of Trust**").
4. that certain Assignment of Leases dated of even date with the Original Note from Borrower to Lender, securing the payment of, *inter alia*, the Original Note, , recorded under Clerk's File No. 2011080018 of the Real Property Records of Travis County, Texas (the "**Assignment of Leases**").

The instruments described above and all other documents evidencing, securing or otherwise executed in connection with the Original Loan, including the Original

Guaranty described below, and the Modification Agreements, being herein collectively called the “**Original Loan Documents**”;

WHEREAS, Stratus Properties, Inc., a Delaware corporation, has guaranteed certain obligations of Borrower pursuant to that certain Guaranty (the “**Original Guaranty**”);

WHEREAS, Borrower and Lender entered into that certain Modification Agreement dated December 31, 2012, recorded under Clerk’s File No. 2013018037 of the Real Property Records of Travis County, Texas (the “**First Modification**”);

WHEREAS, Borrower and Lender entered into that certain Modification and Extension Agreement dated May 31, 2013, recorded under Clerk’s File No. 2013099527 of the Real Property Records of Travis County, Texas (the “**Second Modification**”), pursuant to which the amount of the Original Loan was reduced to \$11,000,000;

WHEREAS, Borrower and Lender entered into that certain Third Modification and Extension Agreement dated August 31, 2013, recorded under Clerk’s File No. 2013171559 of the Real Property Records of Travis County, Texas (the “**Third Modification**”);

WHEREAS, Borrower and Lender entered into that certain Fourth Modification and Extension Agreement dated October 31, 2013, recorded under Clerk’s File No. 2013202987 of the Real Property Records of Travis County, Texas (the “**Fourth Modification**”, together with the First Modification, Second Modification and Third Modification, herein collectively referred to as the “**Modification Agreements**”);

WHEREAS, Borrower has requested that Lender (i) increase the committed amount of the Original Loan by \$8,672,500.00 (the “**Loan Increase**”) for a total loan amount of \$19,672,500.00, (ii) extend the maturity date of the Loan and (iii) make certain other amendments and modifications to the Original Loan Documents, and Lender is willing to do so on the terms and conditions hereinafter set forth;

WHEREAS, contemporaneously herewith Borrower has executed and delivered to Lender that certain Amended and Restated Promissory Note (the “**Amended and Restated Note**”) in the stated principal amount of Nineteen Million Six Hundred Seventy-Two Thousand Five Hundred and No/100 Dollars (\$19,672,500.00), in substitution of the Original Note;

WHEREAS, contemporaneously herewith Stratus Properties Inc. a Delaware corporation, has executed and delivered to Lender that certain Amended and Restated Guaranty (the “**Amended and Restated Guaranty**”), as a complete amendment, restatement and substitution of the Original Guaranty;

WHEREAS, Lender is the owner and holder of the Original Note and the Amended and Restated Note and Borrower is the owner of the legal and equitable title to the Mortgaged Property;

NOW, THEREFORE, for and in consideration of the mutual covenants contained herein and for other valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. **Defined Terms.** Capitalized terms used but not defined in this Agreement shall have the meaning given to such capitalized terms in the Loan Agreement. The instruments described above, including this Agreement, the Amended and Restated Note and the Amended and Restated Guaranty, constitute "**Loan Documents**", as such term is defined in the Loan Agreement.

2. **Substitution of Promissory Note.** Lender acknowledges receipt of the Amended and Restated Note and confirms that the Amended and Restated Note is in substitution for (and not in addition to), the Original Note, and amends and restates the Original Note in its entirety. From and after the date hereof, all references in the Loan Documents to the "Note" shall mean the Amended and Restated Note and all references to the "Loan" or the "Loan Amount" (or which otherwise reference the principal amount of the Loan) contained in the Loan Documents are hereby amended to reflect a loan in the principal amount of Nineteen Million Six Hundred Seventy-Two Thousand Five Hundred and No/100 Dollars (\$19,672,500.00).

3. **Extension of Maturity Date.** Borrower and Lender acknowledge and agree that the term of Original Note was extended by the Amended and Restated Note to December 31, 2020 (the "**Maturity Date**"). The liens, security interests, assignments and other rights evidenced by the Deed of Trust and other Loan Documents are hereby renewed and extended to secure payment of the Note as extended by the Amended and Restated Note. The definition of "**Maturity Date**" and all references to the maturity of the Loan which appear in the Loan Documents shall hereafter mean and refer to December 31, 2020. Notwithstanding any provisions contained in the Loan Documents to the contrary, Borrower acknowledges and agrees that (i) Section 2.9 of the Loan Agreement and all references to the "Loan Extension" in the Loan Agreement are hereby deleted in their entirety and of no further force and effect, and (ii) Borrower has no further right to extend the maturity of the Loan.

4. **Loan Increase.** Effective as of the Effective Date, the total committed amount of the Loan is increased by the amount of the Loan Increase to the stated principal sum of \$19,672,500.00. Contemporaneously with the execution of this Agreement and the closing of the transaction evidenced hereby, Lender will make an additional, special Advance to Borrower in the amount of \$7,465,018 (the "**Special Advance**"), and Lender and Borrower each hereby acknowledge and agree that the unpaid balance of the Amended and Restated Note as of the date hereof, after giving effect to the Special Advance, is \$17,672,499.54, with interest paid up to and including December 4, 2013. The Special Advance is not required to be reflected in the Budget and is not subject to compliance with the requirements for an Advance under the Loan Agreement except for the items listed in Section 3.1 (a), (b), (c), and (i) (1 – 6), execution and delivery of the Amended and Restated Note and Amended and Restated Guaranty, and payment of the Loan Fee. Subject to the satisfaction of the requirements in the foregoing sentence, Lender will fund the Special Advance contemporaneously with the full execution and delivery of this Agreement.

5. **Loan Fee.** As consideration for the Loan Increase, contemporaneously with the execution and delivery of this Agreement and as a condition to its effectiveness, Borrower shall pay to Lender a loan fee (the "**Loan Fee**") in the amount of \$245,906.25, which Loan Fee shall be due and payable contemporaneously with the execution of this Agreement.

6. **Holdback.** \$2,000,000.46 of principal of the Loan shall be withheld by Lender (the “**Holdback**”), and shall be available as Advances to be disbursed to Borrower to pay for (i) construction costs incurred by Borrower in connection with the construction of the following: (A) an approximately 8,043 square foot building (“**Building D**”) and (B) an approximately 4,500 square foot building (“**Building G**”, together with Building D, herein collectively called the “**Additional Improvements**”), which Additional Improvements are to be constructed on the Mortgaged Property, (ii) the cost of tenant finish improvements or tenant finish allowances payable in connection with Tenant Leases covering any of the Additional Improvements and (iii) the payment of leasing commissions incurred and payable with respect to Tenant Leases of the Additional Improvements. Such Holdback shall be disbursed to Borrower in accordance with the terms and conditions to funding Advances set forth in the Loan Agreement. With regard to the Holdback and the construction of the Additional Improvements, the Loan Agreement is hereby modified as follows:

- (i) The term “Budget” with regard to Building D and Building G and for purposes of Debt Yield means the Budget attached hereto as Exhibit “B”.
- (ii) The term “Commencement Date” with regard to Building D and Building G means April 30, 2014.
- (iii) The term “Completion Date” with regard to Building D and Building G means August 30, 2014.
- (iv) The “Site Plan” is the site plan for the improvements as depicted on the site plan on Exhibit A-1 attached hereto and incorporated herein by this reference, and which reflects the location of Buildings A, B, C, D, E, F, and G constructed or to be constructed on the Land. Exhibit A-1 attached hereto replaces Exhibit A-1 that was originally attached to the Loan Agreement.

7. **Building D.** Notwithstanding anything to the contrary contained herein or in the other Loan Documents, Lender acknowledges and agrees that (i) Borrower and North By Northwest Parkside LLC, a Texas limited liability company, (“**NXNW**”) entered into a Standard Commercial Shopping Center Lease dated July 9, 2012 covering the entire Building D, which was amended by First Amendment to Lease Agreement dated effective July 25, 2013 and by Second Amendment to Lease Agreement dated effective September 13, 2013 (as amended, the “**NXNW Lease**”). Borrower contemplates entering into a Third Amendment to Lease Agreement (“**NXNW Third Amendment**”), and pursuant to such NXNW Third Amendment, Tenant will be responsible for the construction of Building D, as well as the tenant finish improvements for the premises, and Tenant will be entitled to an Allowance (as will be defined in the NXNW Third Amendment and as reflected in the Budget) for reimbursement of costs incurred by NXNW for the construction of Building D and the tenant finish improvements therein. Upon (i) execution of the NXNW Third Amendment in form and substance reasonably acceptable to Lender and (ii) request by Borrower, Lender agrees to make Advances to Borrower to pay installments of the Allowance to NXNW as provided in the NXNW Third Amendment, as approved by Lender, so long as Borrower or NXNW satisfy the requirements for an Advance (other than an assignment of Tenant’s construction contract for such work). Lender also acknowledges that Borrower will make a limited assignment of Plans and Specifications for Building D and the Design Services Contract to NXNW to the extent required for NXNW to use

the Plans and Specifications and construction phase services of Design Professional in the construction of Building D.

8. **Construction Due Diligence.** Prior to the Commencement Date with regard to Building D and Building G, Borrower shall provide Lender with any contracts entered into by Borrower for the construction of Building D and Building G. Borrower shall use its best efforts to obtain (i) an assignment of rights and subordination agreement with regard to the contracts entered into by Borrower, including, but not limited to, the construction contract and architect's contract, as amended, in a form reasonably approved by Lender, and (ii) any other documentation reasonably requested by Lender. Lender hereby acknowledges that upon the execution of the NXNW Third Amendment the tenant under the NXNW Lease may be obligated to construct Building D. If such tenant becomes obligated to construct Building D, Lender hereby acknowledges that such construction contract will not be assigned to Lender.

9. **Modification of Deed of Trust.** From and after the Effective Date, the Deed of Trust is hereby amended as follows:

(a) The term "Indebtedness" in Section 1.1 of the Deed of Trust is hereby amended and restated in its entirety to read as follows:

"**Indebtedness:** (i) The principal of, interest on, or other sums evidenced by the Note or the Loan Documents; (ii) any other amounts, payments, or premiums payable under the Loan Documents; (iii) such additional sums, with interest thereon, as may hereafter be borrowed from Beneficiary, its successors or assigns, by the then record owner of the Mortgaged Property, when evidenced by a promissory note which, by its terms, is secured hereby (it being contemplated by Grantor and Beneficiary that such future indebtedness may be incurred); (iv) payment of and performance of any and all present or future obligations of Grantor according to the terms of any present or future interest or hedge agreement, currency rate swap, rate cap, rate floor, rate collar, exchange transaction, forward rate agreement, or other exchange or rate protection agreements or any option with respect to any such transaction now existing or hereafter entered into between Grantor and Beneficiary (or any one or more affiliates of Beneficiary) (any of the foregoing herein called a "**Hedging Agreement**"); and (v) any and all other indebtedness, obligations, and liabilities of any kind or character of the Grantor to Beneficiary, now or hereafter existing, absolute or contingent, due or not due, arising by operation of law or otherwise, or direct or indirect, primary or secondary, joint, several, joint and several, fixed or contingent, secured or unsecured by additional or different security or securities, including indebtedness, obligations, and liabilities to Beneficiary of the Grantor as a member of any partnership, corporation, limited liability company, joint venture, trust or other type of business association, or other group, and whether incurred by Grantor as principal, surety, endorser, guarantor, accommodation party or otherwise, it being contemplated by Grantor and Beneficiary that Grantor may hereafter become indebted to Beneficiary in further sum or sums. Notwithstanding the foregoing provisions of this definition, this Deed of Trust shall not secure any such other loan, advance, debt, obligation or liability with respect to which Beneficiary is by applicable law prohibited from obtaining a lien

on real estate, nor shall this definition operate or be effective to constitute or require any assumption or payment by any person, in any way, of any debt or obligation of any other person to the extent that the same would violate or exceed the limit provided in any applicable usury or other law.”

(b) The term “Note” in Section 1.1 of the Deed of Trust is hereby amended and restated in its entirety to read as follows:

“Note: That certain Amended and Restated Promissory Note dated as of December 12, 2013, and incorporated herein by this reference, executed by Grantor, as the maker therein, and payable to the order of Beneficiary, as the payee therein, in the principal amount of NINETEEN MILLION SIX HUNDRED SEVENTY-TWO THOUSAND FIVE HUNDRED AND NO/100 DOLLARS (\$19,672,500.00), and any and all renewals, modifications, rearrangements, reinstatements, enlargements, or extensions of such promissory note or of any promissory note or notes given in renewal, substitution or replacement therefor.”

10. **Debt Yield.** From and after the Effective Date, Section 5.20 of the Loan Agreement is hereby amended as follows:

(a) The first paragraph of Section 5.20 (the beginning paragraph prior to subparagraph (a)) is hereby amended and restated in its entirety to read as follows:

“5.20 Debt Yield. If, at any time after December 31, 2014, the Debt Yield (hereinafter defined) is less than 9.1% for two (2) consecutive Calendar Periods (hereinafter defined), then such failure shall constitute an Event of Default; however, such Event of Default may be cured by Borrower by making a prepayment of the outstanding principal of the Note in an amount equal to the Curative Amount (hereinafter defined), as hereinafter set forth.”

(b) Section 5.20(a) is hereby amended and restated in its entirety to read as follows:

“(a) Calculation. The Debt Yield calculation shall be undertaken for each three (3) month calendar period (the “**Calendar Period**”). The term “**Debt Yield**” means the ratio, expressed as a percentage, of (i) the Net Operating Income (hereinafter defined) for the applicable Calendar Period and annualized, to (ii) the Commitment Amount (hereinafter defined) as of the date of such calculation, and the term “**Commitment Amount**” means the stated principal amount of the Loan (\$19,672,500), reduced by any principal payments made by Borrower after December 1, 2013. Borrower shall provide written evidence and documents to Lender indicating the calculations and backup information for the Debt Yield for each Calendar Period within forty-five (45) days after the expiration of each such Calendar Period. Lender shall be entitled to request and require such backup documentation, including but not limited to certified financial information, as may be reasonably required by Lender in order to satisfy itself as to the correct calculation of the Debt Yield for any Calendar Period.”

- (c) Section 5.20(b) is hereby deleted in its entirety.
- (d) Section 5.20(c) is hereby amended as follows:
- (i) All references in Section 5.20(c) to “on a cash basis” or “on a cash basis of accounting” is hereby amended to be “in accordance with Generally Accepted Accounting Principles.”
- (ii) Item (v) of Section 5.20(c)(1) is hereby deleted in its entirety.
- (ii) The first paragraph of Section 5.20(c)(2) is hereby amended to read in its entirety as follows:
- (2) Operating Expenses. The term “**Operating Expenses**” shall mean those amounts actually incurred and paid with respect to the ownership, operation, management, leasing and occupancy of the Mortgaged Property, determined in accordance with Generally Accepted Accounting Principles, except as otherwise specified herein, including, but not limited to any and all of the following (but without duplication of any item):
- (ii) Item (vi) of Section 5.20(c)(2) is hereby amended to replace “four percent (4%)” with “two and seven tenths percent (2.7%).”
- (e) Sections 5.20(d) and 5.20(e) are hereby amended and restated in their entirety to read as follows:
- “(d) Curative Amount. In the event the Debt Yield is less than 9.1% for two (2) consecutive Calendar Periods, and unless Borrower otherwise elects to pledge Additional Collateral as provided in Section 5.20(e) below, then, within fifteen (15) days after written notice from Lender to Borrower, Borrower shall prepay a portion of the outstanding principal of the Note in the amount necessary (the “**Curative Amount**”) such that a minimum Debt Yield of 9.1% or more is created based on (1) the actual Net Operating Income for the immediately preceding Calendar Period (and annualized) and (2) the Commitment Amount then outstanding as of the end of such Calendar Period, after giving effect to the Curative Amount. Failure of Borrower to timely fund any required Curative Amount shall be deemed an “**Event of Default**” pursuant to this Agreement in addition to any other “Events of Default” specified herein.
- (e) Pledge of Liquid Collateral. As an alternative to payment of the Curative Amount, Borrower shall be entitled, in the event the Debt Yield for any Calendar Period should be determined to be less than 9.1%, to pledge additional collateral to secure the Loan. The collateral to be so pledged to Lender must be in the form of cash, certificates of deposit, letters of credit, stocks, bonds or other

highly liquid investments acceptable in all respects to Lender in its sole and absolute discretion (for purposes of this Agreement, the term “**Additional Collateral**” shall mean and refer to such additional collateral as shall be approved by Lender and pledged pursuant to this Section 5.20[e]). The amount or value of the Additional Collateral required to be pledged shall be a function of the liquidation value of such collateral, as determined by Lender in its reasonable discretion, and shall be such amount properly margined (i.e., the liquidation value) as would, if subtracted from the total amount of indebtedness evidenced and represented by the Note at such time, result in a Debt Yield (calculated as provided above) equal to 9.1%. In connection with such pledge of Additional Collateral, and not later than fifteen (15) days after written notice from Lender to Borrower of Borrower’s obligation to either pay the Curative Amount or to pledge the Additional Collateral, and provided that Borrower has not instead paid the Curative Amount required at that time pursuant to Section 5.20(d) above, Borrower shall execute and deliver to Lender all pledge and security agreements, financing statements and other instruments, certificates and agreements as Lender shall reasonably require, and shall deliver to Lender the Additional Collateral or such instruments, certificates, acknowledgments, stock powers, authorizations, powers of attorney, consents and any and all other documentation, as executed by all appropriate parties as may be necessary to effectuate the collateral pledge and assignment of such collateral to Lender, as Lender and its counsel shall reasonably deem necessary or appropriate. If, after Borrower’s provision of Additional Collateral, the Debt Yield should improve so as to be 9.1% or more for any Calendar Period (without taking into account the Additional Collateral), and provided no Event of Default is then existing, then Borrower shall be entitled to a release of the Additional Collateral. Borrower shall thereafter be required to either pay to Lender the Curative Amount or repledge Additional Collateral to the extent the required Debt Coverage Ratio should fail to be met during any subsequent Calendar Period and shall likewise be entitled to a re-release of any such subsequently pledged Additional Collateral consistent with the immediately preceding sentence.”

11. **Hedging Agreement.** In addition to the Events of Default set forth in the Loan Agreement, Borrower agrees that any default or event of default by Borrower under any Hedging Agreement (as defined in the Deed of Trust), after the expiration of any applicable grace or cure period, shall constitute an Event of Default under the Loan Agreement and each of the other Loan Documents.

12. **Representations and Warranties.** Borrower hereby represents and warrants that (a) Borrower is the sole legal and beneficial owner of the Mortgaged Property; (b) the Loan Documents to which Borrower is a party and this Agreement constitute the legal, valid and binding obligations of Borrower enforceable in accordance with their terms, subject to bankruptcy, insolvency, reorganization, fraudulent conveyance, moratorium and other laws applicable to creditors’ rights or the collection of debtors’ obligations generally; (c) the execution and delivery of, and performance under this Agreement are within Borrower’s power and authority without the joinder or consent of any other party and have been duly authorized by all requisite action and are not in contravention of law or the powers of Borrower’s articles of

incorporation and bylaws; (d) this Agreement constitutes the legal, valid and binding obligations of Borrower enforceable in accordance with its terms; (e) the execution and delivery of this Agreement by Borrower do not contravene, result in a breach of or constitute a default under any deed of trust, loan agreement, indenture or other contract, agreement or undertaking to which Borrower is a party or by which Borrower or any of its properties may be bound (nor would such execution and delivery constitute such a default with the passage of time or the giving of notice or both) and do not violate or contravene any law, order, decree, rule or regulation to which Borrower is subject; (f) to the best of Borrower's knowledge there exists no uncured default under any of the Loan Documents; (g) there are no offsets, claims or defenses to the Loan Documents; and (h) there has been no change in the organizational structure of Borrower since the date of the closing of the Original Loan and Borrower is currently duly organized and legally existing under the laws of its state of organization. Borrower agrees to indemnify and hold Lender harmless against any loss, claim, damage, liability or expense (including without limitation reasonable attorneys' fees) incurred as a result of any representation or warranty made by it herein proving to be untrue in any respect.

13. **Further Assurances.** Loan Parties, upon request from Lender, agrees to execute such other and further documents as may be reasonably necessary or appropriate to consummate the transactions contemplated herein or to perfect the liens and security interests intended to secure the payment of the Loan evidenced by the Amended and Restated Promissory Note.

14. **Default.** If Loan Parties shall fail to keep or perform any of the covenants or agreements contained herein or if any statement, representation or warranty contained herein is false, misleading or erroneous in any material respect, Borrower shall be deemed to be in default under the Loan Documents and Lender shall be entitled at its option to exercise any and all of the rights and remedies granted pursuant to the Loan Documents or to which Lender may otherwise be entitled, whether at law or in equity.

15. **Recordation; Endorsement to Loan Title Policy.** Contemporaneously herewith, Lender will deliver this Agreement for recording in the appropriate records of the county where the Property is located at Borrower's expense and, Borrower shall, at its sole cost and expense, obtain and deliver to Lender a new Loan Policy Title of Insurance insuring the lien of the Deed of Trust, as modified hereby, and in the amount of the Commitment Amount, under issued pursuant to applicable title insurance rules and regulations, and otherwise in form and content and subject to such exceptions to coverage acceptable to Lender.

16. **Ratification of Loan Documents.** Except as provided herein, the terms and provisions of the Loan Documents shall remain unchanged and shall remain in full force and effect. Any modification herein of any of the Loan Documents shall in no way adversely affect the security of the Deed of Trust and the other Loan Documents for the payment of the Amended and Restated Note. The Loan Documents as modified and amended hereby are hereby ratified and confirmed in all respects. All liens, security interests, mortgages and assignments granted or created by or existing under the Loan Documents remain unchanged and continue, unabated, in full force and effect, to secure Borrower's obligation to repay the Amended and Restated Note. All references in any of the Loan Documents to a Loan Document shall hereafter refer to such Loan Document as amended hereby.

17. **Liens Valid; No Offsets or Defenses.** Borrower hereby acknowledges that the liens, security interests and assignments created and evidenced by the Loan Documents are valid and subsisting and further acknowledges and agrees that there are no offsets, claims or defenses to any of the Loan Documents.

18. **Merger; No Prior Oral Agreements.** This Agreement supersedes and merges all prior and contemporaneous promises, representations and agreements. No modification of this Agreement or any of the Loan Documents, or any waiver of rights under any of the foregoing, shall be effective unless made by supplemental agreement, in writing, executed by Lender and Loan Parties. Lender and Loan Parties further agree that this Agreement may not in any way be explained or supplemented by a prior, existing or future course of dealings between the parties or by any prior, existing, or future performance between the parties pursuant to this Agreement or otherwise.

19. **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 hereof and the consummation of the transactions specified herein, including without limitation title insurance policy endorsement charges, recording fees and fees and expenses of legal counsel to Lender.

20. **Release of Lender.** Loan Parties hereby release, remise, acquit and forever discharge Lender, together with its employees, agents, representatives, consultants, attorneys, fiduciaries, servants, officers, directors, partners, predecessors, successors and assigns, subsidiary corporations, parent corporations, and related corporate divisions (all of the foregoing hereinafter called the "**Released Parties**"), from any and all actions and causes of action, judgments, executions, suits, debts, claims, demands, liabilities, obligations, damages and expenses of any and every character, known or unknown, direct and/or indirect, at law or in equity, of whatsoever kind or nature, whether heretofore or hereafter accruing, for or because of any matter or things done, omitted or suffered to be done by any of the Released Parties prior to and including the Effective Date, and in any way directly or indirectly arising out of or in any way connected to this Agreement or any of the Loan Documents, or any of the transactions associated therewith, or the Mortgaged Property, including specifically but not limited to claims of usury, lack of consideration, fraudulent conveyance and lender liability. **THE FOREGOING RELEASE INCLUDES ACTIONS AND CAUSES OF ACTION, JUDGMENTS, EXECUTIONS, SUITS, DEBTS, CLAIMS, DEMANDS, LIABILITIES, OBLIGATIONS, DAMAGES AND EXPENSES ARISING AS A RESULT OF THE NEGLIGENCE OF ONE OR MORE OF THE RELEASED PARTIES.**

21. **Counterparts.** This Agreement may be executed in any number of counterparts with the same effect as if all parties hereto had signed the same document. All such counterparts shall be construed together and shall constitute one instrument, but in making proof hereof it shall only be necessary to produce one such counterpart.

22. **Severability.** If any covenant, condition, or provision herein contained is held to be invalid by final judgment of any court of competent jurisdiction, the invalidity of such covenant, condition, or provision shall not in any way affect any other covenant, condition or provision herein contained.

23. **Time of the Essence.** It is expressly agreed by the parties hereto that time is of the essence with respect to this Agreement.

24. **Representation by Counsel.** The parties acknowledge and confirm that each of their respective attorneys have participated jointly in the review and revision of this Agreement and that it has not been written solely by counsel for one party. The parties hereto therefore stipulate and agree that the rule of construction to the effect that any ambiguities are to or may be resolved against the drafting party shall not be employed in the interpretation of this Agreement to favor either party against the other.

25. **Governing Law.** This Agreement and the rights and duties of the parties hereunder shall be governed for all purposes by the law of the State of Texas and the law of the United States applicable to transactions within said State.

26. **Successors and Assigns.** The terms and provisions hereof shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

27. **Notice of No Oral Agreements.** Loan Parties and Lender hereby take notice of and agree to the following:

A . **PURSUANT TO SUBSECTION 26.02(b) OF THE TEXAS BUSINESS AND COMMERCE CODE, A LOAN AGREEMENT IN WHICH THE AMOUNT INVOLVED THEREIN EXCEEDS \$50,000 IN VALUE IS NOT ENFORCEABLE UNLESS THE AGREEMENT IS IN WRITING AND SIGNED BY THE PARTY TO BE BOUND OR BY THAT PARTY'S AUTHORIZED REPRESENTATIVE.**

B . **PURSUANT TO SUBSECTION 26.02(c) OF THE TEXAS BUSINESS AND COMMERCE CODE, THE RIGHTS AND OBLIGATIONS OF THE PARTIES TO THE LOAN DOCUMENTS SHALL BE DETERMINED SOLELY FROM THE LOAN DOCUMENTS, AND ANY PRIOR ORAL AGREEMENTS BETWEEN THE PARTIES ARE SUPERSEDED BY AND MERGED INTO THE LOAN DOCUMENTS.**

C . **THE LOAN DOCUMENTS AND THIS AGREEMENT REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES THERETO AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES THERETO. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.**

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, this Agreement is executed on the respective dates of acknowledgement below but is effective as of the Effective Date.

BORROWER:

TRACT 107, L.L.C.,
a Texas limited liability company

By: Circle C GP, L.L.C., a Delaware limited liability company, its Manager

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

By: /s/ Erin D. Pickens
Erin D. Pickens
Senior Vice President

STATE OF TEXAS §
 §
COUNTY OF TRAVIS §

This instrument was acknowledged before me on the 11th day of December, 2013, by Erin D. Pickens, Sr. Vice President of Stratus Properties Inc., a Delaware corporation, on behalf of said corporation, in its capacity as the sole member and manager of Circle C GP, L.L.C., a Delaware limited liability company, on behalf of said limited liability company, in its capacity as manager of Tract 107, L.L.C., a Texas limited liability company, on behalf of said limited liability company.

/s/ Susan M. Pressler
Notary Public in and for the State of Texas

Susan M. Pressler
Printed/Typed Name of Notary

My Commission Expires:

02-24-2016.

LENDER:

COMERICA BANK

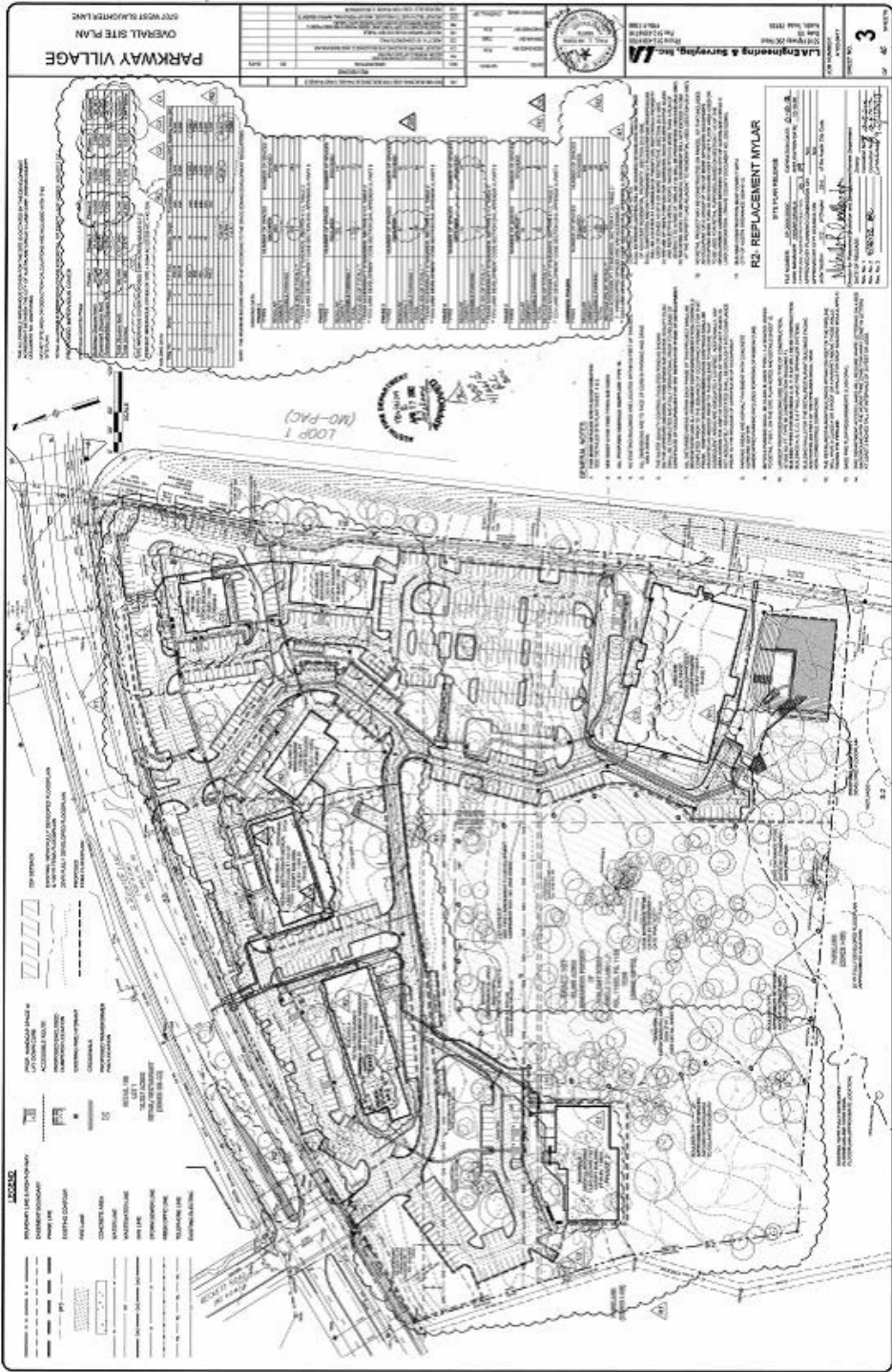
By: /s/ Sterling J. Silver
Sterling J. Silver, Senior Vice President

STATE OF TEXAS §
 §
COUNTY OF TRAVIS §

This instrument was acknowledged before me on the 11th day of December, 2013, by Sterling J. Silver, Senior Vice President of Comerica Bank, on behalf of said bank.

/s/ Sarah Hanes
Notary Public, State of Texas
My Commission Expires: 07/24/2015
Printed Name of Notary: Sarah Hanes

[Signature Page – Fifth Modification and Extension Agreement]



[Exhibit A-1 – Fifth Modification and Extension Agreement]

Exhibit B

PARKSIDE BUDGET

<u>Project</u>	<u>SF</u>	<u>PSF</u>	<u>Total</u>
NXNW (Bldg D) Allowance	8,043	\$101.18	\$813,750.00
NXNW Commission	8,043	\$13.02	\$104,689
Bldg G Shell	4,500	\$100.00	\$450,000.00
Bldg G TI	4,500	\$35.00	\$157,500.00
Bldg G Commissions	4,500	\$15.54	\$69,930.00
Lease up TI on Vacancies	4,000	\$30.00	\$120,000.00
Soft (Civil, Arch, Legal, Permit)	12,543	\$8.00	\$100,340.00
Landscape	12,543	\$6.38	\$80,000.00
Add Parking / Site	40	\$2,500.00	\$103,791.00
TOTAL			\$2,000,000.00

[Exhibit B – Fifth Modification and Extension Agreement]

Amended and Restated Promissory Note
LIBOR-based Rate

AMOUNT	NOTE DATE	MATURITY DATE
\$19,672,500.00	December 12, 2013	December 31, 2020

ON THE MATURITY DATE, as stated above, FOR VALUE RECEIVED, the undersigned promise(s) to pay to the order of COMERICA BANK (herein called "**Bank**"), at any office of the Bank in the State of Texas, the principal sum of NINETEEN MILLION SIX HUNDRED SEVENTY-TWO THOUSAND FIVE HUNDRED AND NO/100 DOLLARS (\$19,672,500.00), or if less, the total advances from time to time made hereon and remaining outstanding, together with interest in accordance with the terms and conditions herein.

Subject to the terms and conditions of this Note, the unpaid principal balance outstanding under this Note from time to time shall bear interest at the LIBOR-based Rate plus the Applicable Margin, except during any period of time during which, in accordance with the terms and conditions of this Note, the Indebtedness hereunder shall bear interest at the Prime Referenced Rate plus the Applicable Margin.

Accrued and unpaid interest hereunder shall be payable monthly, in arrears, on the first (1st) day of each month, commencing on the first month after the date hereof, and on a like day of each succeeding month thereafter, until maturity. Commencing on January 1, 2015, principal installments in the amount of \$40,000.00, shall be payable monthly on the first (1st) day of each month (in addition to payments of accrued interest due on each such date) and on a like day of each succeeding month thereafter, until the Maturity Date, when the entire unpaid balance of principal and interest under this Note shall be due and payable (unless sooner accelerated in accordance with the terms of this Note).

Interest accruing hereunder on the basis of the Prime Referenced Rate (to the extent applicable) shall be computed on the basis of a 360-day year, and shall be assessed for the actual number of days elapsed, and in such computation, effect shall be given to any change in the Applicable Interest Rate as a result of any change in the Prime Referenced Rate (to the extent applicable), on the date of such change. Interest accruing on the basis of the LIBOR-based Rate shall be computed on the basis of a 360 day year and shall be assessed for the actual number of days elapsed from the first day of the Interest Period applicable thereto but not including the last day thereof.

Payments under this Note shall be first applied to accrued and unpaid interest hereunder and the balance, if any, to principal.

Subject to the terms and conditions of this Note and the other Loan Documents (defined below), advances of principal may be made hereunder as provided in the Loan Agreement. The sum of all advances made hereunder shall not exceed the face amount hereof, and amounts repaid may not be reborrowed. The principal amount payable under this Note shall be the sum of all advances made by the Bank to or at the request of the undersigned less principal payments actually received by the Bank. The books and records of the Bank shall be the best evidence of the principal amount and the unpaid interest amount owing at any time under this Note and shall be conclusive absent manifest error. Interest on all advances shall accrue and be computed on the principal balance outstanding from time to time under this Note until the same is paid in full.

From and after the occurrence of any Event of Default (as defined in the Loan Agreement) hereunder, and so long as any such Event of Default remains unremedied or uncured thereafter, the Indebtedness outstanding under this Note shall bear interest at a per annum rate of three percent (3%) above the otherwise Applicable Interest Rate(s) (the "**Default Rate**"), which interest shall be payable upon demand. In addition to the foregoing, a late payment charge equal to five percent (5%) of each late payment hereunder may be charged on any payment not received by Bank within ten (10) calendar days after the payment due date therefor, but acceptance of payment of any such charge shall not constitute a waiver of any Event of Default hereunder.

In no event shall the interest payable under this Note at any time exceed the Maximum Rate. The term "**Maximum Rate**", as used herein, shall mean at the particular time in question the maximum nonusurious rate of interest which, under applicable law, may then be charged on this Note. If on any day the Applicable Interest Rate hereunder in respect of any Indebtedness under this Note shall exceed the Maximum Rate for that day, the rate of interest applicable to such Indebtedness shall be fixed at the Maximum Rate on that day and on each day thereafter until the total amount of interest accrued on the unpaid principal balance of this Note equals the total amount of interest which would have accrued if there had been no Maximum Rate. If such maximum rate of interest changes after the date hereof, the Maximum Rate shall be automatically increased or decreased, as the case may be, without notice to the undersigned from time to time as of the effective date of each change in such maximum rate. For purposes of determining the Maximum Rate under the law of the State of Texas, the

applicable interest rate ceiling shall be the “weekly ceiling” from time to time in effect under Chapter 303 of the Texas Finance Code, as amended.

The amount from time to time outstanding under this Note, the Applicable Interest Rate(s), the Interest Period(s), if applicable, and the amount and date of any repayment shall be noted on Bank's records, which records shall be conclusive evidence thereof, absent manifest error; provided, however, any failure by Bank to make any such notation, or any error in any such notation, shall not relieve the undersigned of its obligations to repay Bank all amounts payable by the undersigned to Bank under or pursuant to this Note, when due in accordance with the terms hereof.

The LIBOR-based Rate plus the Applicable Margin is the Applicable Interest Rate (except during any period of time during which, in accordance with the terms and conditions of this Note, the Indebtedness hereunder shall bear interest at the Prime Referenced Rate plus the Applicable Margin) for all or any part of the unpaid principal balance outstanding under this Note, subject to the following: (a) the undersigned shall deliver to Bank, by 11:00 a.m. (Dallas, Texas time) on the proposed effective date of such election, a Notice of Interest Rate (herein so called) executed by the undersigned setting forth the information required by Bank on the Notice of Interest Rate; (b) any conversion from an Applicable Interest Rate based upon the LIBOR-based Rate to an Applicable Interest Rate (subject to the terms of this Note) based upon the Prime Referenced Rate shall only be effective as of the last day of the Interest Period applicable to such LIBOR-based Rate; and (c) in the case of a LIBOR-based Rate Election, (i) the principal Indebtedness outstanding under this Note which is to bear interest on the basis of the relevant LIBOR-based Rate for the applicable Interest Period must be at least Two Hundred Fifty Thousand Dollars (\$250,000.00) (or such lesser amount as is acceptable to Bank in its sole discretion) as of the first day of such Interest Period; (ii) no Event of Default, or any condition or event which, with the giving of notice or the running of time, or both, would constitute an Event of Default, shall have occurred and be continuing or exist under this Note; (iii) if, at the time of any such election, the LIBOR-based Rate plus the Applicable Margin is the Applicable Interest Rate with respect to all or any part of the Indebtedness which is to be subject to such election, such election shall be effective only as of the last day of the Interest Period applicable to such existing LIBOR-based Rate; (iv) the undersigned shall elect Interest Periods hereunder so as to permit the undersigned to make any mandatory principal payments required under the terms of this Note, when due in accordance with the terms hereof, without prepaying any Indebtedness hereunder which is then bearing interest on the basis of the LIBOR-based Rate prior to the end of the Interest Period applicable thereto; and (v) any LIBOR-based Rate Election by the undersigned hereunder shall not be revocable by the undersigned. Notwithstanding anything to the contrary contained herein, the undersigned shall be deemed to have elected to have the Indebtedness bear interest at an Applicable Interest Rate based on the LIBOR-based Rate at any time such LIBOR-based Rate is available as provided under this Note, and the undersigned shall not be required to make any elections.

In the event that the LIBOR-based Rate is at any time the basis for the Applicable Interest Rate for all or any part of the principal Indebtedness outstanding under this Note, effective as of the last day of the Interest Period applicable to such LIBOR-based Rate and as of the last day of each succeeding Interest Period, the LIBOR-based Rate for such Indebtedness shall be determined as of each such date in accordance with the terms of this Note, and the LIBOR-based Rate plus the Applicable Margin shall continue to be the Applicable Interest Rate for and in respect of such Indebtedness for successive Interest Periods equal to the same period of time as the Interest Period then ending for such LIBOR-based Rate (but not less than one (1) month), unless the undersigned is not entitled to elect the LIBOR-based Rate as the basis for the Applicable Interest Rate for all or any part of the principal Indebtedness outstanding hereunder in accordance with the terms of this Note or the LIBOR-based Rate is not otherwise available to the undersigned as the basis for the Applicable Interest Rate for all or any part of the principal Indebtedness outstanding hereunder in accordance with the terms of this Note, in which case, subject to the terms of this Note, the Prime Referenced Rate plus the Applicable Margin shall be the Applicable Interest Rate hereunder in respect of such Indebtedness for such period, subject in all respects to the terms and conditions of this Note. The foregoing shall not in any way whatsoever limit or otherwise affect any of Bank's rights or remedies under this Note upon the occurrence of any Event of Default hereunder, or any condition or event which, with the giving of notice or the running of time, or both, would constitute an Event of Default.

Subject to the definition of an “Interest Period” hereunder, in the event that any payment under this Note becomes due and payable on any day which is not a Business Day, the due date thereof shall be extended to the next succeeding Business Day, and, to the extent applicable, interest shall continue to accrue and be payable thereon during such extension at the rates set forth in this Note.

All payments to be made by the undersigned to Bank under or pursuant to this Note shall be in immediately available United States funds, without setoff or counterclaim, and in the event that any payments submitted hereunder are in funds not available until collected, said payments shall continue to bear interest until collected.

In the event that the LIBOR-based Rate plus the Applicable Margin is the Applicable Interest Rate for all or any part of the principal Indebtedness outstanding under this Note, and any payment or prepayment of any such Indebtedness shall occur on any day other than the last day of the Interest Period applicable thereto (whether voluntarily, by acceleration, required payment or otherwise), or if the undersigned make(s) a LIBOR-based Rate Election with respect to all or any part of the principal indebtedness outstanding under this Note in accordance with the terms and conditions hereof, and, subsequent to such election, but prior to the commencement of the Interest Period applicable thereto, the undersigned revokes such election for any reason whatsoever, or if the undersigned shall fail to make any payment of principal

or interest hereunder at any time that the LIBOR-based Rate is the basis for the Applicable Interest Rate hereunder in respect of such Indebtedness, the undersigned shall reimburse Bank, on demand, for any resulting loss, cost or expense incurred by Bank as a result thereof, including, without limitation, any such loss, cost or expense incurred in obtaining, liquidating, employing or redeploying deposits from third parties ("LIBOR Costs"). Such amount payable by the undersigned to Bank may include, without limitation, an amount equal to the excess, if any, of (a) the amount of interest which would have accrued on the amount so prepaid, for the period from the date of such prepayment through the last day of the relevant Interest Period, at the applicable rate of interest provided under this Note, over (b) the amount of interest (as reasonably determined by Bank) which would have accrued to Bank on such amount by placing such amount on deposit for a comparable period with leading banks in the interbank eurodollar market. Calculation of any amounts payable to Bank under this paragraph shall be made as though Bank shall have actually funded or committed to fund the relevant Indebtedness hereunder through the purchase of an underlying deposit in an amount equal to the amount of such Indebtedness and having a maturity comparable to the relevant Interest Period; provided, however, that Bank may fund the Indebtedness hereunder in any manner it deems fit and the foregoing assumptions shall be utilized only for the purpose of the calculation of amounts payable under this paragraph. Upon the written request of the undersigned, Bank shall deliver to the undersigned a certificate setting forth the basis for determining such losses, costs and expenses, which certificate shall be conclusively presumed correct, absent manifest error. The undersigned may prepay all or any part of the outstanding balance of any Indebtedness hereunder at any time without premium or penalty, provided, however, that if the undersigned prepays any part of the outstanding balance of any Indebtedness hereunder which is bearing interest at such time based upon the LIBOR-based Rate, the undersigned shall pay to the Bank LIBOR Costs incurred by the Bank due to such prepayment. Any prepayment hereunder shall also be accompanied by the payment of all accrued and unpaid interest on the amount so prepaid. Partial prepayments hereunder shall be applied to the installments hereunder in the inverse order of their maturities.

For any Indebtedness hereunder for which the Applicable Interest Rate is at any time based upon the LIBOR-based Rate, if Bank shall designate a LIBOR Lending Office which maintains books separate from those of the rest of Bank, Bank shall have the option of maintaining and carrying this Note and the relevant Indebtedness hereunder on the books of such LIBOR Lending Office.

If, at any time, Bank determines that, (a) Bank is unable to determine or ascertain the LIBOR-based Rate, or (b) by reason of circumstances affecting the foreign exchange and interbank markets generally, deposits in eurodollars in the applicable amounts or for the relative maturities are not being offered to Bank for any applicable Interest Period, or (c) the LIBOR-based Rate plus the Applicable Margin will not accurately or fairly cover or reflect the cost to Bank of maintaining any of the Indebtedness under this Note based upon the LIBOR-based Rate, then Bank shall forthwith give notice thereof to the undersigned. Thereafter, until Bank notifies the undersigned that such conditions or circumstances no longer exist, any obligation of the Bank to maintain any of the Indebtedness outstanding under this Note at an Applicable Interest Rate based upon the LIBOR-based Rate shall be suspended, and the Prime Referenced Rate plus the Applicable Margin shall be the Applicable Interest Rate for all Indebtedness hereunder during such period of time.

If any Change in Law shall make it unlawful or impossible for the Bank (or its LIBOR Lending Office) to maintain any of the Indebtedness under this Note with interest based upon the LIBOR-based Rate, Bank shall forthwith give notice thereof to the undersigned. Thereafter, (a) until Bank notifies the undersigned that such conditions or circumstances no longer exist, any obligation of the Bank to maintain any of the Indebtedness hereunder at an Applicable Interest Rate based upon the LIBOR-based Rate and the right of the undersigned to make a LIBOR-based Rate Election with respect to the Indebtedness outstanding under this Note shall be suspended, and thereafter, the Prime Referenced Rate plus the Applicable Margin shall be the Applicable Interest Rate for the Indebtedness hereunder during such period of time, and (b) if Bank may not lawfully continue to maintain the Indebtedness hereunder at an Applicable Interest Rate based upon the LIBOR-based Rate to the end of the then current Interest Period applicable thereto, the Prime Referenced Rate plus the Applicable Margin shall be the Applicable Interest Rate for the remainder of such Interest Period.

If any Change in Law shall (a) subject Bank (or its LIBOR Lending Office) to any tax, duty or other charge with respect to this Note or any Indebtedness hereunder, or shall change the basis of taxation of payments to Bank (or its LIBOR Lending Office) of the principal of or interest under this Note or any other amounts due under this Note in respect thereof (except for changes in the rate of tax on the overall net income of Bank or its LIBOR Lending Office imposed by the jurisdiction in which Bank's principal executive office or LIBOR Lending Office is located); or (b) impose, modify or deem applicable any reserve (including, without limitation, any imposed by the Board of Governors of the Federal Reserve System), special deposit or similar requirement against assets of, deposits with or for the account of, or credit extended by Bank (or its LIBOR Lending Office), or shall impose on Bank (or its LIBOR Lending Office) or the foreign exchange and interbank markets any other condition affecting this Note or the Indebtedness hereunder; and the result of any of the foregoing is to increase the cost to Bank of maintaining any part of the Indebtedness hereunder or to reduce the amount of any sum received or receivable by Bank under this Note by an amount deemed by the Bank to be material, then the undersigned shall pay to Bank, within fifteen (15) days of the undersigned's receipt of written notice from Bank demanding such compensation, such additional amount or amounts as will compensate Bank for such increased cost or reduction. A certificate of Bank, prepared in good faith and in reasonable detail by Bank and submitted by Bank to the undersigned, setting forth the basis for determining such additional amount or amounts necessary to compensate Bank shall be conclusive and binding for all purposes, absent manifest error.

In the event that any Change in Law affects or would affect the amount of capital required or expected to be maintained by Bank (or any corporation controlling Bank), and Bank determines that the amount of such capital is increased by or based upon the existence of any obligations of Bank hereunder or the maintaining of any Indebtedness hereunder, and such increase has the effect of reducing the rate of return on Bank's (or such controlling corporation's) capital as a consequence of such obligations or the maintaining of such Indebtedness hereunder to a level below that which Bank (or such controlling corporation) could have achieved but for such circumstances (taking into consideration its policies with respect to capital adequacy), then the undersigned shall pay to Bank, within fifteen (15) days of the undersigned's receipt of written notice from Bank demanding such compensation, additional amounts as are sufficient to compensate Bank (or such controlling corporation) for any increase in the amount of capital and reduced rate of return which Bank reasonably determines to be allocable to the existence of any obligations of the Bank hereunder or to maintaining any Indebtedness hereunder. A certificate of Bank as to the amount of such compensation, prepared in good faith and in reasonable detail by the Bank and submitted by Bank to the undersigned, shall be conclusive and binding for all purposes absent manifest error.

This Note and any other indebtedness and liabilities of any kind of the undersigned to the Bank, and any and all modifications, renewals or extensions of it, whether joint or several, contingent or absolute, now existing or later arising, and however evidenced and whether incurred voluntarily or involuntarily, known or unknown, or originally payable to the Bank or to a third party and subsequently acquired by Bank including, without limitation, any late charges; loan fees or charges; overdraft indebtedness; costs incurred by Bank in establishing, determining, continuing or defending the validity or priority of any security interest, pledge or other lien or in pursuing any of its rights or remedies under any Loan Document or in connection with any proceeding involving the Bank as a result of any financial accommodation to the undersigned; and reasonable costs and expenses of attorneys and paralegals, whether inside or outside counsel is used, and whether any suit or other action is instituted, and to court costs if suit or action is instituted, and whether any such fees, costs or expenses are incurred at the trial court level or on appeal, in bankruptcy, in administrative proceedings, in probate proceedings or otherwise (collectively "**Indebtedness**") are secured by and the Bank is granted a security interest in and lien upon all items deposited in any account of the undersigned with the Bank and by all proceeds of these items (cash or otherwise), all account balances of any of the undersigned from time to time with the Bank, by all property of the undersigned from time to time in the possession of the Bank and by any other collateral, rights and properties described in each and every deed of trust, mortgage, security agreement, pledge, assignment and other security or collateral agreement which has been, or will at any time(s) later be, executed by the undersigned to or for the benefit of the Bank (collectively "**Collateral**"). Notwithstanding the above, (i) to the extent that any portion of the Indebtedness is a consumer loan, that portion shall not be secured by any deed of trust or mortgage on or other security interest in any of the undersigned's principal dwelling or in any of the undersigned's real property which is not a purchase money security interest as to that portion, unless expressly provided to the contrary in another place, or (ii) if the undersigned has given or gives Bank a deed of trust or mortgage covering California real property, that deed of trust or mortgage shall not secure this Note or any other indebtedness of the undersigned, unless expressly provided to the contrary in another place, or (iii) if the undersigned has given or give(s) the Bank a deed of trust or mortgage covering real property which, under Texas law, constitutes the homestead of such person, that deed of trust or mortgage shall not secure this Note or any other indebtedness of the undersigned unless expressly provided to the contrary in another place.

If an Event of Default (as defined in the Loan Agreement) occurs and is continuing, then the Bank may, at its option and without prior notice to the undersigned, declare any or all of the Indebtedness to be immediately due and payable (notwithstanding any provisions contained in the evidence of it to the contrary), sell or liquidate all or any portion of the Collateral, set off against the Indebtedness any amounts owing by the Bank to the undersigned, charge interest at the Default Rate and exercise any one or more of the rights and remedies granted to the Bank by any Loan Document or given to it under applicable law.

The undersigned authorize(s) the Bank to charge any account(s) of the undersigned with the Bank for any and all sums due hereunder when due; provided, however, that such authorization shall not affect any of the undersigned's obligation to pay to the Bank all amounts when due, whether or not any such account balances that are maintained by the undersigned with the Bank are insufficient to pay to the Bank any amounts when due, and to the extent that are insufficient to pay to the Bank all such amounts, the undersigned shall remain liable for any deficiencies until paid in full.

If this Note is signed by two or more parties (whether by all as makers or by one or more as an accommodation party or otherwise), the obligations and undertakings under this Note shall be that of all and any two or more jointly and also of each severally. This Note shall bind the undersigned, and the undersigned's respective heirs, personal representatives, successors and assigns.

Except for notice specifically set forth in a Loan Document, the undersigned waive(s) presentment, demand, protest, notice of dishonor, notice of demand or intent to demand, notice of acceleration or intent to accelerate, and all other notices, and agree(s) that no extension or indulgence to the undersigned or release, substitution or nonenforcement of any security, or release or substitution of any of the undersigned, any guarantor under a guaranty of all or any part of the Indebtedness or any other party, whether with or without notice, shall affect the obligations of any of the undersigned. The undersigned waive(s) all defenses or right to discharge available under Section 3-605 of the Texas Uniform Commercial Code and waive(s) all other suretyship defenses or right to discharge. The undersigned agree(s) that the

Bank has the right to sell, assign, or grant participations or any interest in, any or all of the Indebtedness, and that, in connection with this right, but without limiting its ability to make other disclosures to the full extent allowable, the Bank may disclose all documents and information which the Bank now or later has relating to the undersigned or the Indebtedness. The undersigned agree(s) that the Bank may provide information relating to this Note or relating to the undersigned to the Bank's parent, affiliates, subsidiaries and service providers.

The undersigned agree(s) to pay or reimburse to Bank, or any other holder or owner of this Note, on demand, any and all costs and expenses of Bank (including, without limit, court costs, legal expenses and reasonable attorneys' fees, whether inside or outside counsel is used, whether or not suit is instituted, and, if suit is instituted, whether at the trial court level, appellate level, in a bankruptcy, probate or administrative proceeding or otherwise) incurred in connection with the preparation, execution, delivery, amendment, administration, and performance of this Note and the related documents, or incurred in collecting or attempting to collect this Note or the Indebtedness, or incurred in any other matter or proceeding relating to this Note or the Indebtedness.

The undersigned acknowledge(s) and agree(s) that there are no contrary agreements, oral or written, establishing a term of this Note and agree(s) that the terms and conditions of this Note may not be amended, waived or modified except in a writing signed by an officer of the Bank expressly stating that the writing constitutes an amendment, waiver or modification of the terms of this Note. As used in this Note, the word "undersigned" means, individually and collectively, each maker, accommodation party, endorser and other party signing this Note in a similar capacity. If any provision of this Note is unenforceable in whole or part for any reason, the remaining provisions shall continue to be effective. Chapter 346 of the Texas Finance Code (and as the same may be incorporated by reference in other Texas statutes) shall not apply to the Indebtedness evidenced by this Note. **THIS NOTE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE INTERNAL LAWS OF THE STATE OF TEXAS, WITHOUT REGARD TO CONFLICT OF LAWS PRINCIPLES.**

This Note and all other documents, instruments and agreements evidencing, governing, securing, guaranteeing or otherwise relating to or executed pursuant to or in connection with this Note or the Indebtedness evidenced hereby (whether executed and delivered prior to, concurrently with or subsequent to this Note), as such documents may have been or may hereafter be amended from time to time (collectively, the "**Loan Documents**") are intended to be performed in accordance with, and only to the extent permitted by, all applicable usury laws. If any provision hereof or of any of the other Loan Documents or the application thereof to any person or circumstance shall, for any reason and to any extent, be invalid or unenforceable, neither the application of such provision to any other person or circumstance nor the remainder of the instrument in which such provision is contained shall be affected thereby and shall be enforced to the greatest extent permitted by law. It is expressly stipulated and agreed to be the intent of the holder hereof to at all times comply with the usury and other applicable laws now or hereafter governing the interest payable on the indebtedness evidenced by this Note. If the applicable law is ever revised, repealed or judicially interpreted so as to render usurious any amount called for under this Note or under any of the other Loan Documents, or contracted for, charged, taken, reserved or received with respect to the indebtedness evidenced by this Note, or if Bank's exercise of the option to accelerate the maturity of this Note, or if any prepayment by the undersigned or prepayment agreement results (or would, if complied with, result) in the undersigned having paid, contracted for or being charged for any interest in excess of that permitted by law, then it is the express intent of the undersigned and Bank that this Note and the other Loan Documents shall be limited to the extent necessary to prevent such result and all excess amounts theretofore collected by Bank shall be credited on the principal balance of this Note or, if fully paid, upon such other Indebtedness as shall then remain outstanding (or, if this Note and all other Indebtedness have been paid in full, refunded to the undersigned), and the provisions of this Note and the other Loan Documents shall immediately be deemed reformed and the amounts thereafter collectable hereunder and thereunder reduced, without the necessity of the execution of any new document, so as to comply with the then applicable law, but so as to permit the recovery of the fullest amount otherwise called for hereunder or thereunder. All sums paid, or agreed to be paid, by the undersigned for the use, forbearance, detention, taking, charging, receiving or reserving of the indebtedness of the undersigned to Bank under this Note or arising under or pursuant to the other Loan Documents shall, to the maximum extent permitted by applicable law, be amortized, prorated, allocated and spread throughout the full term of such indebtedness until payment in full so that the rate or amount of interest on account of such indebtedness does not exceed the usury ceiling from time to time in effect and applicable to such indebtedness for so long as such indebtedness is outstanding. To the extent federal law permits Bank to contract for, charge or receive a greater amount of interest, Bank will rely on federal law instead of the Texas Finance Code, as supplemented by Texas Credit Title, for the purpose of determining the Maximum Rate. Additionally, to the maximum extent permitted by applicable law now or hereafter in effect, Bank may, at its option and from time to time, implement any other method of computing the Maximum Rate under the Texas Finance Code, as supplemented by Texas Credit Title, or under other applicable law, by giving notice, if required, to the undersigned as provided by applicable law now or hereafter in effect. Notwithstanding anything to the contrary contained herein or in any of the other Loan Documents, it is not the intention of Bank to accelerate the maturity of any interest that has not accrued at the time of such acceleration or to collect unearned interest at the time of such acceleration.

For the purposes of this Note, the following terms have the following meanings:

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"**Applicable Interest Rate**" means, in respect of all or any part of the Indebtedness hereunder, either the LIBOR-based Rate plus the Applicable Margin or (subject to the terms of this Note) the Prime Referenced Rate plus the Applicable Margin, as determined in accordance with the terms and conditions of this Note.

"**Applicable Margin**" means:

- (a) in respect of the LIBOR-based Rate, two and one-half percent (2.5%) per annum; and
- (b) in respect of the Prime Referenced Rate, one-half of one percent (.5%) per annum.

"**Business Day**" means any day, other than a Saturday, Sunday or any other day designated as a holiday under Federal or applicable State statute or regulation, on which Bank is open for all or substantially all of its domestic and international business (including dealings in foreign exchange) in Dallas, Texas, and, in respect of notices and determinations relating to the LIBOR-based Rate, also a day on which dealings in dollar deposits are also carried on in the London interbank market and on which banks are open for business in London, England.

"**Change in Law**" means the occurrence, after the date hereof, of any of the following: (i) the adoption or introduction of, or any change in any applicable law, treaty, rule or regulation (whether domestic or foreign) now or hereafter in effect and whether or not applicable to Bank on such date, or (ii) any change in interpretation, administration or implementation thereof of any such law, treaty, rule or regulation by any Governmental Authority, or (iii) the issuance, making or implementation by any Governmental Authority of any interpretation, administration, request, regulation, guideline, or directive (whether or not having the force of law), including any risk-based capital guidelines. For purposes of this definition, (x) a change in law, treaty, rule, regulation, interpretation, administration or implementation shall include, without limitation, any change made or which becomes effective on the basis of a law, treaty, rule, regulation, interpretation administration or implementation then in force, the effective date of which change is delayed by the terms of such law, treaty, rule, regulation, interpretation, administration or implementation, and (y) the Dodd-Frank Wall Street Reform and Consumer Protection Act (Pub. L. 111-203, H.R. 4173) and all requests, rules, regulations, guidelines, interpretations or directives promulgated thereunder or issued in connection therewith shall be deemed to be a "Change in Law", regardless of the date enacted, adopted, issued or promulgated, whether before or after the date hereof, and (z) all requests, rules, guidelines or directives promulgated by the Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or the United States regulatory authorities, in each case pursuant to Basel III, shall each be deemed to be a "Change in Law", regardless of the date enacted, adopted, issued or implemented.

"**Governmental Authority**" means the government of the United States of America or any other nation, or of any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government (including, without limitation, any supranational bodies such as the European Union or the European Central Bank).

"**Interest Period**" means, a period of one (1) month, commencing on the effective date of a LIBOR-based Rate Election by the undersigned with respect to all or any part of the Indebtedness hereunder, or in the case of successive continuations of the LIBOR-based Rate plus the Applicable Margin as the Applicable Interest Rate hereunder, as herein provided, on the last day of the preceding Interest Period then ending, provided that:

- (a) any Interest Period which would otherwise end on a day which is not a Business Day shall be extended to the next succeeding Business Day, except that if the next succeeding Business Day falls in another calendar month, the Interest Period shall end on the next preceding Business Day, and when an Interest Period begins on a day which has no numerically corresponding day in the calendar month during which such Interest Period is to end, it shall end on the last Business Day of such calendar month; and
- (b) the undersigned shall elect Interest Periods hereunder so as to permit the undersigned to make any mandatory principal payments required under the terms of this Note, when due in accordance with the terms hereof, without prepaying any Indebtedness hereunder which is then bearing interest on the basis of the LIBOR-based Rate prior to the end of the Interest Period applicable thereto; and
- (c) no Interest Period shall extend beyond the Maturity Date.

"**LIBOR-based Rate**" means a per annum interest rate which is equal to the quotient of the following:

- (a) the LIBOR Rate;

divided by

- (b) 1.00 minus the maximum rate (expressed as a decimal) during such Interest Period at which Bank is required to maintain reserves on "Euro-currency Liabilities" as defined in and pursuant to Regulation D of the Board of Governors of the Federal Reserve System or, if such regulation or definition is modified, and as long as Bank is required to maintain reserves against a category of liabilities which includes eurodollar deposits or includes a category of assets which includes eurodollar loans, the rate at which such reserves are required to be maintained on such category.

"LIBOR-based Rate Election" means an election by the undersigned of the LIBOR-based Rate plus the Applicable Margin as the Applicable Interest Rate for all or any part of the Indebtedness hereunder, subject to and in accordance with the terms and conditions of this Note.

"LIBOR Lending Office" means Bank's office located in the Cayman Islands, British West Indies, or such other branch of Bank, domestic or foreign, as it may hereafter designate as its LIBOR Lending Office by notice to the undersigned.

"LIBOR Rate" means, with respect to any Indebtedness outstanding under this Note bearing interest on the basis of the LIBOR-based Rate, the per annum rate of interest determined on the basis of the rate for deposits in United States Dollars for a period equal to the relevant Interest Period for such Indebtedness, commencing on the first day of such Interest Period, appearing on Page BBAM of the Bloomberg Financial Markets Information Service as of 11:00 a.m. (Dallas, Texas time) (or as soon thereafter as practical), two (2) Business Days prior to the first day of such Interest Period. In the event that such rate does not appear on Page BBAM of the Bloomberg Financial Markets Information Service (or otherwise on such Service), the "LIBOR Rate" shall be determined by reference to such other publicly available service for displaying eurodollar rates as may be reasonably selected by Bank, or, in the absence of such other service, the "LIBOR Rate" shall, instead, be determined based upon the average of the rates at which Bank is offered dollar deposits at or about 11:00 a.m. (Dallas, Texas time) (or as soon thereafter as practical), two (2) Business Days prior to the first day of such Interest Period in the interbank eurodollar market in an amount comparable to the amount of the outstanding Indebtedness hereunder which is to bear interest on the basis of such LIBOR-based Rate and for a period equal to the relevant Interest Period.

"Loan Agreement" means that certain Construction Loan Agreement dated May 17, 2011, executed by and between the undersigned and Bank, as amended by that certain (i) Modification Agreement dated December 31, 2012 executed by and between the undersigned and Bank, recorded under Clerk's File No. 2013018037 of the Real Property Records of Travis County, Texas (the **"First Modification"**), (ii) Modification and Extension Agreement dated May 31, 2013 executed by and between the undersigned and Bank, recorded under Clerk's File No. 2013099527 of the Real Property Records of Travis County, Texas (the **"Second Modification"**), (iii) Third Modification and Extension Agreement dated August 31, 2013 executed by and between the undersigned and Bank, recorded under Clerk's File No. 2013171559 of the Real Property Records of Travis County, Texas (the **"Third Modification"**), (iv) Fourth Modification and Extension Agreement dated October 31, 2013 executed by and between the undersigned and Bank, recorded under Clerk's File No. 2013202987 of the Real Property Records of Travis County, Texas (the **"Fourth Modification"**), and (v) Fifth Modification and Extension Agreement dated of even date with this Note, executed by and between the undersigned and Bank, and which will be recorded in the Real Property Records of Travis County, Texas (the **"Fifth Modification"**) together with the First Modification, Second Modification, Third Modification and Fourth Modification, herein collectively referred to as the **"Modification Agreements"**).

"Prime Rate" means the per annum interest rate established by Bank as its prime rate for its borrowers, as such rate may vary from time to time, which rate is not necessarily the lowest rate on loans made by Bank at any such time.

"Prime Referenced Rate" means a per annum interest rate which is equal to the Prime Rate, but in no event less than two and one-half percent (2.50%) per annum.

No delay or failure of Bank in exercising any right, power or privilege hereunder shall affect such right, power or privilege, nor shall any single or partial exercise thereof preclude any further exercise thereof, or the exercise of any other power, right or privilege. The rights of Bank under this Note are cumulative and not exclusive of any right or remedies which Bank would otherwise have, whether by other instruments or by law.

THE UNDERSIGNED AND BANK, BY ACCEPTANCE OF THIS NOTE, ACKNOWLEDGE THAT THE RIGHT TO TRIAL BY JURY IS A CONSTITUTIONAL ONE, BUT THAT IT MAY BE WAIVED UNDER CERTAIN CIRCUMSTANCES. TO THE EXTENT PERMITTED BY LAW, EACH PARTY, AFTER CONSULTING (OR HAVING HAD THE OPPORTUNITY TO CONSULT) WITH COUNSEL OF THEIR CHOICE, KNOWINGLY AND VOLUNTARILY, AND FOR THEIR MUTUAL BENEFIT, WAIVES ANY RIGHT TO TRIAL BY JURY IN THE EVENT OF LITIGATION REGARDING THE PERFORMANCE OR ENFORCEMENT OF, OR IN ANY WAY RELATED TO, THIS NOTE OR THE INDEBTEDNESS.

THIS WRITTEN LOAN AGREEMENT (AS DEFINED BY SECTION 26.02 OF THE TEXAS BUSINESS AND COMMERCE CODE) REPRESENTS THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

This Note is given in substitution for, and replacement (but not extinguishment) of, that certain promissory note dated as of May 17, 2011, from executed by the Tract 107, L.L.C., a Texas limited liability company and payable to the order of Bank in the stated principal amount of \$13,664,456.00 (as previously amended, the "**Prior Note**"), and is being executed in connection with the increase in the amount of the Loan from \$11,000,000 to \$19,672,500. Therefore, all liens, assignments and security interests securing the payment of the Prior Note (including without limitation, the liens, assignments and security interests evidenced by the Deed of Trust, as defined in the Loan Agreement) also serve as security for the payment of this Note. This Note is in no way intended to constitute, and does not constitute, a novation of the indebtedness evidenced by the Prior Note.

[Remainder of page intentionally left blank. Signature page follows.]

TRACT 107, L.L.C.,
a Texas limited liability company

By: Circle C GP, L.L.C., a Delaware limited liability company, its Manager

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

By: /s/ Erin D. Pickens

Name: Erin D. Pickens

Title: Senior Vice President

STREET ADDRESS CITY STATE ZIP CODE

FOR BANK USE ONLY				
OFFICER INITIALS	LOAN GROUP NAME	OBLIGOR NAME		
OFFICER ID NO.	LOAN GROUP NO.	OBLIGOR NO.	NOTE NO.	AMOUNT

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