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, 1999
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

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

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

The aggregate market value of the voting stock held by non-affiliates of the registrant was approximately $44,478,800 on March 7, 2000.

On March 7, 2000, 14,288,270 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 2000 Annual Meeting to be held on May 11, 2000, are incorporated by reference into Part III of this Report.

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PART I

Item 1. Business

Overview

Our company was formed in March 1992, to hold, operate and develop substantially all the domestic real estate then held for development by, and substantially all of the domestic oil and gas properties of, our former parent Freeport-McMoRan Inc. (see Note 1 to Notes To Financial Statements). All subsequent references to "Notes" refer to the Notes To Financial Statements located in Item 8, of this Form 10-K. We also assumed the related liabilities associated with these properties, including approximately $500 million of indebtedness, which was guaranteed by Freeport-McMoRan. This guarantee was subsequently assumed by IMC Global Inc. (see Notes 1 and 5). We have sold all of our oil and gas properties and our current business is solely real estate operations.

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).

Our principal real estate holdings are currently in the Austin, Texas area. Our most significant acreage includes the approximate 2,300 acres of undeveloped residential, multi-family and commercial property located in southwest Austin within the Barton Creek community and 500 acres of undeveloped residential, multi-family and commercial property known as the Lantana tract, 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 Ranch development, also located in southwest Austin.

We also own 24 developed lots, 120 acres of undeveloped residential property and 33 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 to eliminate the debt guarantee. In December 1999, as a result of our negotiation of a new credit facility, we were able to eliminate the debt guarantee. Our outstanding debt totaled $16.6 million at December 31, 1999 compared with $493.3 million in March 1992.

With the new credit facility, we now have more autonomy and fewer restrictions on our business activities. We can now 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, 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. We have had significant development activity through joint ventures during the last half of 1998 and during 1999 and expect that activity to continue as we continue to expand our relationship with Olympus (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 1999, 42 of the lots had been sold with the balance under contract to close during 2000. We are continuing our efforts to develop several new subdivisions around the new Tom Fazio designed "Fazio Canyons" golf course, including our most recent joint venture arrangement to develop 54 multi-acre residential lots at the Escala Drive subdivision at Barton Creek. These lots will be completed and intial sales will occur around mid-2000. Also during 1999, we completed and fully leased the first 70,000 square foot office building at the 140,000 square foot Lantana Corporate Center. Construction and pre-leasing has begun on the second 70,000 square foot office building, with its expected completion date being mid-2000.

. We are currently permitting additional residential property at Barton Creek, and we expect to secure final approval for the first subdivision by the end of 2000.

Additional commercial and multi-family sites within Lantana are also being permitted. Final approval for these sites are expected to be received during 2000.

. We believe that we have the right to receive up to $30 million of future reimbursements associated with previously incurred utility infrastructure development costs. Substantial additional costs eligible for reimbursement will be incurred

in the future as our development activities continue. We received $13.1 million of Municipal Utility District (MUD) reimbursements during 1999 of which $2.8 million was associated with the Barton Creek MUDs, while the remaining $10.3 million was received from the City of Austin (the City) as a partial payment of our Circle C MUD claim. We continue to seek a final resolution or enforcement pertaining to our entitlement rights to the approximate $9 million in remaining Circle C MUD reimbursements. See Item 3, "Legal Proceedings," for more details on that matter.

. We face significant challenges to the development entitlements of our core properties in Austin, which are more fully discussed under Item 3, "Legal Proceedings." 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 are expected to 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 assistance on selective real estate projects, including the Lakeway project, near Austin.

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

Credit Facility

In December 1999, we established a new bank credit facility with Comerica Bank-Texas, which provides 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 outstanding borrowings under the previous credit facility, which was then terminated. This retirement of the previous credit facility removed the guarantee of our indebtedness by IMC Global, which assumed the guarantee from Freeport-McMoRan in connection with the merger in 1997 (see Note 1). Our debt is no longer guaranteed by any third party. Under terms of the new facility, we are required to make minimum repayments under the term loan of $2.5 million in 2000 and an additional $5.0 million in 2001. We have already met our 2000 requirement by repaying $6.1 million prior to December 31, 1999. The facility will mature in December 2002, subject to our option to extend the maturity until December 2003. For a further discussion of the credit facility see Note 5, and Items 7 and 7A, "Management's Discussion and Analysis of Financial Condition and Results of Operations and Disclosure About Market Risks."

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, 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. Olympus has the right to nominate one member or up to 20 percent of our Board of Directors, whichever is greater.

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, 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 in the now fully developed project. 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. 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 million. The land will be developed into 54 multi-acre single-family residential lots, which when completed will be the largest lots developed to date within the Barton Creek community. For a detailed

discussion of these transactions see "Joint Ventures with Olympus Real Estate Corporation" included in Items 7 and 7A "Management's Discussion and Analysis of Financial Condition and Results of Operations and Disclosures About Market Risks."

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 will likely 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, 1999, we had 19 employees, who manage our operations. We own 10 percent of a corporation which 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. Costs for services provided under this contract prior to January 1, 1998 were fixed at $0.5 million per annum, subject to annual cost of living adjustments. However, effective January 1, 1998, these services are provided on a cost reimbursement basis, which totaled $0.9 million in 1999 and $1.0 million in 1998.

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 and our debt reduction requirements under the new credit facility. 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 and to meet the debt reduction requirements under the facility.

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, the cyclical nature of the real estate business, 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, architectural design and environmental issues. 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.

The City and 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 continues to exist in the Austin area and the intensive opposition of certain interest groups, there can be no assurance that such expectations will prove correct. A more complete discussion of these matters is set forth under Item 3, "Legal Proceedings."

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 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 hasn't 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 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.

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 holdings, including our inventory of finished lots and acreage to be developed but excluding our holdings in joint ventures, are 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. See Item 3, "Legal Proceedings," for more details. For information concerning our unconsolidated affiliates' real estate holdings, see "Transaction with Olympus Real Estate Corporation" above and "Managements Discussion and Analysis of Financial Condition and Results of Operations and Disclosures About Market Risks" in Items 7 and 7A below.

		Potential Development Acreage			
	Developed Lots	Single Family	Multi-family	Commercial	Total
Austin					
Barton Creek	-	1,351	249	673	2,273
Lantana	-	154	36	311	501
Circle C	-	-	212	1,062	1,274
Dallas					
Bent Tree	-	-	10	-	10
Houston					
Copper Lakes	16	120	-	-	120
San Antonio					
Camino Real	8	-	23	-	23
Total	24	1,625	530	2,046	4,201

Item 3. Legal Proceedings

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

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 Attorney General of Texas intervened in this suit and the Circle C WQPZ litigation, described below, to join in the defense of the legislation. A summary judgment hearing was conducted in the Travis County District Court on July 9, 1998. The District Court entered an order granting the City's motion for summary judgment and declaring the WQPZ legislation unconstitutional. All parties agreed to the form of an order which permitted an expedited appeal directly to the Texas Supreme Court. Oral argument was presented to the Texas Supreme Court on December 9, 1998. A ruling is expected in the near future.

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., a wholly owned subsidiary of Stratus, filed a WQPZ (Circle C WQPZ) covering a portion of the Circle C development, consisting of 554 acres 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 has appealed the Hays County District Court's ruling to the Texas Third Court of Appeals. Both parties submitted briefs and on September 15, 1999 oral argument was presented to the Third Court of Appeals.

The principal issue involved in this case, the constitutionality of the enabling legislation authorizing the creation of WQPZs, is already pending before the Texas Supreme Court in the City's WQPZ action described above and is expected to be resolved in connection with that case. Assuming the Texas Supreme Court determines that the enabling legislation is constitutional, certain important collateral issues are pending before the Third Court of Appeals. Those issues, which involve the application of the WQPZ enabling legislation to Stratus' WQPZ at Circle C, are expected to be resolved in Stratus' favor.

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 annexed all land formerly lying within the Circle C project. If the City's annexation is valid, 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. The City paid a portion of Stratus' claim, as described below. A trial of the balance of Stratus' claim is expected to be set during the second quarter of 2000.

The City's total reimbursement obligation to the Circle C developers, resulting from its annexation, is estimated at $22 million. On October 29, 1999, Circle C Land Corp. and the City reached an agreement in which Stratus received $9.8 million (including $1 million of interest) as partial payment of its MUD reimbursement claims. On January 14, 2000, Stratus received an additional $0.3 million from the City resulting from both parties agreeing to the adjustment of prior engineering and accounting estimates. Under the terms of the agreement, Stratus would be required to return the money to the City and the City would be required to return the utility infrastructure to Stratus if the City's annexation is reversed or otherwise legally rescinded, whether by legislative action, final action of the appellate court or other legal process. Stratus' remaining share is estimated at approximately $9.0 million, exclusive of penalties and interest. See Note 10 for further discussion of the City's partial payment of the Circle C MUD reimbursement.

During the 1999 legislative session two laws were enacted enhancing Stratus' MUD reimbursement claim against the City, as described in "Legislative Matters" below. These laws became effective on September 1, 1999, and Stratus is accordingly entitled to penalties and interest on the outstanding delinquent Circle C MUD reimbursements. Stratus will continue to pursue this action vigorously.

Legislative Matters: In the 1997 Texas State legislative session, a bill to reorganize a state governmental agency inadvertently repealed the provisions of law (H.B. 4 and S.B. 1704), that established grandfathered rights for previously permitted lands. In response to the legislature's inadvertent repeal, the City enacted an ordinance establishing regulations on land development that effectively eliminated the grandfathered rights. The City attempted to apply these regulations to

portions of Stratus' Circle C property and Lantana. In response, Stratus undertook to assert and defend its grandfathered entitlements vigorously. In April 1999, the Texas State House of Representatives and Senate overwhelmingly approved H.B. 1704, which reinstated the grandfathered rights previously inadvertently repealed. This bill became law effective on May 11, 1999.

Three other laws were enacted during the second quarter of 1999, which are expected to have a positive impact on Stratus' development rights for its Austin-area properties and strengthen its position in collecting the Circle C MUD reimbursements currently being litigated (see "Annexation/Circle C MUD Reimbursements Suit" above). The three laws enacted are: S.B. 262, which requires a municipality that annexed property in a MUD to pay penalties and interest on utility infrastructure reimbursements associated with the annexed properties that are not timely paid by the municipality; S.B. 1165, which validates the creation of existing water quality protection zones; and S.B. 89, which requires a municipality to pay developers for utility infrastructure within a MUD controlled and operated by a municipality in conjunction with an annexation, regardless of whether or not the municipality's annexation is ultimately validated.

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 9, 2000, regarding our executive officers is set forth in the following table and accompanying text.

Name	Age	Position or Office
William H. Armstrong III	35	Chairman of the Board, President and Chief Executive Officer
Kenneth N. Jones	40	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. Previously, Mr. Armstrong was a member of the Finance and Business Development Group of Freeport-McMoRan Inc. with responsibility for real estate activities.

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 the Nasdaq National Market 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.

	1999		1998	
	High	Low	High	Low
First Quarter	$ 4.63	$ 3.13	$ 7.13	$ 4.63
Second Quarter	5.00	2.88	6.63	3.88
Third Quarter	5.25	3.75	4.75	3.00
Fourth Quarter	4.88	3.75	4.13	2.63

As of February 28, 2000 there were 8,343 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 the 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, 1999. 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."

	1999	1998	1997a	1996	1995
	(In Thousands, Except Per Share Amounts)				
Years Ended December 31:					
Revenues	$ 14,676	$ 17,590	$ 30,953	$ -	$ -
Loss from Partnership	-	-	-	(346)	(571)
Operating income (loss)	3,350	(572)	3,907	(566)	(2,367)
Net income (loss)	2,871	(2,638)	7,006b	76	153
Basic net income (loss) per share	0.20	(0.18)	0.49	0.01	0.01
Diluted net income (loss) per share	0.18	(0.18)	0.48	0.01	0.01
Basic average shares outstanding	14,288	14,288	14,288	14,286	14,286
Diluted average shares outstanding	16,238c	14,288	14,517	14,390	14,312

	1999	1998	1997	1996	1995
	(in Thousands)				
At December 31:					
Real estate and facilities, net	91,664	96,556	105,274	-	-
Investment in the					

Partnership	-	-	-	56,055	56,401
Total assets	115,672	111,829	112,754	60,985	60,897
Long-term debt	16,562	29,178	37,118	- d	d
Stockholders' equity	66,840	63,969	66,607	59,599	59,523

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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 of Notes To Financial Statements.
b. Includes a $4.5 million ($0.31 per share) gain from sale of oil and gas properties.
c. Assumes the redemption of our 1.7 million shares of outstanding mandatorily redeemable preferred stock for 1.7 million shares of common stock.
d. 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 separate debt amounts included in Investment in the Partnership prior to 1997 were $58,325 for 1996 and $121,294 for 1995.

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 the approximate 2,300 acres of undeveloped residential, multi-family and commercial property located in southwest Austin within the Barton Creek community and 500 acres of undeveloped residential, multi-family and commercial property known as the Lantana tract, 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 Ranch development, also located in southwest Austin.

We also own 24 developed lots, 120 acres of undeveloped residential property and 33 acres of undeveloped commercial and multi-family property located in Dallas, Houston and San Antonio, Texas which are being actively 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, 1999 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 on May 22, 1998 (see Note 2 of the Notes to Financial Statements). All subsequent references to "Notes" refer o the Notes To Financial Statements located in Item 8, found elsewhere in this 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. One joint venture was expanded to encompass a new project during the fourth quarter of 1999. See Note 4, for financial information about our unconsolidated affiliates.

Barton Creek Joint Venture

The first joint venture involved our sale of the Wimberly Lane tract (formerly called ABC West Phase I subdivision tract) in Barton Creek, to the Oly Stratus Barton Creek I Joint Venture (Barton Creek Joint Venture) (formerly the Oly Stratus ABC West I 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 November 1998, as manager of the project, we arranged a $3.9 million project loan for the joint venture. The assets held in the joint venture secured the loan. We were also required, as additional collateral for the loan, to deposit $0.5 million with the bank in a restricted account until the loan was repaid in its entirety. Initial borrowings on the project loan were used to reimburse us $1.9 million for costs incurred on the development prior to the formation of the joint venture. Subsequent borrowings were used to complete the project. During the first quarter of 1999, as developer, we completed the development of 75 residential lots. As manager, we have been marketing and selling these 75 lots during 1999. As of December 31, 1999, 42 of the residential lots have been sold and funded. The joint venture used proceeds from these sales to repay all outstanding borrowings on the project loan, which required the bank to release the $0.5 million restricted deposit. We received a development fee for completing the project and receive commissions for the lot sales. We anticipate all of the remaining lots owned by the joint venture will be sold by no later than the end of 2000. The proceeds from these future lot sales will be used in the development of the 54 lots recently added to the joint venture, as more fully explained below.

In December 1999, we sold 174 acres of land encompassing 54 platted lots within the Barton Creek community near Austin, Texas to the Barton Creek Joint Venture for $11.0 million. Upon closing of the sale we received $6.0 million and a $5.0 million note. We deferred our ownership interest in the $11.0 million of sales proceeds, or $5.5 million, and the related gain of $6.0 million, or $3.0 million. We will recognize these deferred amounts and the note will be paid as the lots are developed and sold to third parties. The 54 lots are currently being developed and will average over 3 acres in size, which will make these lots the largest homesites developed to date within the Barton Creek community. All of these lots have scenic hill country settings and some will overlook the new Tom Fazio-designed "Fazio Canyons" golf course. The lots are being developed pursuant to the City's more restrictive development requirments and could be completed as early as the second quarter of 2000. The development of these lots will be funded primarily through the initial equity contributions of the partners and proceeds from sales of the remaining lots at the Wimberly Lane section of the Barton Creek Joint Venture (see above).

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 that 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, 1999, included approximately 590 developed lots and 80 acres of platted but undeveloped real estate, and will 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, 1999, approximately 340 lots have already closed and funded under these agreements. The Walden Partnership has an $8.2 million project loan, which is nonrecourse to the partners and is secured by the assets of the project. We were also required to make a restricted cash deposit of $2.5 million as additional collateral for the loan, of which $1.5 million was still restricted at December 31, 1999.

7000 West

On August 16, 1999, we 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). 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 resulting from the sale of the 5.5 acres of commercial real estate associated with Phase I of the project to the joint venture. As developer, we completed construction on the first building in November 1999 and as manager we have secured signed lease agreements which have fully occupied the building. We are proceeding with construction on the second 70,000 square foot office building. We anticipate closing a transaction with Olympus for the sale of the 5.5 acres of commercial real estate associated with Phase II, which will be substantially the same as the Phase I transaction. Funds for the construction of the first building at 7000 West were provided by the $6.6 million project loan, which we arranged in April 1999. The 18-month, variable rate, nonrecourse loan is secured by the 11 acres of land at 7000 West, related improvements and approximately $2.0 million of utility infrastructure reimbursements due from the City of Austin (the City) for the Lantana pump station. This loan is being amended to provide an additional $7.7 million for construction of the second building. The amended loan will no longer require our $2.0 million receivable from the City as security.

Other Development Activities

Development is progressing at several sections of the Barton Creek community, including the completion of utility infrastructure that will serve a significant portion of the 2,300 acres of undeveloped property at Barton Creek, and preliminary development of approximately 200 new single-family homesites surrounding the new Tom Fazio-designed "Fazio Canyons" golf course, which was completed in September 1999. We expect that a number of these homesites could be available for sale by late 2000. However, permitting and entitlement issues now being litigated make the timing of completion of the projects at Barton Creek uncertain.

Results Of Operations

Summary operating results follow (in thousands):

	1999	1998	1997
Revenues			
Undeveloped properties			
Unrelated parties	$ 3,024	$ 1,016	$ 13,230
Olympus	6,020	1,651	-
Recognition of deferred revenues	904	-	-

Total undeveloped properties	9,948	2,667	13,230
Developed properties	3,371	14,457	17,723
Commissions, management fees and other	1,357	466	-
Total revenues	14,676	17,590	30,953
Operating income (loss)	3,350a,b	(572)a,b	3,907a
Net income (loss)	2,871	(2,638)	7,006c

a. Includes reimbursement of infrastructure cost expensed in prior years of $2.8 million in 1999, $0.8 million in 1998 and $3.1 million in 1997.
b. Includes $3.5 million of recognized gains associated with transactions involving the 7000 West 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.
c. Includes a $4.5 million gain from sale of oil and gas property interests.

Our undeveloped property revenues include both sales of undeveloped properties to third parties and the recognition of previously deferred revenues from the sale of undeveloped real estate to our unconsolidated affiliates. When we sell real estate to an entity that we own jointly with Olympus, we defer recognizing the portion of the revenue from the sale related to our interest until all or a portion of the real estate is ultimately sold to unrelated parties. 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 the 7000 West Joint Venture (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. Our 1997 undeveloped revenues include the sale of 72 acres of commercial and multi-family real estate. Developed property revenues during 1997 resulted from the sale of 198 single-family homesites and 46 acres of residential real estate.

Increased commissions, management fees and other revenues reflect our effort to expand that part of our business through our role as manager in the joint ventures with Olympus, as well as our management of the 2,200 acre Lakeway project near Austin.

Costs of sales were $7.8 million in 1999, $14.1 million in 1998 and $24.3 million in 1997. The decrease in 1999 from 1998 primarily reflects the substantial reduction in sales, particularly those related to the sales of developed lots. Additionally, reimbursements of certain infrastructure costs, which were previously charged to expense or related to properties previously sold, reduced cost of sales by $2.8 million in 1999, $0.8 million in 1998 and $3.1 million in 1997.

Our general and administrative expenses totaled $3.5 million in 1999, $4.0 million in 1998 and $2.8 million during

1997. The variances between the respective years primarily are the result of legal expenses. Legal expenses totaled $0.8 million in 1999, $1.5 million in 1998, and $0.6 million in 1997. Our legal costs primarily represent our ongoing efforts to resolve through litigation attempts by the City and others to restrict our development entitlements and to secure reimbursements from the City of approximately $22 million, of which our share is approximately $18 million, relating to the infrastructure costs incurred in the development of the Circle C property which was annexed by the City. In the fourth quarter of 1999, we received partial payments totaling $10.3 million related to our Circle C claim from the City (see "Capital Resources and Liquidity"). In December 1998, the Texas Supreme Court heard oral argument on a case that may resolve various issues between the City and us. A ruling could be issued at any time. Lower legal costs during 1999 reflect the reduced litigation activity. See Item 3, "Legal Proceedings" for further discussion concerning our legal matters. Additionally, the increase in expenses during 1999 and 1998 reflect increased charges for general and administrative expense relating to services provided by an affiliated services company (see Note 8).

In September 1997, we sold several working interests and numerous overriding royalty interests in oil and gas properties, which we had held since our formation, to McMoRan Oil & Gas Co. and Phosphate Resource Partners Limited Partnership. We received $4.5 million from the sale, which resulted in a gain of $4.5 million. At the time of the sale, we were affiliates of McMoRan Oil & Gas and Phosphate Resource Partners because Freeport-McMoRan Inc., our former managing general partner (see Note 1), held a similar role with Phosphate Resource Partners and because we shared common management and a common director with McMoRan Oil & Gas. These interests had no cost basis and represented all of our remaining oil and gas interests. The gain is reflected in Other Income, which also includes royalty income generated by these properties prior to the sale totaling $0.8 million for 1997.

Net interest expense totaled $0.8 million in 1999, $2.0 million in 1998 and $2.2 million in 1997. The decrease represents our repayment of debt over the three-year period resulting in lower average debt outstanding in each of the three years. Capitalized interest totaled $1.2 million in 1999, $0.4 million in 1998 and $1.4 million in 1997.

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.

Capital Resources And Liquidity

Net cash provided by operating activities totaled $20.6 million in 1999, $11.1 million in 1998 and $29.5 million in 1997. The increase in 1999 compared to 1998 resulted primarily from our receipt of $10.3 million from the City as partial payment of our Circle C reimbursement claims (see below and Item 3, "Legal Proceedings"). 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. The decrease in the 1998 amount from 1997 primarily reflects a substantial decrease in our sales of undeveloped properties. Operating cash flows in 1997 include the $4.5 million gain on the sale of oil and gas properties (see discussion in "Results of Operations" above) and $3.1 million for reimbursement of previously expensed infrastructure costs.

Net cash used in investing activities totaled $8.9 million in 1999, $8.8 million in 1998 and $9.5 million in 1997. Investing activities for all three years reflect real estate and facilities capital expenditure payments, net of any related capitalized municipal utility district (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" above and Note 4). Real estate and facility capital expenditures have generally decreased, 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.

Financing activities provided (used) cash totaling ($12.9) million in 1999, $2.1 million in 1998 and $(21.2) million in 1997. We reduced our net outstanding borrowings by $12.6 million in 1999, $7.9 million in 1998 and $21.2 million in 1997. 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).

Sales, limited development activities and the receipt of the partial payment of our Circle C infrastructure reimbursements enabled us to generate operating cash flows during the three years ended December 31, 1999. We used these operating cash flows to reduce our outstanding debt from $58.3 million at December 31, 1996 to $16.6 million at December 31, 1999. Historically, our funding needs were met largely from borrowings under a revolving credit facility and term loan, which provided for an aggregate $35 million of available proceeds through December 31, 1999. This facility was replaced with a new facility in December 1999 (see below and Note 5).

In December 1999, we established a new bank credit facility with Comerica Bank-Texas, which provides 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 outstanding borrowings under our previous credit facility. This debt retirement removed all third party guarantees of our indebtedness (see Note 5). The new facility also makes available to us up to an additional $10 million of borrowings under a revolving line of credit. Our outstanding borrowings on the term loan totaled $13.9 million at December 31, 1999. There were no borrowings on the revolving line of credit as of December 31, 1999. We also have $2.7 million of outstanding borrowings on our convertible debt facility with Olympus (see Note 2).

The new credit facility requires that we reduce the outstanding balance of the term loan by at least $2.5 million in 2000 and by an additional $5.0 million prior to December 21, 2001. The debt will mature in December 2002, subject to our option to extend the debt through December 2003. We have already exceeded our year 2000 repayment obligation by reducing the outstanding borrowings on the term loan by approximately $6.1 million, as further explained below. We are also required to deposit funds into an interest reserve account with the bank. The amount in this account must be sufficient to carry the debt service for both the term loan and the revolving line of credit for the ensuing twelve month period, adjusted quarterly. At December 31, 1999, the amount included in the interest reserve account totaled approximately $2 million. We can fund this amount directly or it can be treated as a reduction of our availability under the revolving line of credit. At December 31, 1999, the interest reserve requirement reduced our amount available under the revolving line of credit to $8 million. We subsequently funded $1.5 million to the interest reserve account using proceeds from operations thereby increasing our

availability to $9.5 million under the revolving line of credit.

On October 29, 1999, the City agreed to pay us $9.8 million, including interest of $1 million, as partial payment of our Circle C MUD reimbursements. We have 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 an additional $0.3 million partial payment in January 2000. We used all proceeds received to reduce our outstanding borrowings under the applicable credit facilities at the time of the receipts. Under certain conditions we could be required to return these proceeds to the City. In this event, the City would be required to return our Circle C utility infrastructure, and we would reassert our claims related to the partial payments. Accordingly, these proceeds have been classified on our balance sheet as _other liabilities._ We are continuing to pursue the approximate $9 million remaining on our Circle C MUD claims. See Item 3, _Legal Proceedings_ and Notes 6 and 10 for additional information concerning our Circle C MUD claims and the City's partial payments.

In December 1999, we sold 174 acres of land encompassing 54 platted lots within the Barton Creek community near Austin, Texas., to the Barton Creek Joint Venture owned 50.1 percent by Olympus and 49.9 percent by us (see "Joint Ventures with Olympus Real Estate Corporation," above and Note 4). We sold the land for $11.0 million, receiving $6.0 million and a $5.0 million note. We used the proceeds to reduce borrowings under the term loan with Comerica Bank-Texas (see above).

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. On October 1, 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, 1999 outstanding borrowings on this project loan totaled $3.6 million.

In November 1998, the Barton Creek Joint Venture (see "Joint Ventures with Olympus Real Estate Corporation" above), closed on a $3.9 million project development loan facility with the same bank as the Walden Partnership loan. The three-year, variable rate loan was secured by the assets of the Barton Creek Joint Venture and was nonrecourse to the partners. In addition, the loan was secured by cash (see discussion below). Upon closing of the

project loan we were reimbursed $1.9 million for previously incurred development costs associated with the project and certain Travis County fiscal deposits. All outstanding borrowings under this project loan have been repaid and we have terminated the facility.

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). We guaranteed the completion of the project and we are responsible for any unpaid interest and certain other limited obligations. The 18-month, variable rate, nonrecourse loan is secured by approximately 11 acres of real estate at 7000 West, the related improvements and approximately

$2.0 million of reimbursements due from the City for the Lantana water pump station. 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 no longer consolidated in our financial statements and is now recorded by the joint venture (see "Joint Ventures with Olympus Real Estate Corporation", above and Note 4). At December 31, 1999 outstanding borrowings on this project loan totaled $4.6 million. This project loan is being amended to provide an additional $7.7 million for construction of the second 70,000 square foot office building and the release of the lien on the $2.0 million receivable from the City.

The Walden Partnership and Barton Creek Venture loan agreements required a cash deposit as additional collateral for the respective loans. As required under the loan agreements, one of our wholly owned subsidiaries deposited a total of $3.0 million with the bank. The Walden Partnership loan agreement provides that the restricted cash balance ($2.5 million) may be reduced by $0.30 for every $1.00 in principal reduction. The Barton Creek Joint Venture loan's restricted cash requirement ($0.5 million) was eliminated because we repaid all our outstanding borrowings under the facility. Olympus has agreed to pay us interest at 12 percent per annum for their 50 percent share of such restricted cash, net of related interest earned. At December 31, 1999 we had $1.5 million of restricted cash deposited with the bank for the Walden Partnership facility.

Our future operating cash flows and, ultimately, our ability to develop our properties and expand our business will largely depend on the level of our real estate sales. In turn, these sales will be significantly affected by future real estate values, regulatory issues, development costs, interest rate levels and our ability to continue to protect our land use and development entitlements. Significant development expenditures remain for our Austin-area properties prior to their eventual sale. We anticipate 2000 capital expenditures will be limited to essential levels as we work to preserve our land use and related rights in various disputes with the City and others, as more fully explained in Item 3, "Legal Proceedings." We believe our near-term capital resource needs can be met adequately during 2000 from operating cash flows and borrowings under our revolving line of credit. We are able to obtain up to $37.2 million in additional capital from Olympus for the development of existing properties in which we desire third-party equity participation. However, while financing for development of our existing properties is available, obtaining land acquisition financing is generally expensive and uncertain.

Impact Of Year 2000 Compliance

The Year 2000 (Y2K) issue is the result of computerized systems being written to store and process the year portion of dates using two digits rather than four. To date, all of our systems have continued to operate without disruption related to Y2K. We will continue to closely monitor areas of particular risk including our business partners' ability to continue to meet their commitments throughout the year. The incremental costs associated with our Y2K efforts totaled less than $0.1 million through 1999 and we do not expect to incur any additional costs.

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 December 31, 1999 outstanding bank debt and interest rates, a change of 100 basis points in applicable annual interest rates would have an approximate $0.1 million impact on year 2000 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 cost 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 generally accepted accounting principles 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 generally accepted auditing standards, 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 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, 1999 and 1998, and the related statements of operations, cash flow and changes in stockholders' equity for each of the three years in the period ended December 31, 1999. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Stratus Properties Inc. as of December 31, 1999 and 1998 and the results of its operations and its cash flow for each of the three years in the period ended December 31, 1999 in conformity with generally accepted accounting principles.

/s/ Arthur Andersen LLP

Austin, Texas
January 19, 2000

STRATUS PROPERTIES INC.
BALANCE SHEETS

	December 31,	
	1999	1998
	(In Thousands)	
ASSETS		
Current assets:		
Cash and cash equivalents, including restricted cash of $2.1 million and $2.8 million at December 31, 1999 and 1998, respectively, (Notes 4 and 5)	$ 3,964	$ 5,169
Accounts receivable:		
Property sales	149	525
Other	1,160	408
Prepaid expenses	375	361
Total current assets	5,648	6,463
Real estate and facilities, net (Note 6)	91,664	96,556
Investments in and advances to unconsolidated affiliates (Note 4)	7,254	2,468
Other assets, including related party receivable (Note 4)	11,106	6,342
Total assets	$ 115,672	$ 111,829
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	$ 900	$ 583
Accrued interest, property taxes and other	1,537	1,861
Total current liabilities	2,437	2,444
Long-term debt (Note 5)	16,562	29,178

Other liabilities	19,833	6,238
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, 14,288,270 issued and outstanding	143	143
Capital in excess of par value of common stock	176,447	176,447
Accumulated deficit	(109,750)	(112,621)
Total stockholders equity	66,840	63,969
Total liabilities and stockholders' equity	$ 115,672	$ 111,829

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

STRATUS PROPERTIES INC.
STATEMENTS OF OPERATIONS

	Years Ended December 31,		
	1999	1998	1997
	(In Thousands, Except Per Share Amounts)		
Revenues	$ 14,676	$ 17,590	$ 30,953
Costs and expenses:			
Cost of sales	7,819	14,118	24,294
General and administrative expenses	3,507	4,044	2,752
Total costs and expenses	11,326	18,162	27,046
Operating income (loss)	3,350	(572)	3,907
Other income, net	133	66	5,375
Interest expense, net	(789)	(2,019)	(2,181)
Income (loss) before income taxes, equity in unconsolidated affiliates and minority interest	2,694	(2,525)	7,101
Income tax provision	(130)	(87)	(80)
Equity in unconsolidated affiliates income (loss)	307	(26)	-
Minority interest in net income of the Partnership	-	-	(15)
Net income (loss)	$ 2,871	$ (2,638)	$ 7,006
Net income (loss) per share:			
Basic	$0.20	$(0.18)	$0.49
Diluted	$0.18	$(0.18)	$0.48
Average shares outstanding:			
Basic	14,288	14,288	14,288
Diluted	16,238	14,288	14,517

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, 1997	$ -	$ 143	$ 176,445	$ (116,989)	$ 59,599
Stock options exercised	-	-	2	-	2
Net income	-	-	-	7,006	7,006
Balance at December 31, 1997	-	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

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

STRATUS PROPERTIES INC.
STATEMENTS OF CASH FLOW

	Years Ended December 31,		
	1999	1998	1997
	(In Thousands)		
Cash flow from operating activities:			
Net income (loss)	$ 2,871	$ (2,638)	$ 7,006
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	87	76	104
Cost of real estate sales	10,018	14,989	23,729
Equity in income (loss) of unconsolidated affiliates	(307)	26	-
Minority interest's share of Partnership net income	-	-	-
(Increase) decrease in working capital:			
Accounts receivable and prepaid expenses	600	620	2,582
Accounts payable, accrued liabilities and other	(7)	(575)	(2,734)
Proceeds from Circle C municipal utility reimbursement	10,262	-	-
Long term receivable and other	(2,914)	(1,422)	(1,183)
Net cash provided by operating activities	20,610	11,076	29,519
Cash flow from investing activities:			
Real estate and facilities	(8,554)	(6,346)	(9,547)
Investment in Barton Creek Joint Venture	-	(494)	-
Investment in Oly Walden Partnership	(376)	(1,999)	-
Net cash used in investing activities	(8,930)	(8,839)	(9,547)
Cash flow from financing activities:			
Repayment of debt, net	(27,118)	(9,940)	(21,207)

Proceeds from term loan	20,000	-	-
Repayments of term loan	(6,143)	-	-
Proceeds from convertible debt facility	376	1,999	-
Proceeds from preferred stock issuance	-	10,000	-
Net cash provided by (used in) financing activities	(12,885)	2,059	(21,207)
Net increase (decrease) in cash and cash equivalents	(1,205)	4,296	(1,235)
Cash and cash equivalents at beginning of year	5,169	873	2,108
Cash and cash equivalents at end of year	$ 3,964	$ 5,169	$ 873
Interest paid	$ 1,716	$ 2,338	$ 3,351
Income taxes paid (refunded)	$ 14	$ (118)	$ 220

The accompanying notes 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) are conducted in Austin and other urban areas of Texas through its investment in Stratus Properties Operating Co., a Delaware general partnership (the Partnership). Prior to December 22, 1997, Stratus owned a 99.8 percent general partnership interest in the Partnership and Freeport-McMoRan Inc., Stratus' former parent, owned the remaining 0.2 percent general partnership interest and served as managing general partner. Freeport-McMoRan had certain rights regarding the Partnership's operations as long as it guaranteed any of the Partnership's debt (Note 5). Because of Freeport-McMoRan's rights, Stratus reflected its investment in the Partnership under the equity basis of accounting.

On December 22, 1997 Freeport-McMoRan merged into IMC Global Inc. (the Merger). In connection with the Merger, Freeport-McMoRan sold its 0.2 percent general partnership interest to Stratus and a subsidiary of Stratus for $100,000. Stratus also restructured and consolidated its existing debt in December 1997, extending its availability until January 1, 2001 and providing for staged reductions in available credit. IMC Global became guarantor of this restructured debt in place of Freeport-McMoRan. As a result of Freeport-McMoRan's sale of its interest and the replacement of the Freeport-McMoRan guarantee with the IMC Global guarantee, the accompanying financial statements and related footnotes reflect the Partnership's financial position and results of operations under consolidation accounting effective January 1, 1997.

Use of Estimates. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the 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 property sales and other receivables, other current assets, accounts payable and long-term borrowings reported in the balance sheet approximate fair value.

Earnings Per Share. Basic net income (loss) per share was calculated by dividing net income (loss) applicable to common stock by the weighted-average number of common shares outstanding during the years presented. Diluted net income (loss) per share of common stock was calculated by dividing net income applicable to common stock by the weighted-average number of common shares outstanding during the year plus the net effect of dilutive stock options. Stratus had dilutive options outstanding representing 238,000 shares of common stock in 1999. Additionally, the diluted net income per share calculations for 1999 assumed the redemption of Stratus' approximate 1.7 million shares of outstanding mandatorily reedeemable preferred stock for approximately 1.7 million shares of common stock. Stratus' outstanding convertible debt, which is convertible into approximately 370,000 shares of common stock was excluded from the diluted net income per share calculation for 1999 because of its anti-dilutive effect. Interest accrued on the convertible debt outstanding totaled $270,000 during 1999 and there have been no dividends accrued to date on the mandatorily reedeemable preferred stock.

With respect to 1998, Stratus had options outstanding representing 275,000 shares of common stock excluded from the calculation as anti-dilutive considering the loss reported that year. Stratus' outstanding mandatorily redeemable preferred stock and outstanding convertible debt were not included in the 1998 computation of diluted net loss per share of common stock because the conversion of these shares would have decreased the net loss per share. As a result, the mandatorily redeemable preferred stock convertible into approximately 1.7 million shares of common stock and outstanding convertible debt convertible into 282,000 shares of common stock were not included in the 1998 diluted net loss per share calculation. During 1998 there were no dividends accrued on the mandatorily redeemable preferred stock and interest expense on the convertible debt totaled $61,000.

Stratus had dilutive options outstanding which represented 229,000 shares of common stock included in its 1997 dilutive net income per share calculation. There was no outstanding convertible debt or mandatorily reedemable preferred stock during 1997.

Outstanding options to purchase approximately 295,000 shares of common stock at an average exercise price of $6.14 per share for both 1999 and 1998 and 235,000 shares of common stock at an average exercise price of $5.23 per share in 1997 were not included in the computation of diluted net income (loss) per share because their exercise prices were greater 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 the projected undiscounted cash flow from the asset does not exceed the 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.

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.

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, 1999, Olympus had elected to add the interest to principal, resulting in an outstanding amount on the facility of approximately $2.7 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 of the convertible debt.

Through May 22, 2001, Olympus has agreed to make available up to $50 million, of which it had committed approximately $12.8 million at December 31, 1999, 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.

4. Investment in Unconsolidated Affiliates

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 ABC West Phase I subdivision known as Wimberly Lane. In this transaction Stratus sold land to the Oly Stratus ABC West I Joint Venture (ABC Joint Venture), which has subsequently been renamed (see below), for approximately $3.3 million. Stratus deferred its equity interest in the sale, or $1.65 million, for financial accounting purposes, which will be 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. 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 the funds of which were borrowed 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. Stratus accounts for its investment in both of these affiliated entities using the equity method.

Stratus, as manager of the both the Walden Partnership and the ABC Joint Venture, negotiated project development loan facilities for both joint ventures with the same commercial bank. These facilities, totaling $8.2 million for the Walden Partnership and $3.9 million for the ABC Joint Venture, are nonrecourse to the partners and are secured by the assets of the respective projects. At December 31, 1999, borrowings of $3.6 million were outstanding on the Walden facility. The ABC Joint Venture repaid all its outstanding obligations under its facility and has terminated the related bank commitment. These facilities required that a wholly owned subsidiary of Stratus deposit a total of $3.0 million of restricted cash with the bank as additional collateral for these facilities. The 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. The restriction on the $0.5 million deposited as collateral for the ABC Joint Venture loan has been removed because the loan has been repaid. At December 31, 1999, Stratus had approximately $1.5 million of restricted cash associated solely with the Walden Partnership facility 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. 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 signed lease agreements which have fully occupied the building. Stratus is proceeding with construction on the second 70,000 square foot office building. Stratus anticipates the remaining 5.5 acres of commercial real estate associated with phase II of the project will be sold to Olympus in a similar transaction in 2000. 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. The 18-month variable rate, nonrecourse loan is secured by the 11 acres of land at 7000 West, related improvements and approximately $2.0 million of reimbursements due from the City of Austin (the City) for the Lantana pump station. This project loan facility is in the process of being amended to provide an additional $7.7 million of availability. Stratus accounts for its investment in this joint venture using the equity method.

In December 1999, Stratus sold 174 acres of land encompassing 54 platted lots within the Barton Creek community near Austin, Texas to the ABC Joint Venture for $11 million. The ABC Joint Venture was formed in September 1998 to develop and sell other lots at the Wimberly Lane development within the Barton Creek community (see above). The name of the joint venture was changed and future references to it will reflect its new name, Oly Stratus Barton Creek I Joint Venture (Barton Creek Joint Venture). Upon the closing of the sale, Stratus received $6.0 million and a $5.0 million note. Stratus deferred its ownership interest in the $11.0 million of proceeds, or $5.5 million, and the related gain of $6.0 million, or $3.0 million. Stratus will recognize these deferred amounts and the note will be paid as the lots are developed and sold to unrelated third parties. Sales of lots from the Wimberly Lane section of the Barton Creek Joint Venture together with the initial equity contributions of the partners are expected to fund the construction of these lots. Stratus, as manager of the project, sold 42 of the 75 developed lots at the Wimberly Lane portion of the Barton Creek Joint Venture during 1999.

The Barton Creek Joint Venture distributed approximately $0.4 million to the partners during 1999. Stratus recorded its portion of the distribution, $0.2 million, as a reduction of its $1.2 million note received from the initial sale of the 28 acres to the Barton Creek Joint Venture. There have been no distributions received from the Walden Partnership or 7000 West since their formation. The summarized unaudited financial information of Stratus' unconsolidated affiliates is shown below as of December 31, 1999 and for the year then ended and as of December 31, 1998 and the period from inception (September 30, 1998) to December 31, 1998 (in thousands):

	Barton Creek Joint Venture	Walden Partnership	7000 West	Total
Earnings data (year ended December 31, 1999):				
Revenue	$ 4,446	$ 2,833	$ 21	$ 7,300
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
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
Earnings data (inception to December 31, 1998):				
Revenue	-	875	-	875
Operating loss	-	(75)	-	(75)
Net loss	-	(51)	-	(51)
Stratus' equity in net loss	-	(26)	-	(26)
Balance sheet data (at December 31, 1998):				
Current assets	21	726	-	747
Real estate and facilities, net	4,666	9,859	-	14,525
Total assets	4,687	10,662	-	15,349
Current liabilities	103	2,298	-	2,401
Total liabilities	3,698	9,630c	-	13,328
Net assets	989	600	-	1,589
Stratus' equity in net assets	494	299	-	793

a. Includes recognition of $67,000 of a total $337,000 of deferred income, 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.
b. Includes a $2.1 million note payable to Stratus.
c. Includes a $1.7 million note payable to Stratus.

5. Long-Term Debt

	December 31,	
	1999	1998
	(In Thousands)	
Bank credit facility and term loan, average rate 5.6% in 1999 and 6.0% in 1998	$ -	$ 27,118
Comerica term loan, average rate 9.5 %	13,857	-
Convertible debt facility with Olympus, average rate 12.0% in 1999 and 1998 (Note 2)	2,705	2,060
	$ 16,562	$ 29,178

Stratus had a commercial bank credit facility that provided for borrowings of up to $35 million through December 31, 1999. In December 1999, Stratus negotiated a new facility agreement with Comerica Bank-Texas. The new facility provides for a $20 million term loan and a $10 million revolving line of credit (see below). Stratus borrowed $20 million under the term loan portion of the facility and used the proceeds to repay all outstanding borrowings under its previous credit facility, which was then terminated. This debt retirement of the previous credit facility removed the IMC Global Inc. guarantee of Stratus' indebtedness (Note 1). As consideration for IMC Global's guarantee, Stratus paid IMC Global an annual fee which totaled $0.2 million for both 1999 and 1998.

Interest on the Comerica facility is variable and accrues at either the lender's prime rate plus 1 percent or LIBOR plus 300 basis points at Stratus' option. The term loan and revolving line of credit 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 restricting dividends or other distributions, a change in management, additional debt and certain other activities. Stratus is also required to deposit funds into an interest reserve account with the bank. The amount in this account must be sufficient to carry the 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, 1999. The amount can be funded directly by Stratus or by reducing Stratus' availability under the revolving line of credit. At December 31, 1999, Stratus funded the interest reserve account by reducing its availability under the revolving line of credit to $8.0 million. Stratus is also required to reduce the balance on the term loan by at least $2.5 million in 2000 and an additional $5.0 million prior to December 21, 2001. Stratus has already met its repayment commitment for 2000 by repaying $6.1 million prior to December 31, 1999. The debt will mature in December 2002, subject to Stratus' option to extend the maturity through December 2003. As of December 31, 1999, Stratus had no borrowed funds under the revolving line of credit. At December 31, 1999, Stratus had deposited $0.6 million within a Comerica restricted account. Capitalized interest totaled $1.2 million in 1999, $0.4 million in 1998 and $1.4 million in 1997.

6. Real Estate

	December 31,	
	1999	1998
	(In Thousands)	
Land held for development or sale:		
Austin, Texas area, net of accumulated depreciation of $209,000 for 1999 and $122,000 for 1998	$ 86,178	$ 87,199
Other areas of Texas	5,486	9,357
	$ 91,664	$ 96,556

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 500 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 24 developed lots, 120 acres of undeveloped residential property and 32 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, 1999 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 are summarized below.

The City's WQPZ Action - On January 9, 1998, the City filed suit in Travis County District Court against 14 WQPZs and their owners, including the Barton Creek WQPZ, challenging the constitutionality of the legislation authorizing the creation of water quality zones. The Attorney General of Texas intervened in this suit and the Circle C WQPZ litigation, described below, to join the defense of the legislation. A summary judgment hearing was conducted in the Travis County District Court on July 9, 1998. The District Court entered an order granting the City's motion for summary judgment and declaring the WQPZ legislation unconstitutional. All parties agreed to the form of an order which permitted an expedited appeal directly to the Texas Supreme Court. Oral argument was presented to the Texas Supreme Court on December 9, 1998. A ruling is expected in the near future.

Circle C WQPZ Litigation - Circle C Land Corp., a wholly owned subsidiary of Stratus, filed a WQPZ (Circle C WQPZ) covering a portion of the Circle C development, covering 554 acres 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 has appealed the Hays County District Court's ruling to the Texas Third Court of Appeals. Both parties submitted briefs and on September 15, 1999 oral argument was presented to the Third Court of Appeals.

The principal issue involved in this case, the constitutionality of the enabling legislation authorizing the creation of WQPZs, is already pending before the Texas Supreme Court in the City's WQPZ action described above and is expected to be resolved in connection with that case. Assuming the Texas Supreme Court determines that the enabling legislation is constitutional, certain important collateral issues are pending before the Third Court of Appeals. Those issues, which involve the application of the WQPZ enabling legislation to Stratus' WQPZ at Circle C, are expected to be resolved in Stratus' favor.

Annexation/Circle C MUD Reimbursement Litigation - On December 19, 1997, the City annexed all land formerly lying within the Circle C project. If the City's annexation is valid, 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. The City paid a portion of Stratus' claim as described in Note 10. A trial of the balance of Stratus' claim is expected to be set during the second quarter of 2000.

The City's total reimbursement obligation to the Circle C developers, resulting from its annexation, is estimated at $22 million, of which Stratus' remaining share is estimated at approximately $9.0 million, exclusive of penalties and interest. For a discussion of the City's partial payment of these costs see Note 10.

During the 1999 legislative session two laws were enacted enhancing Stratus' MUD reimbursement claim against the City, as described in "Legislative Matters" below. These laws became effective on September 1, 1999, and Stratus is accordingly entitled to penalties and interest on the outstanding delinquent Circle C MUD reimbursements. Stratus will continue to pursue this action vigorously.

Legislative Matters - In the 1997 Texas State legislative session, a bill to reorganize a state governmental agency inadvertently repealed the provisions of law (H.B. 4 and S.B. 1704), that established grandfathered rights for previously permitted lands. In response to the legislature's inadvertent repeal, the City enacted an ordinance establishing regulations on land development that effectively eliminated the grandfathered rights. The City has attempted to apply these regulations to portions of Stratus' Circle C property and Lantana. In response, Stratus undertook to assert and defend its grandfathered entitlements vigorously. In April 1999, the Texas State House of Representatives and Senate overwhelmingly approved H.B. 1704, which reinstated the grandfathered rights previously inadvertently repealed. This bill became law effective on May 11, 1999.

Three other laws were enacted during the second quarter of 1999, which are expected to have a positive impact on Stratus' development rights for its Austin-area properties and strengthen its position in collecting the Circle C MUD reimbursements currently being litigated (see "Annexation/Circle C MUD Reimbursements Suit" above). The three laws enacted are: S.B. 262, which requires a municipality that annexed property in a MUD to pay penalties and interest on utility infrastructure reimbursements associated with the annexed properties that are not timely paid by the municipality; S.B. 1165, which validates the creation of existing water quality protection zones; and S.B. 89, which requires a municipality to pay developers for utility infrastructure within a MUD controlled and operated by a municipality in conjunction with an annexation, regardless of whether or not the municipality's annexation is ultimately validated.

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,	
	1999	1998
	(In Thousands)	
Deferred tax assets (liabilities):		
Net operating losses (expire 2001-2018)	$ 14,539	$ 15,079
Real estate and facilities, net	11,192	11,881
Alternative minimum tax credits and depletion allowance (no expiration)	898	838
Other future deduction carryforwards (expire 2000-2003)	347	390
Valuation allowance	(26,976)	(28,188)
	$ -	$ -

Income taxes charged to income follow:

	1999	1998	1997

	(In Thousands)		
Current income tax provision			
Federal	$ (60)	$ -	$ -
State	(70)	(87)	(80)
	(130)	(87)	(80)
Income tax provision	$ (130)	$ (87)	$ (80)

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

	1999		1998		1997	
	Amount	Percent	Amount	Percent	Amount	Percent
	(Dollars In Thousands)					
Income tax benefit (expense) computed at the federal statutory income tax rate	$(1,050)	(35)%	$ 893	35 %	$(2,485)	(35)%
Increase (decrease) attributable to:						
Change in valuation allowance	1,212	40	(1,521)	(59)	3,168	45
State taxes and other	(292)	(9)	541	21	(763)	(11)
Income tax provision	$ (130)	(4)%	$ (87)	(3)%	$ (80)	(1)%

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, under a management services agreement. Services provided to Stratus prior to January 1, 1998 were at a fixed annual fee of $0.5 million, subject to annual cost of living increases. Effective January 1, 1998, pursuant to a new management services agreement services are provided on a cost reimbursement basis. Fees paid under this services agreement totaled $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 during 1999 and 1998.

Sale of Oil & Gas Interests. In September 1997, Stratus sold several working interests and numerous overriding royalty interests in oil and gas properties, which had been held since its formation, to McMoRan Oil & Gas Co. and Phosphate Resource Partners Limited Partnership for $4.5 million cash, resulting in a gain of $4.5 million. Phosphate Resource Partners was an affiliate because of Freeport-McMoRan's role as administrative managing general partner of Phosphate Resource Partners prior to the Merger was similar to the role it had with Stratus (see Note 1). McMoRan Oil & Gas was an affiliate because at that time it shared common management and a common director with Stratus. These interests, had no cost basis and represented all of Stratus' remaining oil and gas interests. The gain is reflected in Other Income, which also includes royalty income generated by these properties prior to the sale tthese properties prior to the sale totaling $0.8 million in 1997.

9. Employee Benefits

Stock Options. Stratus' Stock Option Plan and Stock Option Plan for Non-Employee Directors (the Plans) provide for the issuance of up to a total of 1.3 million stock options and stock

appreciation rights at no less than market value at time of grant. In May 1998, Stratus' shareholders approved the 1998 Stock Option Plan (the 1998 Plan). Under the terms of the 1998 plan Stratus can grant options representing 850,000 shares of common stock. 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, 1999, 406,375 shares were available for new grants under the Plans and 427,250 were available for grant under the 1998 Plan. A summary of stock options outstanding, including 150,000 stock appreciation rights, follows:

	1999		1998		1997	
	Number of Options	Average Option Price	Number of Options	Average Option Price	Number of Options	Average Option Price
Beginning of year	1,067,625	$ 3.42	1,050,000	$ 2.98	790,000	$ 2.77
Granted	196,250	3.92	304,000	6.05	280,000	3.55
Exercised	-	-	(50,000)	1.75	(2,500)	1.50
Expired/Forfeited	-	-	(236,375)	5.21	(17,500)	2.64
End of year	1,263,875	3.50	1,067,625	3.42	1,050,000	2.98

Summary information of fixed stock options outstanding at December 31, 1999 follows:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number of Options	Weighted Averag Remaining Life	Weighted Average Option Price	Number of Options	Weighted Average Option Price
$1.50 to $1.81	280,000	6.0 years	$ 1.57	225,000	$ 1.58
$2.63 to $3.91	523,750	8.2 years	3.52	187,500	3.26
$4.03 to $6.19	310,125	8.5 years	6.04	76,750	6.10
	1,113,875			489,250	

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 $752,000 ($0.05 per share) in 1999, its net loss would have increased by $523,000 ($0.04 per share) in 1998, and its net income would have decreased by $252,000 ($0.02

per share) in 1997. 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 $2.75 in 1999, $4.35 per option in 1998 and $2.76 per option in 1997. The weighted average assumptions used include a risk-free interest

rate of 5.4 percent in 1999, 5.7 percent in 1998 and 6.7 percent in 1997, expected lives of 10 years and expected volatility of 54 percent in 1999, 55 percent in 1998 and 62 percent in 1997. 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, could adversely affect the development of its real estate interests or may affect its operations in other ways that cannot be accurately predicted at this time.

In late October 1999, Circle C Land Corp., a wholly owned subsidiary of Stratus, and the City of Austin reached an agreement regarding a portion of Circle C's claims against the City. As a result of this agreement, Status received approximately $9.8 million, including $1.0 million in interest representing a partial payment of these claims. Stratus has collected a total of $10.3 million of reimbursement from the City as of December 31, 1999. Stratus will continue to vigorously pursue its approximate $9.0 million of remaining claims against the City. Stratus used the proceeds to reduce its outstanding debt.

Under the terms of the agreement, Stratus would be required to return the money to the City and the City would be required to return the utility infrastructure to Stratus if the City's annexation of the Circle C municipal utility districts is reversed or otherwise rescinded, whether by legislative action, final action of the appellate court, or other legal process. If the transaction is rescinded, Stratus would pursue its reimbursement claims for this amount, plus the additional amounts Stratus considers due from the City, under Texas law. For further discussion of Stratus' litigation and related reimbursement issues see Note 6.

Stratus, in connection with the sale of one oil and gas property in 1993, indemnified the purchaser for any future abandonment costs in excess of net revenues received by the purchaser. Stratus accrued $3.0 million relating to this contingent liability at the time of the purchase, which it believes to be adequate. The amount is included in Other Liabilities. Stratus periodically assesses the reasonableness of amounts recorded for this related liability through the use of information provided by the operator of the property, including its net production revenues. The carrying value of this contingent 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)				
1999					
1st Quarter	$ 1,586	$ (218)a	$ (479)	$(0.03)	$(0.03)
2nd Quarter	2,744	733b	535	0.04	0.03
3rd Quarter	1,828	765c	760	0.05	0.05
4th Quarter	8,518	2,070d	2,055	0.14	0.13
	$ 14,676	$ 3,350	$ 2,871	0.20	0.18

1998					
1st Quarter	2,655	$ (385)e	$ (883)	$(0.06)	$(0.06)
2nd Quarter	3,408	(704)	(1,160)	(0.08)	(0.08)
3rd Quarter	6,239	1,044	566	0.04	0.03
4th Quarter	5,288	(527)	(1,161)	(0.08)	(0.08)
	$ 17,590	$ (572)	$(2,638)	(0.18)	(0.18)

a. Includes a $0.8 million ($0.06 per share) reimbursement of previously expensed infrastructure costs.
b. Includes a $2.0 million ($0.12 per share) reimbursement of previously expensed infrastructure costs.
c. 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).
d. 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).
e. Includes a $0.8 million ($0.06 per share) reimbursement of previously expensed infrastructure costs.

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 2000 annual meeting to be held on May 11, 2000, 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 2000 annual meeting to be held on May 11, 2000, 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 2000 annual meeting to be held on May 11, 2000, 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 2000 annual meeting to be held on May 11, 2000, 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 16 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. The registrant filed a Current Report on Form 8-K dated December 28, 1999 reporting an event 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 13, 2000.

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 13, 2000.

/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	Vice President and Controller (principal accounting officer)
* --- Robert L. Adair III	Director
* --- James C. Leslie	Director
* --- Michael D. Madden	Director

*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 Stratus' Exhibit 3.1 to 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.

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.

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. ("the Stratus 1999 Third Quarter 10-Q".)

10.17 The Reimbursement Claim Agreement dated October 29, 1999 by an between Circle C Land Corp. and the City of Austin. Incorporated by reference to Exhibit 10.19 to the Stratus 1999 Third Quarter 10-Q.

Executive Compensation Plans and Arrangements (Exhibits 10.18 through 10.21)

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

10.19 Stratus Stock Option Plan, as amended. Incorporated by reference to Exhibit 10.9 to Stratus's

1997 Form 10-K.

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

10.21 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.

27.1 Financial Data Schedule.

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.

	Page
Report of Independent Public Accountants	F-1
Schedule III-Real Estate and Accumulated Depreciation	F-2

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 generally accepted auditing standards, the financial statements as of December 31, 1999 and 1998 and for each of the three years in the period ended December 31, 1999 included elsewhere in Stratus Properties Inc.'s Annual Report on Form 10-K, and have issued our report thereon dated January 19, 2000. 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 purposes 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
Arthur Andersen LLP

Austin, Texas
January 19, 2000

Stratus Properties Inc.
REAL ESTATE AND ACCUMULATED DEPRECIATION
December 31, 1999
(In Thousands)

SCHEDULE III

	Intial Cost		Cost Capitalized Subsequent to Acquisitions	Gross Amounts at December 31, 1999	
	Land	Building and Improvements	Land	Land	Building and Improvements
Developed Lots					
Camino Real, San Antonio, TX	$ 72	-	$ 216	$ 288	-
Copper Lakes, Houston,TX	74	-	591	665	-
Undevloped Acerage					
Camino Real, San Antonio, TX	391	-	44	435	-
Copper Lakes, Houston, TX	1,922	-	1,300	3,222	-
Bent Tree Apt./ Retail, Dallas TX	873	-	-	873	-
Barton Creek (North), Austin, TX	5,825	-	29,482	35,307	-
Barton Creek (South), Austin, TX	14,764	-	9,220	23,984	-
Lantana, Austin, TX	3,934	-	1,310	5,244	-
Longhorn Properties, Austin, TX	15,792	-	5,606	21,398	-
Operating Properties					
Barton Creek Utilities, Austin, TX	-	457	-	-	457
	$43,647	457	$ 47,769	$91,416	457

Stratus Properties Inc.
REAL ESTATE AND ACCUMLATED DEPRECIATION (Continued)
December 31, 1999

	Total	Number of Lots and Acres Lots	Acres	Accumulated Depreciation	Year Acquired
Developed Lots					
Camino Real, San Antonio, TX	$ 288	8	-	-	1990
Copper Lakes, Houston,TX	665	16	-	-	1991
Undevloped Acerage					
Camino Real, San Antonio, TX	435	-	23	-	1990
Copper Lakes, Houston, TX	3,222	-	120	-	1991
Bent Tree Apt./ Retail, Dallas TX	873	-	10	-	1990
Barton Creek (North), Austin, TX	35,307	-	650	-	1988
Barton Creek (South), Austin, TX	23,984	-	1,623	-	1988
Lantana, Austin, TX	5,244	-	501	-	1994
Longhorn Properties, Austin, TX	21,398	-	1,274	-	1992
Operating Properties					
Barton Creek Utilities, Austin, TX	457	-	-	209	1997
	$91,873	24	4,201	$ 209	

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, 1999 and 1998 are as follows:

	1999	1998
	(in Thousands)	
Balance, beginning of year	$ 96,678	$ 105,320
Acquisitions	40	728
Improvements and other	5,173	5,619
Cost of real estate sold	(10,018)	(14,989)
Balance, end of year	$ 91,873	$ 96,678

The aggregate net book value for federal income tax purposes as of December 31, 1999 was $114,880,000.

(2) Reconciliation of Accumulated Depreciation:

The changes in accumulated depreciation for the years ended December 31, 1999 and 1998 are as follows:

	1999	1998
	(in Thousands)	
Balance, beginning of year	$ 122	$ 46
Depreciation expense	87	76
Balance, end of year	$ 209	$ 122

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 4.4

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 16, 1999

LOAN AGREEMENT

THIS LOAN AGREEMENT (this "Agreement") is made and delivered effective as of the 16th day of December, 1999, by and between STRATUS PROPERTIES INC., a Delaware corporation, ("Stratus"), STRATUS PROPERTIES OPERATING CO., L.P., a Delaware limited partnership, ("Stratus Operating"), CIRCLE C LAND CORP., a Texas corporation, ("Circle C"), and AUSTIN 290 PROPERTIES, INC., a Texas corporation, ("Austin"), (Stratus, Stratus Operating, Circle C and Austin are sometimes referred to in this Agreement severally as "Borrower" and jointly as "Borrowers"), and COMERICA BANK-TEXAS, a Texas banking association ("Bank").

RECITALS

A.Borrowers desire to obtain certain credit facilities from the Bank, and the Bank is willing to provide such credit facilities to and in favor of Borrowers.

B.Such credit facilities are subject to the terms and conditions set forth herein and in every other Loan Document.

AGREEMENT

NOW, THEREFORE, in consideration of the premises and the mutual promises herein contained, Borrowers and Bank agree as follows:

SECTION 1. DEFINITIONS

1.1Defined Terms. The terms as used in this Agreement shall have the meanings assigned to such terms in the Defined Terms Addendum.

1.2Accounting Terms. All accounting terms not specifically defined in this Agreement shall be determined and construed in accordance with GAAP.

1.3Singular and Plural. Where the context herein requires, the singular number shall be deemed to include the plural, the masculine gender shall include the feminine and neuter genders, and vice versa.

SECTION 2. TERMS, CONDITIONS AND PROCEDURES FOR BORROWING

Subject to the terms, conditions and procedures of this Agreement and each other Loan Document including, but not limited to, the terms, conditions and procedures set forth in the Defined Terms Addendum and Loan Terms, Conditions and Procedures Addendum,

Bank agrees to make credit available to the Borrowers on such dates and in such amounts as the Borrowers shall request from time to time or as may otherwise be agreed to by Borrowers and Bank.

SECTION 3. REPRESENTATIONS AND WARRANTIES

Each Borrower represents and warrants as to itself and, as the context requires, each Loan Party within its control, and such representations and warranties shall be deemed to be continuing representations and warranties during the entire life of this Agreement, and so long as Bank shall have any commitment or obligation to make any Advances hereunder, and so long as any Indebtedness remains unpaid and outstanding under any Loan Document, as follows:

3.1Authority. Stratus, Circle C and Austin are each a corporation. Stratus Operating is a limited partnership of which Stratus is an indirect owner. Each of Stratus, Circle C, Austin and Stratus Operating is duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization and is duly qualified and authorized to do business in the state where the Land it owns is located and in each other jurisdiction in which the character of its assets or the nature of its business makes such qualification necessary.

3.2Due Authorization. Each Loan Party has all requisite power and authority to execute, deliver and perform its obligations under each Loan Document to which it is a party or is otherwise bound, all of which have been duly authorized by all necessary action, and are not in contravention of law or the terms of any Loan Party's organizational or other governing documents.

3.3Title to Property. Each Loan Party has good title to all property and assets purported to be owned by it, including those assets identified on the Financial Statements most recently delivered by Borrowers to Bank, subject to the Permitted Encumbrances.

3.4Encumbrances. There are no Liens on, and no financing statements on file with respect to, any of the property or assets of any Loan Party, except for Permitted Encumbrances.

3.5Subsidiaries. As of the date hereof, none of the Borrowers has any Subsidiaries, except as set forth in Schedule 3.5, which Schedule sets forth the percentage of ownership of such Borrower in each such Subsidiary as of the date of this Agreement.

3.6Taxes. Each Loan Party (i) has filed, on or before their respective delinquency dates, all federal, state, local and foreign tax returns that are required to be filed, or has obtained extensions for filing such tax returns, (ii) is not delinquent in filing such returns in accordance with such extensions, and (iii) has paid all taxes which have become due pursuant to those returns or pursuant to any assessments received by any such party, as the case may be, to the extent such taxes have become due, except to the extent such tax payments are being actively and diligently contested in good faith by appropriate proceedings, and, if requested by Bank, have been bonded or reserved in an amount and manner satisfactory to Bank. Further, no Loan Party knows of any additional assessments in respect of any such taxes and related liabilities.

3.7No-Defaults. There exists no default (or event which, with the giving of notice or passage of time, or both, would result in a default) under the provisions of any instrument or agreement evidencing, governing, securing or otherwise relating to any Debt of any Loan Party or pertaining to any of the Permitted Encumbrances (other than Contested Items) except to the extent that any such failure has been waived or that such failure to comply would not have a material adverse effect.

3.8Enforceability of Agreement and Loan Documents. Each Loan Document has been duly executed and delivered by duly authorized officer(s) or other representative(s) of each Loan Party that is a party thereto, and constitutes the valid and binding obligations of each such Loan Party, enforceable in accordance with their respective terms, except to the extent that enforcement thereof may be limited by applicable bankruptcy, reorganization, insolvency, moratorium or similar laws affecting the enforcement of creditors' rights generally at the time in effect.

3.9Non-contravention. The execution, delivery and performance by each Loan Party of the Loan Documents to which such Loan Party is a party or otherwise bound, are not in contravention of the terms of any indenture, agreement or undertaking to which any such Loan Party is a party or by which it is bound, except to the extent that such terms have been waived or that failure to comply with any such terms would not have a Material Adverse Effect.

3.10Actions, Suits, Litigation or Proceedings. Except as shown on Schedule 3.10, there is no Material Litigation, and, to the best knowledge of each Borrower, no Loan Party is under investigation by, or is operating under any restrictions imposed by, any Governmental Authority.

3.11Consents, Approvals and Filings, Etc. Except as have been previously obtained or as otherwise expressly provided in this Agreement, no authorization, consent, approval, license, qualification or formal exemption from, nor any filing, declaration or registration with, any Governmental Authority and no material authorization, consent or approval from any other Person, is required in connection with the execution, delivery and performance by each Loan Party of any Loan Document to which it is a party. All such authorizations, consents, approvals, licenses, qualifications, exemptions, filings, declarations and registrations which have previously been obtained or made, as the case may be, are in full force and effect and are not the subject of any

attack,
or to the best knowledge of each Borrower, any threatened attack, in any material respect, by appeal, direct proceeding or otherwise.

3.12Contracts, Agreements and Leases. To each Borrower's best knowledge and after due inquiry, no Loan Party is in default (beyond any applicable period of grace or cure) in complying with any provision of any material contract, agreement, indenture, lease or instrument to which it is a party or by which it or any of its properties or assets are bound, where such default would have a Material Adverse Effect. To each Borrower's knowledge, each such material contract, commitment, undertaking, agreement, indenture and instrument is in full force and effect and is valid and legally binding.

3.13ERISA. Except as shown on Schedule 3.14, no Loan Party maintains or contributes to any employee benefit plan subject to Title IV of ERISA. Furthermore, no Loan Party has incurred any accumulated funding deficiency within the meaning of ERISA or incurred any liability to the PBGC in connection with any employee benefit plan established or maintained by such Loan Party, and no reportable event or prohibited transaction, as defined in ERISA, has occurred with respect to such plans.

3.14No Investment Company. No Loan Party is an "investment company" within the meaning of the Investment Company Act of 1940, as amended, nor is any Loan Party "controlled" by an "investment company" within the meaning of the Investment Company Act of 1940, as amended.

3.15No Margin Stock. No Loan Party is engaged principally, or as one of its important activities, directly or indirectly, in the business of extending credit for the purpose of purchasing or

carrying margin stock, and none of the proceeds of any of the Loans will be used, directly or indirectly, to purchase or carry any margin stock or made available by any Loan Party in any manner to any other Person to enable or assist such Person in purchasing or carrying margin stock, or otherwise used or made available for any other purpose which might violate the provisions of Regulations G, T, U, or X of the Board of Governors of the Federal Reserve System.

3.16Environmental Representations.

(a)No Loan Party has received any notice of any violation of any Environmental Law(s); and no Loan Party is a party to any litigation or administrative proceeding, nor, so far as is known by any Borrower, is any litigation or administrative proceeding threatened against any Loan Party which, in any event, (i) asserts or alleges that any Loan Party violated any Environmental Law(s), (ii) asserts or alleges that any Loan Party is required to clean up, remove or take any other remedial or response action due to the disposal, depositing, discharge, leaking or other release of any Hazardous Materials, or (iii) asserts or alleges that any Loan Party is required to pay all or a portion of any past, present or future clean-up, removal or other remedial or response action which arises out of or is related to the disposal, depositing, discharge, leaking or other release of any Hazardous Materials by any Loan Party, and which in each case of (i)-(iii), either singularly or in the aggregate, could have a Material Adverse Effect.

(b)To Borrowers' knowledge, there are no conditions existing currently which could subject any Loan Party to damages, penalties, injunctive relief or clean-up costs under any applicable Environmental Law(s), or which require, or are likely to require, clean-up, removal, remedial action or other response pursuant to any applicable Environmental Law(s) by any Loan Party, and which, in any event, either singularly or in aggregate, could have a Material Adverse Effect.

(c)No Loan Party is subject to any judgment, decree, order or citation related to or arising out of any applicable Environmental Law(s), which, either singularly or in the aggregate, could have a Material Adverse Effect; and, to Borrowers' knowledge, no Loan Party has been named or listed as a potentially responsible party by any Governmental Authority in any matter arising under any applicable Environmental Law(s), except as disclosed in Schedule 3.16, and, in the event that any such matters are disclosed in said

Schedule 3.16 they will not, either singularly or in the aggregate, have a Material Adverse Effect.

(d)Each Loan Party has all permits, licenses and approvals required under applicable Environmental Laws, where the failure to so obtain or maintain any such permits, licenses or approvals could have a Material Adverse Effect.

3.17Accuracy of Information. The Financial Statements previously furnished to Bank have been prepared in accordance with GAAP and fairly present the financial condition of Borrower and, as applicable, the consolidated financial condition of Borrower and such other Person(s) as such Financial Statements purport to present, and the results of their respective operations as of the dates and for the periods covered thereby; and since the date(s) of said Financial Statements, there has been no material adverse change in the financial condition of Borrower or any other Person covered by such Financial Statements. No Loan Party, nor any such other Person has any material contingent obligations, liabilities for taxes, long-term leases or long-term commitments not disclosed by, or reserved against in, such Financial Statements. Each Loan Party is solvent, able to pay its respective debts as they mature, has capital sufficient to carry on its business and has assets the

fair market value of which exceed its liabilities, and no Loan Party will be rendered insolvent, under-capitalized or unable to pay debts generally as they become due by the execution or performance of any Loan Document to which it is a party or by which it is otherwise bound.

3.18Equity Ownership. Stratus's entire issued and outstanding capital stock consists of 14,288,270 shares of common stock, $.01 par value; and the names of all Persons who own beneficially five percent (5%) or more of such shares, together with the amount of such ownership, are set forth in Schedule 3.19, Part 1 attached hereto. Circle C's entire issued and outstanding capital stock consists of 1,000 shares of common stock, $1.00 par value; and the names of all Persons who own beneficially five percent (5%) or more of such shares, together with the amount of such ownership, are set forth in Schedule 3.19, Part 2 attached hereto. Austin's entire issued and outstanding capital stock consists of 1,000 shares of common stock, $1.00 par value; and the names of all Persons who own beneficially five percent (5%) or more of such shares, together with the amount of such ownership, are set forth in Schedule 3.19, Part 3 attached hereto. All of the partnership interests in Stratus Operating are owned beneficially and of record by the Persons and in the amounts/percentages set forth in Schedule 3.19, Part 3. To the extent that any such partner is a corporation (other than Stratus, Austin or Circle C), limited liability company or partnership, similar information with respect to the beneficial and record owners of all equity ownership interests in each such entity is set forth in Schedule 3.19, Part 3. There are no outstanding options, warrants or rights to purchase, nor any agreement for the subscription, purchase or acquisition of, any equity ownership interests of any Loan Party, except described in Schedule 3.19, Part 4.

3.19Business Loan. The Loans are business loan transactions in the stated amounts solely for the purpose of carrying on the businesses of Borrowers and none of the proceeds of the Loans will be used for the personal, family, household or agricultural purposes of any Borrower.

3.20Relationship. The relationship between each Borrower and Bank is solely that of borrower and lender, and Bank has no fiduciary or other special relationship with any Borrower or any other Loan Party, and no term or condition of any of the Loan Documents shall be construed so as to deem the relationship between any Borrower or any other Loan Party and Bank to be other than that of borrower and lender.

3.21Experience. The principals of each Borrower are knowledgeable businessmen with experience in real estate transactions and real estate financing. In all of their transactions with Bank, each Borrower and its principals have been represented by (or have had the opportunity to be represented by) legal counsel independent of Bank and independent of counsel for Bank.

3.22Compliance with Laws. The Land and any Improvements thereon comply, in all material respects, with all applicable Governmental Requirements and restrictive covenants, including, without limitation, zoning laws, building codes, handicap or disability legislation, and all rules, regulations and orders relating thereto, and all Environmental Laws, and the use to which a Borrower is using or intends to use its Land and Improvements complies with all Governmental

Regulations in all material respects specifically including, but not limited to, any and all land use and development entitlements and Municipal Utility District requirements for the Primary Collateral and the Other Collateral, and that Borrower has taken all action necessary to preserve and maintain the land use and development entitlements, and has taken no action which would cause a loss of any such entitlements.

3.23Access. Access by vehicles to the Land exists over paved roadways that have been completed, dedicated to the public use and accepted by the appropriate Governmental Authority.

3.24Statements. No certificate, statement, report or other information delivered heretofore, concurrently herewith or hereafter by any Loan Party to Bank in connection herewith, or in connection with any transaction contemplated hereby, contains or will contain any untrue statement of a material fact or fails to state any material fact necessary to keep the statements contained therein from being materially misleading, and same were true, complete and accurate as of the date hereof in all material respects.

3.25Disclaimer of Permanent Financing. Each Borrower acknowledges and agrees that Bank has not made any commitments, either express or implied, to extend the terms of the Loans past their stated maturity dates or to provide Borrowers with any permanent financing, except to the extent, if any, that the same is expressly stated in this Agreement and the other Loan Documents.

3.26Not a Broker Or Dealer. No Loan Party is a "broker" or a "dealer" within the meaning of the Securities Exchange Act of 1934, as amended from time to time, and any rules or regulations promulgated thereunder.

SECTION 4. AFFIRMATIVE COVENANTS

Each Borrower covenants and agrees that, so long as Bank is committed to make any Advance under this Agreement, and until all instruments and agreements evidencing any Loan which is payable on demand or which conditions Advances upon the Bank's discretion are fully discharged and terminated, and thereafter, so long as any Indebtedness remains outstanding, it will, and, as applicable, it will cause each Loan Party within its control or under common control to:

4.1Preservation of Existence, Etc. Preserve and maintain its existence and preserve and maintain such of its rights, licenses, and privileges as are material to the business and operations conducted by it; qualify and remain qualified to do business in each jurisdiction in which the Land it owns is located and where such qualification is material to its business and operations or ownership of its properties; continue to conduct and operate its business substantially as conducted and operated during the present and preceding calendar year; at all times maintain, preserve and protect all of its franchises and trade names and preserve all the remainder of its property and keep the same in good repair, working order and condition; and from time to time make, or cause to be made such repairs or betterments as Borrower is obligated to make under any Governmental Requirements.

4.2Keeping of Books. Keep proper books of record and account in which full and correct entries shall be made of all of its financial transactions and its assets and businesses so as to permit the presentation of financial statements (including, without limitation, those Financial Statements to be delivered to Bank pursuant to Section 4.3 hereof) prepared in accordance with GAAP; and permit Bank, or its representatives, at reasonable times and intervals after forty-eight (48) hours prior notice, at Borrowers' cost and expense, to visit any office of any Loan Party, discuss its financial matters with its officers, employees and independent certified public accountants, and by this provision, each Borrower authorizes such officers, employees and accountants to discuss the finances and affairs of any Loan Party and to examine any of its books and other corporate records; provided, however, if no Event of Default exists, such visit will not occur more often than four (4) times in any calendar year.

4.3Reporting Requirements. Stratus shall furnish to Bank, or cause to be furnished to Bank, the following:

(a)As soon as possible, and in any event within five (5) calendar days after becoming aware of the occurrence or existence of each Default or Event of Default hereunder or of any Material Adverse Effect, a written statement of the chief financial officer or other appropriate authorized representative of Stratus, setting forth details of such Default, Event of Default or Material Adverse Effect, and the action which Stratus has taken, or has caused to be taken, or proposes to take, or to cause to be taken, with respect thereto.

(b)As soon as available, and in any event within ninety (90) days after and as of the end of each fiscal year of Stratus, audited consolidated Financial Statements of Stratus, including a balance sheet, income statement, statement of profit and loss, statement of changes in shareholders equity, statement of cash flows and contingent obligations, for and as of such fiscal year then ending, with comparative numbers for the preceding fiscal year, in each case, prepared by Stratus or such other Person, as applicable, and completed in such detail as Bank shall require, and certified by the chief financial officer or other appropriate authorized representative of Stratus or of such other Person, as applicable, as to consistency with prior financial reports and accounting periods, accuracy and fairness of presentation. Such audited Financial Statements shall be prepared in accordance with GAAP by independent certified public accountants of recognized standing selected by Borrower and approved by Bank and shall contain unqualified opinions as to the fairness of the statements therein contained.

(c)As soon as available, and in any event not later than thirty (30) days prior to the start of each fiscal year of Stratus, the business plan of Stratus for such forthcoming fiscal year.

(d)As soon as available, and in any event within thirty (30) days after and as of the end of each calendar quarter, including the last such reporting period of each calendar year, consolidated Financial Statements of Stratus and, to the extent not covered in the Stratus Financial Statements, from such of the other Loan Parties as may be required by the Bank, Consolidated, as applicable, for and as of such reporting period, including a balance sheet, income statement, statement of profit and loss, surplus reconciliation statement and statement of cash flows and contingency for and as of such reporting period then ending and for and as of that portion of the calendar year then ending, with comparative numbers for the same period of the preceding calendar year, in each case, certified by the chief financial officer or other appropriate authorized representative of Stratus and, as applicable, each other Loan Party as to consistency with prior financial reports and accounting periods, accuracy and fairness of presentation.

(e)As soon as available, and in any event within thirty (30) days after and as of the end of each calendar month, a statement of Stratus's sales as of such reporting period then ending and for and as of that portion of the calendar year then ending, with comparative numbers for the same period of the preceding calendar year, in each case, certified by the chief financial officer of Stratus as to consistency with prior reports and accounting periods, accuracy and fairness of presentation ended and the year-to-date.

(f)As soon as available, and in any event within thirty (30) days after and as of the end of each calendar quarter, a statement of the status of MUD Reimbursables and Material Litigation as of such reporting period then ending certified by the chief financial officer of Stratus as to accuracy and completeness.

(g)Promptly upon receipt thereof, copies of all management letters and other substantive reports submitted to

any Loan Party by independent certified public accountants in connection with any annual audit of any such party.

(h)Promptly after filing the same, a copy of Stratus's annual federal income tax return.

(i)Simultaneously with the Financial Statements to be delivered to Bank pursuant to Sections (b) and (d) above, a Compliance Certificate dated as of the end of such quarter or year, as the case may be.

(j)Promptly, and in form and detail reasonably satisfactory to Bank, such other information as Bank may reasonably request from time to time.

4.4Inspections. Permit Bank, through its authorized attorneys, accountants and representatives, at Borrowers' cost and expense, to examine each Loan Party's books, accounts, records, ledgers, assets and properties of every kind and description, wherever located, at all reasonable times during normal business hours, upon forty-eight (48) hours prior oral or written request of Bank.

4.5Further Assurances; Financing Statements. Furnish Bank, at Borrowers' expense, upon Bank's request and in form reasonably satisfactory to Bank, and execute and deliver or cause to be executed and delivered, such additional pledges, assignments, mortgages, lien instruments or other security instruments, consents, acknowledgments, subordinations and financing statements covering any or all of the Mortgaged Property pledged, assigned, mortgaged or encumbered pursuant to any Loan Document, of every nature and description, whether now owned or hereafter acquired by the Person providing such Mortgaged Property, together with such other documents or instruments as Bank may require to effectuate more fully the express purposes of any Loan Document.

4.6Compliance with Leases. Comply with all material terms and conditions of the Leases, if any, and all other lease or rental agreements covering any premises or property (real or personal) wherein any of the Mortgaged Property is or may be located, or covering any of the other material personal or real property now or hereafter owned, leased or otherwise used by any Loan Party in the conduct of its business, and any Governmental Requirement, except where the failure to so comply could not cause a Material Adverse Effect.

4.7INDEMNIFICATION. INDEMNIFY, DEFEND AND SAVE BANK HARMLESS FROM ANY AND ALL CLAIMS, LOSSES, COSTS, DAMAGES, LIABILITIES, OBLIGATIONS AND EXPENSES, INCLUDING, WITHOUT LIMITATION, REASONABLE ATTORNEYS' FEES, INCURRED BY BANK BY REASON OF ANY DEFAULT OR EVENT OF DEFAULT, IN DEFENDING OR PROTECTING THE LIENS WHICH SECURE OR PURPORT TO SECURE ALL OR ANY PORTION OF THE INDEBTEDNESS, WHETHER EXISTING UNDER ANY LOAN DOCUMENT OR OTHERWISE OR THE PRIORITY THEREOF, OR IN ENFORCING THE OBLIGATIONS OF ANY BORROWER OR ANY OTHER PERSON UNDER OR PURSUANT TO ANY LOAN DOCUMENT, OR IN THE PROSECUTION OR DEFENSE OF ANY ACTION OR PROCEEDING CONCERNING ANY MATTER GROWING OUT OF OR CONNECTED WITH THE MORTGAGED PROPERTY OR ANY LOAN DOCUMENT, INCLUDING ANY CLAIMS, LOSSES, COSTS, DAMAGES, LIABILITIES, OBLIGATIONS, AND EXPENSES RESULTING FROM BANK'S OWN NEGLIGENCE, EXCEPT AND TO THE EXTENT BUT ONLY TO THE EXTENT CAUSED BY BANK'S GROSS NEGLIGENCE OR WILLFUL MISCONDUCT. WITHOUT LIMITING IN ANY MANNER ANY OF THE FOREGOING, IT IS SPECIFICALLY AGREED THAT THE OBLIGATIONS OF BORROWERS UNDER THIS SECTION SHALL EXTEND TO ANY AND ALL CLAIMS, LOSSES, COSTS, DAMAGES, LIABILITIES, OBLIGATIONS AND EXPENSES, INCLUDING, WITHOUT LIMITATION, REASONABLE ATTORNEYS' FEES, INCURRED BY BANK BY REASON THAT THE LEGAL DESCRIPTION OF ANY OF THE MORTGAGED PROPERTY IN ANY LOAN DOCUMENT IS INCORRECT IN ANY RESPECT OR BECAUSE THE LIENS OF ANY OF THE DEEDS OF TRUST ARE OTHER THAN FIRST AND PRIOR LIENS.

4.8Governmental and Other Approvals. To the extent

necessary to be in compliance, comply with all Governmental Requirements in a timely matter and apply for, obtain and/or maintain in effect, as applicable, all authorizations, consents, approvals, licenses, qualifications, exemptions, filings, declarations and registrations (whether with any Governmental Authority, securities

exchange or otherwise) which are necessary in connection with the execution, delivery and/or performance by any Loan Party of any Loan Document to which it is a party specifically including, but not limited to, the entitlements necessary to develop the Mortgaged Property.

4.9Insurance. Each Borrower shall obtain and maintain or cause to be obtained and maintained at such Borrower's sole expense with respect to the portions of the Mortgaged Property owned by it: (a) all-risk property insurance with respect to all insurable Mortgaged Property, if any, against loss or damage by fire, lightening, windstorm, explosion, hail, tornado and such hazards as are presently included in so-called "all-risk" coverage and against such other insurable hazards as Bank may reasonably require, in an amount not less than 100% of the full replacement cost, including the cost of debris removal, without deduction for depreciation and sufficient to prevent Borrowers or Bank from becoming a coinsurer; (b) if and to the extent any insurable Improvements are in a special flood hazard area, a flood insurance policy in an amount equal to the lesser of the principal balance of the Indebtedness or the maximum amount available or the replacement cost of the insurable Mortgaged Property; (c) commercial general public liability insurance, on an "occurrence" basis, for the benefit of Borrowers with Bank named as loss payee in respect to the Land and Improvements; (d) statutory worker's compensation insurance with respect to any work on or about the Mortgaged Property; and (e) such other insurance on the insurable Mortgaged Property as may from time to time be reasonably required by Bank and against other insurable hazards or casualties which at the time are commonly insured against in the case of premises similarly situated, due regard being given to the height, type, construction, location, use and occupancy of buildings and improvements. All insurance policies shall be issued and maintained by insurers, in amounts, with deductibles, and in form reasonably satisfactory to Bank, and shall require not less than fifteen (15) days' prior written notice to Bank of any cancellation or material change of coverage. All insurance policies maintained, or caused to be maintained, by a Borrower with respect to any of the Mortgaged Property shall provide that each such policy shall be primary without right of contribution from any other insurance that may be carried by such Borrower or Bank and that all of the provisions thereof, except the limits of liability, shall operate in the same manner as if there were a separate policy covering each insured. If any insurer which has issued a policy of title, hazard, liability or other insurance required pursuant to this Agreement or any other Loan Document becomes insolvent or the subject of any bankruptcy, receivership or similar proceeding or if Bank, in good faith, believes that the financial responsibility of such insurer is or becomes inadequate, the applicable Borrower shall, in each instance, promptly, upon the request of Bank and at such Borrower's expense, obtain and deliver to Bank a certificate of insurance issued by another insurer, which insurer and policy meet the requirements of this Agreement or such other Loan Document, as the case may be and shall furnish a copy of the policy upon Bank's request. Without limiting the discretion of Bank with respect to required endorsements to insurance policies, all such policies for loss of or damage to the Mortgaged Property shall contain a standard mortgage clause (without contribution) naming Bank as mortgagee with loss proceeds payable to Bank notwithstanding (i) any act, failure to act or negligence of or violation of any warranty, declaration or condition contained in any such policy by any named insured; (ii) the occupation or use of the Mortgaged Property for purposes more hazardous than permitted by the terms of any such policy; (iii) any foreclosure or other similar action by Bank under the Loan Documents; or (iv) any change in title to or ownership of the Mortgaged Property or any portion

thereof, such proceeds to be held for application as provided in the Loan Documents. The originals of each initial insurance policy (or to the extent permitted by Bank, a copy of the original policy and a satisfactory certificate of insurance) shall be delivered to Bank at the time of execution of this Agreement, with no delinquent premium payments, and each renewal certificate shall be delivered to Bank prior to the expiration of the policy it renews or replaces with no delinquent premium payments; provided that all insurance premiums shall be prepaid on an annual basis. Borrower shall pay all premiums on policies required hereunder as they become due and payable. If any loss occurs at any time when any Borrower has failed to perform any Borrower's covenants and agreements in this Paragraph, Bank shall nevertheless be entitled to the benefit of all insurance covering the loss and held by or for all Borrowers, to the same extent as if it had been made payable to Bank. Upon any foreclosure hereof or transfer of title to the Mortgaged Property in extinguishment of the whole or any part of the Indebtedness, all of Borrowers' right, title and interest in and to the insurance policies referred to in this Paragraph (including unearned premiums) and all proceeds payable thereunder shall thereupon vest in the purchaser at foreclosure or other such transferee, to the extent permissible under such policies. Bank shall have the right (but not the obligation) to make proof of loss for, settle and adjust

any claim under, and receive the proceeds of, all insurance for loss of or damage to the Mortgaged Property, and the expenses incurred by Bank in the adjustment and collection of insurance proceeds shall be a part of the Indebtedness, shall be due and payable to Bank on demand and shall bear interest from the date paid by Bank until reimbursed at the highest rate of interest applicable to any of the Indebtedness (but not in excess of the highest rate permitted by applicable law). Bank and Bank's employees are each irrevocably appointed attorney-in-fact for Borrowers and are authorized to adjust and compromise each loss without the consent of Bank, to collect, receive and receipt for all insurance proceeds in the name of Bank and/or Borrowers, and to endorse Borrowers' name upon any check in payment of the loss. Bank shall not be, under any circumstances, liable or responsible for failure to collect or exercise diligence in the collection of any of such proceeds or for the obtaining, maintaining or adequacy of any insurance or for failure to see to the proper application of any amount paid over to any Borrower.

4.10Compliance with ERISA. In the event that any Loan Party or any of its Subsidiaries maintain(s) or establish(es) a Pension Plan subject to ERISA, (a) comply in all material respects with all requirements imposed by ERISA as presently in effect or hereafter promulgated, including, but not limited to, the minimum funding requirements thereof; (b) promptly notify Bank upon the occurrence of a "reportable event" or "prohibited transaction" within the meaning of ERISA, or that the PBGC or any Loan Party has instituted or will institute proceedings to terminate any Pension Plan, together with a copy of any proposed notice of such event which may be required to be filed with the PBGC; and (c) furnish to Bank (or cause the plan administrator to furnish Bank) a copy of the annual return (including all schedules and attachments) for each Pension Plan covered by ERISA, and filed with the Internal Revenue Service by any Loan Party not later than thirty (30) days after such report has been so filed.

4.11Environmental Covenants.

(a)Comply with all applicable Environmental Laws in all material respects, including, but not limited to, the demolition of any existing house or other buildings, in accordance with Texas Department of Health Regulations, and maintain all permits, licenses and approvals required under applicable Environmental Laws, where the failure to do so could have a Material Adverse Effect. Further, Borrower acknowledges that certain petroleum hydrocarbons have been released from Exxon and Shell Oil pipelines located on or in

the vicinity of the Land, and in the event the subsurface soil affected by such releases on the Land are to be disturbed, Borrower will take such health and safety measures as necessary to protect any person coming into contact with such releases, and all impacted soil resulting from site excavations will be disposed of in accordance with applicable regulations.

(b)Promptly notify Bank, in writing, as soon as any Borrower becomes aware of any condition or circumstance which makes any of the environmental representations or warranties set forth in this Agreement or any other Loan Document incomplete, incorrect or inaccurate in any material respect as of any date; and promptly provide to Bank, immediately upon receipt thereof, copies of any material correspondence, notice, pleading, citation, indictment, complaint, order, decree, or other document from any source asserting or alleging a violation of any Environmental Laws by any Loan Party, or of any circumstance or condition which requires or may require, a financial contribution by any Loan Party, or a clean-up, removal, remedial action or other response by or on behalf of any Loan Party, under applicable Environmental Law(s), or which seeks damages or civil, criminal or punitive penalties from any Loan Party or any violation or alleged violation of Environmental Law(s).

(c)BORROWER HEREBY AGREES TO INDEMNIFY, DEFEND AND HOLD BANK, AND ANY OF BANK'S PAST, PRESENT AND FUTURE OFFICERS, DIRECTORS, SHAREHOLDERS, EMPLOYEES, REPRESENTATIVES AND CONSULTANTS, HARMLESS FROM ANY AND ALL CLAIMS, LOSSES, DAMAGES, SUITS, PENALTIES, COSTS, LIABILITIES, OBLIGATIONS AND EXPENSES (INCLUDING, WITHOUT LIMITATION, REASONABLE LEGAL EXPENSES AND ATTORNEYS' FEES, WHETHER INSIDE OR OUTSIDE COUNSEL IS USED) INCURRED OR ARISING OUT OF ANY CLAIM, LOSS OR

DAMAGE OF ANY PROPERTY, INJURIES TO OR DEATH OF ANY PERSONS, CONTAMINATION OF OR ADVERSE EFFECTS ON THE ENVIRONMENT, OR OTHER VIOLATION OF ANY APPLICABLE ENVIRONMENTAL LAW(S), IN ANY CASE, CAUSED BY ANY LOAN PARTY OR IN ANY WAY RELATED TO ANY PROPERTY OWNED OR OPERATED BY ANY LOAN PARTY OR DUE TO ANY ACTS OF ANY LOAN PARTY OR ANY OF ITS OFFICERS, DIRECTORS, SHAREHOLDERS, EMPLOYEES, CONSULTANTS AND/OR REPRESENTATIVES INCLUDING ANY CLAIMS, LOSSES, DAMAGES, SUITS, PENALTIES, COSTS, LIABILITIES, OBLIGATIONS OR EXPENSES, RESULTING FROM BANK'S OWN NEGLIGENCE; PROVIDED HOWEVER, THAT THE FOREGOING INDEMNIFICATION SHALL NOT BE APPLICABLE, AND BORROWER SHALL NOT BE LIABLE FOR ANY SUCH CLAIMS, LOSSES, DAMAGES, SUITS, PENALTIES, COSTS, LIABILITIES, OBLIGATIONS OR EXPENSES, TO THE EXTENT (BUT ONLY TO THE EXTENT) THE SAME ARISE OR RESULT FROM ANY GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF BANK OR ANY OF ITS AGENTS OR EMPLOYEES.

4.12Year 2000 Compliant. Perform all acts reasonably necessary to ensure that (a) each Loan Party and (b) all customers, suppliers and vendors that are material to any Loan Party's business, become Year 2000 Compliant in a timely manner. Such acts shall include, without limitation, performing a comprehensive review and assessment of all of any Loan Party's systems and adopting a detailed plan, with itemized budget, for the remediation, monitoring and testing of such systems. As used in this Section, "Year 2000 Compliant" shall mean, in regard to any entity, that all software, hardware, firmware, equipment, goods or systems utilized by or material to the business operations or financial condition of such entity, will properly perform date sensitive functions before, during and after the year 2000. Borrower shall, promptly following Bank's request, provide to Bank such certifications or other evidence of each Loan Party's compliance with the terms of this Section as Bank may from time to time reasonably require.

4.13Bank's Expenses. Pay or reimburse to Bank on demand all

costs and expenses of Bank, including, without limitation, reasonable attorneys' fees and legal expenses, incurred in connection with the preparation, execution, delivery, administration and performance of the Loan Documents, the Mortgaged Property, and the transactions contemplated by this Agreement including, without limitation, title insurance and examination charges, survey costs, insurance premiums, filing and recording fees, attorneys' fees and expenses, and other expenses payable to third parties incurred by Bank in connection with the consummation of the transactions contemplated by this Agreement.

4.14Surveys. Furnish Bank within sixty (60) days after the date hereof, and thereafter from time to time at the request of Bank but no more often than once per year, at Borrowers' expense recertified and updated Surveys of the Primary Collateral. All Surveys shall be in form and substance reasonably acceptable to Bank.

4.15Estoppel Certificates. Deliver to Bank, within ten (10) days after request therefor, estoppel certificates or written statements, duly acknowledged, stating to Borrowers' knowledge after diligent inquiry the amount that has then been advanced to Borrowers under this Agreement, the amount due on the Notes, and whether any offsets or defenses exist against the Notes or any of the other Loan Documents.

4.16Personalty and Fixtures. Deliver to Bank, on demand, any contracts, bills of sale, statements, receipted vouchers or agreements under which any Borrower claims title to any items of personal property incorporated in any Improvements or subject to the lien of any of the Deeds of Trust or to the security interest of any of the Security Agreements.

4.17Leases. Deliver to Bank executed copies of all Leases; and all said Leases will contain a written provision reasonably acceptable to Bank whereby all rights of the tenant in the Lease and the Mortgaged Property are subordinated to the liens and security interests granted in the Loan Documents. Furthermore, if requested by Bank, Borrowers shall cause to be executed and delivered to Bank a Subordination, Non-Disturbance and Attornment Agreement, in form and

substance reasonably acceptable to Bank, relating to each Lease and fully executed by Bank, Borrowers and such tenant.

4.18Approval to Lease Required. Borrowers will obtain the prior written consent of Bank as to the form and substance of each proposed Lease specifically including, but not limited to, any ground lease transaction, and of each prospective tenant prior to entering into any such Lease, which approval will not be unreasonably withheld, conditioned or delayed.

4.19Brokers. Pay all fees, commissions and other compensation payable to all brokers, if any, involved in this transaction at or prior to the disbursement of the Initial Advance. BORROWERS HEREBY AGREE TO INDEMNIFY AND HOLD HARMLESS BANK FROM AND AGAINST ANY LOSS, DAMAGE, EXPENSE OR CLAIMS OF BROKERS (EXCEPT FOR BROKERS EXPRESSLY CONTRACTED WITH BY BANK) ARISING BY REASON OF THE EXECUTION HEREOF OR THE CONSUMMATION OF THE TRANSACTIONS CONTEMPLATED HEREBY, INCLUDING BUT NOT LIMITED TO, ANY TRANSACTIONS INVOLVING OR RELATING TO ANY LEASE.

4.20Appraisals. Supply Bank, at Borrowers' expense, with new or recertified Primary Collateral Appraisals from time to time upon Bank's request; provided, so long as no Default or Event of Default shall have occurred and be continuing, Borrowers shall not be obligated to pay for any such appraisals more frequently than once during any calender-year; subject, however, to the updated information regarding reconciliation of value as may be required by Bank in connection with a Partial Release, as more fully set forth

in Addendum 3.

4.21Interest Reserve Amount and Interest Reserve Escrow Account. Notwithstanding the Revolving Loan Amount or any term or provision of this Agreement or the other Loan Documents to the contrary, the amount available to be advanced to Borrowers on the Revolving Loan at any one time shall be reduced by the difference, if any, between the Interest Reserve Amount and the amount on deposit in the Interest Reserve Escrow Account. If the amount on deposit in the Interest Reserve Escrow Account is at least equal to the Interest Reserve Amount, there shall be no reduction under this Section to the amount available to be advanced on the Revolving Loan. If Borrowers at any time elect to establish the Interest Reserve Escrow Account, Borrowers shall deposit with Bank a sum in cash earmarked for deposit to an interest bearing account in Borrowers' name at Bank styled "Stratus Interest Reserve Escrow Account" (the "Interest Reserve Escrow Account"). Borrowers hereby pledge to Bank, and grant to Bank a security interest in, any and all monies now or hereafter deposited in the Interest Reserve Escrow Account as additional security for the payment of the Loans. If Borrower establishes the Interest Reserve Escrow Account and provided that no Default or Event of Default shall exist, Bank shall make disbursements each month from the Interest Reserve Escrow Account as requested, in writing, by Borrowers to pay all or a portion of the accrued interest then due and payable on the Notes; but if Borrower shall not establish the Interest Reserve Escrow Account or the amount on deposit in such account is not sufficient to pay all then accrued interest on the Loans, Bank may, at its option and without a Request for Advance, make an Advance on the Revolving Loan for the purpose of paying all accrued interest then due and payable on the Notes if Borrower otherwise fails to pay such interest timely. All earnings or interest, if any, on the Interest Reserve Escrow Account shall be and become part of such Interest Reserve Escrow Account and shall be disbursed as provided in this Section 4.21. Upon the occurrence of an Event of Default, Bank may apply any sums then present in the Interest Reserve Escrow Account to the payment of the Loans in any order of priority in its sole discretion. The Interest Reserve Escrow Account shall not constitute a trust fund and may be commingled with other monies held by Bank.

SECTION 5. NEGATIVE COVENANTS

Each Borrower covenants and agrees that, so long as Bank is committed to make any Advance under this Agreement and until all instruments and agreements evidencing any Loan which is payable on demand or which conditions Advances upon the Bank's discretion are fully discharged and terminated and, thereafter, so long as any Indebtedness remains outstanding, it will not, and it will not allow any Loan Party within its control to, without the prior written consent of the Bank:

5.1Capital Structure, Business Objects or Purpose. Purchase, acquire or redeem any of its equity ownership interests, or enter into any reorganization or recapitalization or reclassify its equity ownership interests, or make any material change in its capital structure or general business objects or purpose.

5.2Mergers or Dispositions. Change its name, enter into any merger or consolidation, whether or not the surviving entity thereunder, or sell, lease, transfer, relocate or dispose of all, substantially all, or any material part of its assets (whether in a single transaction or in a series of transactions), except as expressly permitted under this Agreement or the other Loan Documents.

5.3Guaranties. Guarantee, endorse, or otherwise become secondarily liable for or upon the obligations or Debt of others (whether directly or indirectly), except:

(a)guaranties in favor of and satisfactory to Bank; and

(b)endorsements for deposit or collection in the ordinary course of business.

5.4Debt. Become or remain obligated for any Debt, except:

(a)Indebtedness and other Debt from time to time outstanding and owing to Bank;

(b)unsecured trade, utility or non-extraordinary accounts payable arising in the ordinary course of business and other unsecured Debt of Borrowers or the Loan Parties on a Consolidated basis at any one time not to exceed $500,000.00;

(c)contingent liabilities of Borrowers on a consolidated basis at any one time not to exceed $20,000,000.00;

(d)Debt of a Related Party but only to the extent of the lesser of seventy-five percent (75%) of the appraised value of the real estate project owned by such Related Party or eighty percent (80%) of the total costs associated with the real estate project owned by such Related Party;

(e)Debt subordinated to the prior payment in full of the Indebtedness upon terms and conditions approved in writing by Bank;

(f)Debt outstanding as of the date hereof that is shown on the Financial Statements previously delivered to Bank; and

(g)Debt of Loan Party to any other Loan Party.

5.5Encumbrances. Create, incur, assume or suffer to exist any Lien upon, or create, suffer or permit to exist any Lien upon any of its property or assets, whether now owned or hereafter acquired, except for Permitted Encumbrances.

5.6Acquisitions. Except as expressly permitted under this Agreement, purchase or otherwise acquire or become obligated for the purchase of all or substantially all of the assets or business interests of any Person or any shares of stock or other ownership interests of any Person or in any other manner effectuate or attempt to effectuate an expansion of present business by acquisition.

5.7Dividends. Declare or pay dividends on, or make any other distribution (whether by reduction of capital or otherwise) in respect of any shares of its capital stock or other ownership interests, including but not limited to dividends payable by Stratus or any dividends payable solely in stock except (a) dividends payable by a Subsidiary of a Borrower to a Borrower or by the Subsidiary of another Loan Party to such other Loan Party; or (b) the redemption, repurchase or acquisition of any shares of its capital stock payable upon an employee's termination pursuant to its employee stock option, repurchase, or similar plan; provided, however, that after giving effect to

such redemption, repurchase or acquisition, such Borrower or such other Loan Party, as applicable, shall be in full compliance with the terms of this Agreement.

5.8Investments. Except as otherwise permitted in Section 2.18 of Addendum 2, make or allow to remain outstanding any investment (whether such investment shall be of the character of investment in shares of stock, evidences of indebtedness or other securities or otherwise) in, or any loans, advances or extensions of credit to, any Person, other than:

(a)Each Borrower's current ownership in its respective

Subsidiaries and Related Parties; and

(b)any investment in direct obligations of the United States of America or any agency thereof, or in certificates of deposit issued by Bank, maintained consistent with a Borrower's or such Subsidiary's business practices prior to the date hereof; provided, that no such investment shall mature more than ninety (90) days after the date when made or the issuance thereof.

5.9Transactions with Affiliates. Enter into any transaction with any of their stockholders, officers, employees, partners or any of their Affiliates or Related Parties, except subject to the terms hereof, transactions in the ordinary course of business and on terms not less favorable than would be usual and customary in similar transactions between Persons dealing at arm's length, or transfer any assets to any Related Party which is not a Borrower hereunder without Bank's prior consent.

5.10Defaults on Other Obligations. Fail to perform, observe or comply duly with any covenant, agreement or other obligation to be performed, observed or complied with by any Loan Party, subject to any grace or cure periods provided therein, which failure could have a Material Adverse Effect.

5.11Prepayment of Debt. Prepay (or take any actions which impose an obligation to prepay), except, subject to the terms hereof or thereof, Indebtedness.

5.12Pension Plans. Except in compliance with this Agreement, enter into, maintain, or make contribution to, directly or indirectly, any Pension Plan that is subject to ERISA.

5.13Subordinate Indebtedness. Subordinate any indebtedness due to it from any Person to indebtedness of other creditors of such Person.

5.14No Further Negative Pledges. Enter into or become subject to any agreement (other than this Agreement or the Loan Documents) (a) prohibiting the guaranteeing by any Loan Party of any obligations, (b) prohibiting the creation or assumption of any Lien upon the properties or assets of any Loan Party, whether now owned or hereafter acquired or (c) requiring an obligation to become secured (or further secured) if another obligation is secured or further secured.

5.15No License Restrictions. Permit any restriction in any license or other agreement that restricts any Borrower or any other Loan Party from granting a Lien to Bank upon any of any Borrower's or such other Loan Party's rights under such license or agreement.

5.16Olympus Agreements. Terminate or agree to any material modification or amendment to any of the Olympus Agreements without Bank's prior consent.

SECTION 6. EVENTS OF DEFAULT

6.1Events of Default. The occurrence or existence of any one or more of the following conditions or events shall constitute an "Event of Default" hereunder:

(a)Non-payment of any principal, interest or other sum due under the terms of this Agreement, the Note, or under any other Loan Document when due in accordance with

the terms hereof or thereof, which non-payment continues for five (5) days beyond its due date.

(b)Default by any Borrower in the observance or performance of any of the other conditions, covenants or agreements of Borrowers set forth in this Agreement or under

any other Loan Document, which default continues for thirty (30) days following the date on which written notice is delivered by Bank to Borrower with respect to such default or event of default; provided, however, that such thirty (30) day period will be extended for up to ninety (90) days in Bank's sole discretion so long as a Borrower commences to cure such default during such thirty (30) day period and thereafter diligently prosecutes such cure to completion.

(c)Any representation or warranty made by any Loan Party in any Loan Document shall be untrue or incorrect in any material respect.

(d)Any default by any Loan Party, in the payment of any Debt (other than Debt owing to Bank) in an individual amount of $50,000.00 or greater, or in an aggregate amount exceeding $100,000.00, or in the material observance or performance of any conditions, covenants or agreements related or given with respect thereto and, in each such case, continuation thereof beyond any applicable grace or cure period.

(e)The rendering of one or more judgments or decrees for the payment of money, against any Loan Party, and such judgment(s) or decree(s) has not been vacated, bonded or stayed, by appeal or otherwise, for a period of sixty (60) consecutive days after the date of final entry.

(f)If there shall be any change in the management, ownership (other than the publicly traded stock of Stratus) or control of Borrowers, whether by reason of incapacity, death, resignation, termination or otherwise, and if within a reasonable period following such change, Borrowers have not provided for the replacement of such manager to Bank's reasonable satisfaction.

(g)The failure by any Loan Party, to meet the minimum funding requirements under ERISA with respect to any Pension Plan established or maintained by it; the occurrence of any "reportable event", as defined in ERISA, which could constitute grounds for termination by the PBGC of any Pension Plan or for the appointment by the appropriate United States District Court of a trustee to administer such Pension Plan, and such reportable event is not corrected and such determination is not revoked within sixty (60) days after notice thereof has been given to the plan administrator or any Loan Party, as the case may be; or the institution of any proceedings by the PBGC to terminate any such Pension Plan or to appoint a trustee by the appropriate United States District Court to administer any such Pension Plan.

(h)If any Loan Party, becomes insolvent or generally fails to pay, or admits in writing its inability to pay, its debts as they mature, or applies for, consents to, or acquiesces in the appointment of a trustee, receiver, liquidator, conservator or other custodian for any Loan Party, or a substantial part of its property, or makes a general assignment for the benefit of creditors; or in the absence of such application, consent or acquiescence, a trustee, receiver, liquidator, conservator or other custodian is appointed for any Loan Party, or for a substantial part of its property, and the same is not discharged within sixty (60) days; or any bankruptcy, reorganization, debt arrangement, or other proceedings under any bankruptcy or insolvency law, or any dissolution or liquidation proceeding, is instituted by or against any Loan Party, and, if instituted against any Loan Party, the same is consented to or acquiesced in by any such Loan Party or otherwise is not dismissed for sixty (60) days; or any warrant of attachment is issued against any substantial part of the property of any Loan Party, which is not released within thirty (30) days of service thereof.

(i)If any Loan Document shall be terminated, revoked,

or otherwise rendered void or unenforceable, in any case, without Bank's prior written consent and Borrower fails to re-execute same within five (5) days of notice requesting same.

(j)Any Borrower shall dissolve, terminate or liquidate, or merge with or be consolidated into any other entity without Bank's prior written consent.

(k)Without the Bank's prior written consent, any Borrower creates, places, or permits to be created or placed, or through any act or failure to act, acquiesces in the placing of, or allows to remain, any Lien with respect to the Mortgaged Property, or any portion thereof, other than the Permitted Encumbrances and, in the case of non-consensual Liens, such Borrower fails to cure same within forty-five (45) days from date incurred.

(l)Except as otherwise expressly permitted under the Loan Documents, any Borrower sells, conveys, transfers or assigns all or any portion of the Mortgaged Property other than to a Loan Party and the Mortgaged Property remains subject to the Lien in favor of the Bank.

(m)There is a transfer, sale, assignment or conveyance of any beneficial interest in any Borrower or any entity that directly or indirectly holds a beneficial interest in any Borrower, except for Permitted Dispositions.

(n)Any Borrower abandons all or any portion of the Mortgaged Property.

(o)Bank deems itself insecure, believing in good faith that the prospect of payment or performance of any of the Indebtedness is impaired.

6.2Remedies Upon Event of Default. Upon the occurrence and at any time during the existence or continuance of any Event of Default, but without impairing or otherwise limiting the Bank's right to demand payment of all or any portion of the Indebtedness which is payable on demand, at Bank's option, Bank may give notice to Borrowers declaring all or any portion of the Indebtedness remaining unpaid and outstanding, whether under the Notes or otherwise, to be due and payable in full without presentation, demand, protest, notice of dishonor, notice of intent to accelerate, notice of acceleration or other notice of any kind, all of which are hereby expressly waived, whereupon all such Indebtedness shall immediately become due and payable. Furthermore, upon the occurrence of a Default or Event of Default and at any time during the existence or continuance of any Default or Event of Default, but without impairing or otherwise limiting the right of Bank, if reserved under any Loan Document, to make or withhold financial accommodations at its discretion, to the extent not yet disbursed, any commitment by Bank to make any further Advances to Borrowers under this Agreement shall automatically terminate; provided, should such Default or Event of Default be cured to Bank's satisfaction, Bank may, but shall be under no obligation to, reinstate any such commitment by written notice to Borrowers. Notwithstanding the foregoing, in the case of an Event of Default under Section 6.1(i), and notwithstanding the lack of any notice, demand or declaration by Bank, the entire Indebtedness remaining unpaid and outstanding shall become automatically due and payable in full, and any commitment by Bank to make any further Advances to Borrowers shall be automatically and immediately terminated, without any requirement of notice or demand by Bank upon Borrowers, each of which are hereby expressly waived by Borrowers. Bank may, without waiving any Default or Event of Default advance Loan proceeds to correct Borrowers' violation giving rise to the Event of Default. Any Loan proceeds so advanced will either, at Bank's option, be evidenced by the Notes or constitute Indebtedness of Borrowers to Bank payable on demand, bearing interest at the Default Rate from the date advanced by Bank. All such demand indebtedness will be a part of the Indebtedness and will be secured by the liens and security interests of the Loan Documents. Each Loan Party that is a

partnership agrees that Bank is not required to comply with Section 3.05(d) of the Texas Revised Partnership Act and agrees that Bank may proceed directly against one or more general (but not limited) partners or their property without first seeking satisfaction from partnership property. The foregoing rights and remedies are in addition to any other rights, remedies and privileges Bank may otherwise have or which may be available to it, whether under this Agreement, any other Loan Document, by law, or otherwise.

6.3Setoff. In addition to any other rights or remedies of Bank under any Loan Document, by law or otherwise, upon the occurrence and during the continuance or existence of any Event of Default, Bank may, at any time and from time to time, without notice to Borrowers (any requirements for such notice being expressly waived by Borrowers), setoff and apply against any or all of the Indebtedness (whether or not then due), any or all deposits (general or special, time or demand, provisional or final) at any time held by Borrowers and other indebtedness at any time owing by Bank to or for the credit or for the account of Borrowers, and any property of Borrowers, from time to time in possession or control of Bank, irrespective of whether or not Bank shall have made any demand hereunder or for payment of the Indebtedness and although such obligations may be contingent or unmatured, and regardless of whether any Mortgaged Property then held by Bank is adequate to cover the Indebtedness. The rights of Bank under this Section are in addition to any other rights and remedies (including, without limitation, other rights of setoff) which Bank may otherwise have. Borrowers hereby grant Bank a Lien on and security interest in all such deposits, indebtedness and other property as additional collateral for the payment and performance of the Indebtedness.

6.4Waiver of Certain Laws. To the extent permitted by applicable law, Borrowers hereby agree to waive, and do hereby absolutely and irrevocably waive and relinquish, the benefit and advantage of any valuation, stay, appraisement, extension or redemption laws now existing or which may hereafter exist, which, but for this provision, might be applicable to any sale made under the judgment, order or decree of any court, on any claim for interest on the Notes, or to any security interest or other Lien contemplated by or granted under or in connection with this Agreement or the Indebtedness.

6.5Waiver of Defaults. No Default or Event of Default shall be waived by Bank except in a written instrument specifying the scope and terms of such waiver and signed by an authorized officer of Bank, and such waiver shall be effective only for the specific time(s) and purpose(s) given. No single or partial exercise of any right, power or privilege hereunder, nor any delay in the exercise thereof, shall preclude other or further exercise of Bank's rights. No waiver of any Default or Event of Default shall extend to any other or further Default or Event of Default. No forbearance on the part of Bank in enforcing any of Bank's rights or remedies under any Loan Document shall constitute a waiver of any of its rights or remedies. Borrowers expressly agree that this Section may not be waived or modified by Bank by course of performance, estoppel or otherwise.

6.6Receiver. In any action or suit to foreclose upon any of the Mortgaged Property, Bank shall be entitled, without notice or consent, and completely without regard to the adequacy of any security for the Indebtedness, to the appointment of a receiver of the business and premises in question and of the rents and profits derived therefrom. This appointment shall be in addition to any other rights, relief or remedies afforded Bank. Such receiver, in addition to any other rights to which he shall be entitled, shall be authorized to sell, foreclose or complete foreclosure on Mortgaged Property for the benefit of Bank, pursuant to provisions of applicable law.

6.7Discretionary Credit and Credit Payable Upon Demand. To the extent that any of the Indebtedness shall, at anytime, be

payable upon demand, nothing contained in this Agreement, or any other Loan Document, shall be construed to prevent Bank from making demand, without notice and with or without reason, for immediate payment of all or any part of such Indebtedness at any time or times, whether or not a Default or Event of Default has occurred or exists. In the event that such demand is made in accordance with the Loan Documents upon any portion of the Indebtedness and Borrower fails to meet any such demand within any applicable cure periods, the Bank, at its election, may terminate any commitment by Bank to make any further Advances to Borrowers under this Agreement or otherwise. Furthermore, to the extent any Loan Document authorizes the Bank, at its discretion, to make or to decline to make financial accommodations to the Borrowers, nothing contained in this Agreement or any other Loan Document shall be construed to limit or impair such discretion or to commit or otherwise obligate the Bank to make any such financial accommodation.

6.8Application of Proceeds of Mortgaged Property. Notwithstanding anything to the contrary set forth in any Loan Document, during the existence of any Event of Default, the proceeds of any of the Mortgaged Property, together with any offsets, voluntary payments, and any other sums

received or
collected in respect of the Indebtedness, may be applied in such order and manner as determined by Bank in its sole and absolute discretion.

SECTION 7. BANK'S DISCLAIMERS - BORROWERS' INDEMNITIES

7.1No Obligation by Bank. Bank has no liability or obligation whatsoever or howsoever in connection with any of the Mortgaged Property, and has no obligation except to disburse the proceeds of the Loans as herein agreed.

7.2No Obligation by Bank to Operate. Any term or condition of any of the Loan Documents to the contrary notwithstanding, Bank shall not have, and by its execution and acceptance of this Agreement hereby expressly disclaims, any obligation or responsibility for the management, conduct or operation of the business and affairs of any Loan Party. Any term or condition of the Loan Documents which permits Bank to disburse funds, whether from the proceeds of the Loans or otherwise, or to take or refrain from taking any action with respect to any Loan Party, the Mortgaged Property or any other collateral for repayment of the Loans, shall be deemed to be solely to permit Bank to audit and review the management, operation and conduct of the business and affairs of any Loan Party, and to maintain and preserve the security given by Borrowers to Bank for the Loans, and may not be relied upon by any other person. Further, Bank shall not have, has not assumed and by its execution and acceptance of this Agreement hereby expressly disclaims any liability or responsibility for the payment or performance of any indebtedness or obligation of any Loan Party and no term or condition of the Loan Documents, shall be construed otherwise. BORROWERS, JOINTLY AND SEVERALLY, HEREBY INDEMNIFY AND AGREE TO HOLD BANK HARMLESS FROM AND AGAINST ANY COST, EXPENSE OR LIABILITY INCURRED OR SUFFERED BY BANK AS A RESULT OF ANY ASSERTION OR CLAIM OF ANY OBLIGATION OR RESPONSIBILITY OF BANK FOR THE MANAGEMENT, OPERATION AND CONDUCT OF THE BUSINESS AND AFFAIRS OF ANY BORROWER OR ANY OTHER LOAN PARTY, OR AS A RESULT OF ANY ASSERTION OR CLAIM OF ANY LIABILITY OR RESPONSIBILITY OF BANK FOR THE PAYMENT OR PERFORMANCE OF ANY INDEBTEDNESS OR OBLIGATION OF ANY BORROWER OR ANY OTHER LOAN PARTY.

7.3INDEMNITY BY BORROWERS. BORROWERS, JOINTLY AND SEVERALLY, HEREBY INDEMNIFY BANK AND EACH AFFILIATE THEREOF AND THEIR RESPECTIVE OFFICERS, DIRECTORS, EMPLOYEES, ATTORNEYS AND AGENTS FROM, AND HOLDS EACH OF THEM HARMLESS AGAINST, ANY AND ALL LOSSES, LIABILITIES, CLAIMS, DAMAGES, COSTS, AND EXPENSES TO WHICH ANY OF THEM MAY BECOME SUBJECT, INSOFAR AS SUCH LOSSES, LIABILITIES, CLAIMS, DAMAGES, COSTS, AND EXPENSES ARISE FROM OR

RELATE TO ANY OF THE LOAN DOCUMENTS OR ANY OF THE TRANSACTIONS CONTEMPLATED THEREBY OR FROM ANY INVESTIGATION, LITIGATION, OR OTHER PROCEEDING, INCLUDING, WITHOUT LIMITATION, ANY THREATENED INVESTIGATION, LITIGATION, OR OTHER PROCEEDING RELATING TO ANY OF THE FOREGOING, INCLUDING ANY CLAIMS, LOSSES, COSTS, DAMAGES, LIABILITIES, OBLIGATIONS, AND EXPENSES RESULTING FROM BANK'S OWN NEGLIGENCE, EXCEPT AND TO THE EXTENT BUT ONLY TO THE EXTENT CAUSED BY BANK'S GROSS NEGLIGENCE OR WILLFUL MISCONDUCT. WITHOUT INTENDING TO LIMIT THE REMEDIES AVAILABLE TO BANK WITH RESPECT TO THE ENFORCEMENT OF ITS INDEMNIFICATION RIGHTS AS STATED HEREIN OR AS STATED IN ANY LOAN DOCUMENT, IN THE EVENT ANY CLAIM OR DEMAND IS MADE OR ANY OTHER FACT COMES TO THE ATTENTION OF BANK IN CONNECTION WITH, RELATING OR PERTAINING TO, OR ARISING OUT OF THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT, WHICH BANK REASONABLY BELIEVES MIGHT INVOLVE OR LEAD TO SOME LIABILITY OF BANK, BORROWERS SHALL, IMMEDIATELY UPON RECEIPT OF WRITTEN NOTIFICATION OF ANY SUCH CLAIM OR DEMAND, ASSUME IN FULL THE PERSONAL RESPONSIBILITY FOR AND THE DEFENSE OF ANY SUCH CLAIM OR DEMAND AND PAY IN CONNECTION THEREWITH ANY LOSS, DAMAGE, DEFICIENCY, LIABILITY OR OBLIGATION, INCLUDING, WITHOUT LIMITATION,

LEGAL FEES AND COURT COSTS INCURRED IN CONNECTION THEREWITH. IN THE EVENT OF COURT ACTION IN CONNECTION WITH ANY SUCH CLAIM OR DEMAND, BORROWERS SHALL ASSUME IN FULL THE RESPONSIBILITY FOR THE DEFENSE OF ANY SUCH ACTION AND SHALL IMMEDIATELY SATISFY AND DISCHARGE ANY FINAL DECREE OR JUDGMENT RENDERED THEREIN. BANK MAY, IN ITS SOLE BUT REASONABLE DISCRETION, MAKE ANY PAYMENTS SUSTAINED OR INCURRED BY REASON OF ANY OF THE FOREGOING; AND BORROWERS SHALL IMMEDIATELY UPON RECEIPT OF NOTICE REPAY TO BANK, IN CASH, THE AMOUNT OF SUCH PAYMENT, WITH INTEREST THEREON AT THE MAXIMUM RATE OF INTEREST PERMITTED BY APPLICABLE LAW FROM THE DATE OF SUCH PAYMENT. BANK SHALL HAVE THE RIGHT TO JOIN BORROWERS, OR ANY OF THEM, AS A PARTY DEFENDANT IN ANY LEGAL ACTION BROUGHT AGAINST BANK, AND BORROWERS HEREBY CONSENT TO THE ENTRY OF AN ORDER MAKING BORROWERS, OR ANY OF THEM, A PARTY DEFENDANT TO ANY SUCH ACTION.

7.4No Agency. Nothing herein shall be construed as making or constituting Bank as the agent of any Loan Party in making payments pursuant to any construction contracts or subcontracts entered into by any Loan Party for construction of the Improvements or otherwise. The purpose of all requirements of Bank hereunder is solely to allow Bank to check and require documentation (including, but not limited to, lien waivers) sufficient to protect Bank and the Loans contemplated hereby.

7.5Assignment of Reimbursables and Assignment of Partnership Interests. As additional security for the Loan, Borrower or certain Loan Parties of even date herewith has transferred and assigned to Bank all of Borrowers' right, title and interest in and to certain reimbursements due Borrower from various municipal utility districts and cities, certain management and other fees, and certain partnership interests, all as more fully set forth in the Assignment of Reimbursables and Other Fees and in the Assignment of Partnership Interests executed of even date herewith by certain of the Borrowers (collectively, the "Assignments"). Any default which remains uncured beyond an grace or cure period under the Assignments shall also constitute an Event of Default hereunder. Said Assignments shall inure to the benefit of Bank and its successors and assigns, any purchaser upon foreclosure of the Deed of Trust, any receiver in possession of the Mortgaged Property and any corporation affiliated with Bank which assumes Bank's rights and obligations under this Agreement.

SECTION 8. MISCELLANEOUS

8.1Taxes and Fees. Unless otherwise prohibited by applicable law, should any tax (other than a tax based upon the net income of Bank) or recording or filing fee become payable in respect of any Loan Document, any of the Mortgaged Property, any of the Indebtedness or any amendment, modification or supplement hereof or thereof, Borrowers agree to pay such taxes (or reimburse

Bank therefor upon demand for reimbursement), together with any interest or penalties thereon, and agrees to hold Bank harmless with respect thereto.

8.2Governing Law. Each Loan Document shall be deemed to have been delivered in the State of Texas, and shall be governed by and construed and enforced in accordance with the laws of the State of Texas, except to the extent that the Uniform Commercial Code, other personal property law or real property law of another jurisdiction where Mortgaged Property is located is applicable, and except to the extent expressed to the contrary in any Loan Document. Whenever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement shall be prohibited by or invalid under applicable law, such provision shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Agreement.

8.3Audits of Mortgaged Property; Fees. Bank shall have the right from time to time to audit the Mortgaged Property, provided that such audits will be conducted no more than two (2) times in any calendar year unless an Event of Default has occurred. Borrowers agree to reimburse Bank, on demand, for customary and reasonable fees and costs incurred by Bank for such audits and

financial analysis and examination of Borrowers or any other Loan Party performed from time to time.

8.4Costs and Expenses. Borrowers shall pay Bank, on demand, all costs and expenses, including, without limitation, reasonable attorneys' fees and legal expenses (whether inside or outside counsel is used), incurred by Bank in perfecting, revising, protecting or enforcing any of its rights or remedies against any Loan Party or any Mortgaged Property, or otherwise incurred by Bank in connection with any Default or Event of Default or the enforcement of the Loan Documents or the Indebtedness. Following Bank's demand upon Borrowers for the payment of any such costs and expenses, and until the same are paid in full, the unpaid amount of such costs and expenses shall constitute Indebtedness and shall bear interest at the Default Rate.

8.5Notices. All notices and other communications provided for in any Loan Document (unless otherwise expressly stipulated therein) or contemplated thereby, given thereunder or required by law to be given, shall be in writing (unless expressly provided to the contrary). If personally delivered, such notices shall be effective when delivered, and in the case of mailing or delivery by overnight courier, such notices shall be effective when placed in an envelope and deposited at a post office or official depository under the exclusive care and custody of the United States Postal Service or delivered to an overnight courier, postage prepaid, in each case addressed to the parties as set forth on the signature page of this Agreement, or to such other address as a party shall have designated to the other in writing in accordance with this Section. In the case of mailing, the mailing shall be by certified or first class mail. Except as set forth to the contrary in a Deed of Trust, the giving of at least five (5) days' notice before Bank shall take any action described in any notice shall conclusively be deemed reasonable for all purposes; provided, that this shall not be deemed to require Bank to give such five (5) days' notice, or any notice, if not specifically required to do so in this Agreement.

8.6Further Action. Borrowers, from time to time, upon written request of Bank, will promptly make, execute, acknowledge and deliver, or cause to be made, executed, acknowledged and delivered, all such further and additional instruments, and promptly take all such further action as may be reasonably required to carry out the intent and purpose of the Loan Documents, and to provide for the Loans thereunder and payment of the Notes,

according to the intent and purpose therein expressed.

8.7Successors and Assigns; Participation. This Agreement shall be binding upon and shall inure to the benefit of Borrowers and Bank and their respective successors and assigns. The foregoing shall not authorize any assignment or transfer by any Borrower of any of its respective rights, duties or obligations hereunder, such assignments or transfers being expressly prohibited. Bank, however, may freely assign, whether by assignment, participation or otherwise, its rights and obligations hereunder, and is hereby authorized to disclose to any such assignee or participant (or proposed assignee or participant) any financial or other information in its knowledge or possession regarding any Loan Party or the Indebtedness.

8.8Indulgence. No delay or failure of Bank in exercising any right, power or privilege hereunder or under any of the Loan Documents shall affect such right, power or privilege, nor shall any single or partial exercise thereof preclude any further exercise thereof, nor the exercise of any other right, power or privilege available to Bank. The rights and remedies of Bank hereunder are cumulative and are not exclusive of any rights or remedies of Bank.

8.9Amendment and Waiver. No amendment or waiver of any provision of any Loan Document, or consent to any departure by any Loan Party therefrom, shall in any event be effective unless the same shall be in writing and signed by Bank, and then such waiver or consent shall be effective only in the specific instance(s) and for the specific time(s) and purpose(s) for which it is given.

8.10Severability. In case any one or more of the obligations of any Loan Party under any Loan Document shall be invalid, illegal or unenforceable in any jurisdiction, the validity, legality and enforceability of the remaining obligations of such Loan Party shall not in any way be affected or impaired thereby, and such invalidity, illegally or unenforceability in one jurisdiction shall not

affect the validity, legality or enforceability of the obligations of such Loan Party under any Loan Document in any other jurisdiction.

8.11Headings and Construction of Terms. The headings of the various subsections hereof are for convenience of reference only and shall in no way modify or affect any of the terms or provisions hereof. Where the context herein requires, the singular number shall include the plural, and any gender shall include any other gender.

8.12Independence of Covenants. Each covenant hereunder shall be given independent effect so that if a particular action or condition is not permitted by any such covenant, the fact that it would be permitted by an exception to, or would be otherwise within the limitations of, another covenant shall not avoid the occurrence of any Default or Event of Default.

8.13Reliance on and Survival of Various Provisions. All terms, covenants, agreements, indemnities, representations and warranties of any Loan Party made in any Loan Document, or in any certificate, report, financial statement or other document furnished by or on behalf of any Loan Party in connection with any Loan Document, shall be deemed to have been relied upon by Bank, notwithstanding any investigation heretofore or hereafter made by Bank or on Bank's behalf, and those covenants and agreements of Borrowers set forth in Sections 4.7, 4.11, 4.19, 7.2 and 7.3 hereof (together with any other indemnities of Borrowers contained elsewhere in any Loan Document) shall survive the termination of this Agreement and the repayment in full of the Indebtedness.

8.14Effective Upon Execution. This Agreement shall become effective upon the execution hereof by Bank and Borrowers, and

shall remain effective until the Indebtedness under this Agreement and the Notes and the related Loan Documents shall have been repaid and discharged in full and no commitment to extend any credit hereunder (whether optional or obligatory) remains outstanding.

8.15No Third Party Beneficiaries. The benefits of this Agreement shall not inure to any third party. This Agreement shall not be construed to make or render Bank liable to any materialmen, subcontractors, contractors, laborers or others for goods and materials supplied or work and labor furnished in connection with any of the Mortgaged Property or for debts or claims accruing to any such persons or entities against any Borrower. Bank shall not be liable for the manner in which any Advances under this Agreement may be applied by Borrowers. Notwithstanding anything contained in the 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 Bank, or any of its officers, directors, agents or employees, in favor of any contractor, subcontractor, supplier of labor or materials, or any of their respective creditors, or any other person or entity other than Borrowers. Without limiting the generality of the foregoing, Advances made to any Person pursuant to any requests for Advances, whether or not such request is required to be approved by Borrowers, shall not be deemed a recognition by Bank of a third-party beneficiary status of any such person or entity.

8.16Complete Agreement; Conflicts. The Loan Documents contain the entire agreement of the parties thereto, and none of the parties shall be bound by anything not expressed in writing. In the event that and to the extent that any of the terms, conditions or provisions of any of the other Loan Documents are inconsistent with or in conflict with any of the terms, conditions or provisions of this Agreement, the applicable terms, conditions and provisions of this Agreement shall govern and control.

8.17Exhibits and Addenda and Schedules. The following Addenda and Exhibits and Schedules are attached to this Agreement and are incorporated into this Agreement by this reference and made a part hereof for all purposes:

Addenda:
Addendum 1-Defined Terms Addendum
Addendum 2-Loan Terms, Conditions and Procedures Addendum
Addendum 2(a)-Priority Application of Proceeds Schedule
Addendum 3-Release Provisions
Addendum 3-1-Schedule of Appraised Value
Addendum 3-2-Schedule of Assigned Value

Exhibits:
Exhibit A-Primary Collateral
Exhibit B-Other Collateral
Exhibit C-Intentionally Deleted
Exhibit D-MUD Reimbursables
Exhibit E-Request for Advance
Exhibit F-Form of Compliance Certificate

Schedules:
Schedule 3.5-Subsidiaries
Schedule 3.10-Material Litigation
Schedule 3.14-Employee Benefit Plans
Schedule 3.16-Environmental Disclosures
Schedule 3.19-Equity Ownership

8.18ORAL AGREEMENTS INEFFECTIVE. THIS AGREEMENT AND THE OTHER "LOAN AGREEMENTS" (AS DEFINED IN SECTION 26.02(A)(2) OF THE TEXAS BUSINESS & COMMERCE CODE, AS AMENDED) REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES, AND THIS AGREEMENT AND THE OTHER WRITTEN LOAN AGREEMENTS MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS BETWEEN THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

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WITNESS the due execution hereof as of the day and year first above written.

BANK:

COMERICA BANK - TEXAS

By:
Name:
Title:

Bank's Address:
1601 Elm Street
Dallas, Texas 75201
P.O. Box 650282
Dallas, Texas 75262-0282
Attn:
Telefax No.:

BORROWERS:

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:William H. Armstrong, III

Name:William H. Armstrong, III
Title:President

Borrowers' Address:
98 San Jacinto Blvd.,
Suite 220
Austin, Texas 78701

Attn:William H. Armstrong, III
Telefax No.: (512) 478-6340

ADDENDUM 1

DEFINED TERMS ADDENDUM

SECTION 1. DEFINITIONS

1.1Defined Terms. As used in this Agreement, the following terms shall have the following respective meanings:

"Accounts," "Chattel Paper," "Documents", "Fixtures," "General Intangibles," "Goods," "Instruments" and "Inventory" shall have the respective meanings assigned to them in the UCC on the date of this Agreement.

"Advance" shall mean a disbursement by Bank, whether by journal entry, deposit to Borrower's account, check to third party or otherwise of any of the proceeds of the Loan or any insurance proceeds.

"Affiliate" shall mean, when used with respect to any Person, any other Person which, directly or indirectly, controls or is controlled by or is under common control with such Person. For purposes of this definition, "control" (including, with correlative meanings, the terms "controlled by" and "under common control with"), with respect to any Person, shall mean possession, directly or indirectly, of the power to generally direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise.

"Agreement" shall mean this Loan Agreement, including the Defined Terms Addendum and the Loan Terms, Conditions and Procedures Addendum, and Partial Release Addendum, together with all exhibits and schedules, as it may be amended from time to time.

"Assignment of Reimbursables and Other Fees" shall mean the Assignment of Reimbursables and Other Fees of even date herewith executed by Stratus Properties Inc., Stratus Properties Operating Co., L.P., Circle C Land Corp. and Austin 290 Properties, Inc. and assigning to Bank all reimbursements, receivables and proceeds due to any Co-Borrower including, but not limited to, the MUD Reimbursables, all utility reimbursements, fees for property management, commission fees and other fee income as more specifically set forth therein.

"Assignment of Partnership Interest" shall mean the Assignment of Partnership Interests of even date herewith executed by the following partnerships: Stratus 7000 West, Ltd., Stratus ABC West I, L.P. and Stratus Ventures I Walden, L.P. (collectively, the "Partnerships"), assigning to Bank their respective partnership interests in the joint ventures or partnerships more fully described therein and those future partnerships executed after the date hereof by any Related Party assigning to Bank their respective

partnership interests in the joint ventures or partnerships more fully described therein (the "Future Partnerships").

"Bankruptcy Code" shall mean Title 11 of the United States Code, as amended, or any successor act or code.

"Business Day" shall mean any day, other than a Saturday, Sunday or holiday, on which the Bank is open to carry on all or substantially all of its normal commercial lending business in Dallas, Texas.

"Commitment Fee" shall mean the sum of $300,000.00 to be paid by Borrowers to Bank pursuant to the applicable provisions of this Agreement.

"Compliance Certificate" shall mean a certificate to be furnished by each Borrower to Bank, in the form of Exhibit F, certified by the chief financial officer of each Borrower (or in such officer's absence, another responsible officer of each Borrower) pursuant to Section 4.3 of this Agreement, certifying that, as of the date thereof, no Default or Event of Default shall have occurred and be continuing,

or if any Default or Event of Default shall have occurred and be continuing, specifying in detail the nature and period of existence thereof and any action taken or proposed to be taken by the applicable Borrower with respect thereto, and also certifying as to whether Borrowers are in compliance with the financial covenants contained in this Agreement.

"Consolidated" or "consolidated" shall mean, when used with reference to any financial term in this Agreement, the aggregate for two or more persons of the amounts signified by such term for all such persons determined on a consolidated basis in accordance with GAAP. Unless otherwise specified herein, references to "consolidated" financial statements or data of the Borrowers includes consolidation with their respective Subsidiaries in accordance with GAAP.

"Contested Item" shall mean any Lien asserted against all or any portion of the Mortgaged Property if, and so long as (i) Borrowers have notified Bank of same within five (5) days of obtaining knowledge thereof, (ii) Borrowers shall diligently and in good faith contest the same by appropriate legal proceedings which shall operate to prevent the enforcement of collection of the same and the sale of the Mortgaged Property or any part thereof, to satisfy the same, (iii) pending resolution of such Contested Item, Borrowers shall have furnished to Bank a cash deposit or an indemnity bond reasonably satisfactory to Bank with a surety reasonably satisfactory to Bank in the amount of such imposition or lien claim, plus a reasonable additional sum to pay all costs, interest and penalties that may be imposed or incurred in connection therewith, to ensure payment of the matters under contest and to prevent any sale or forfeiture of the Mortgaged Property or any part thereof, (iv) Borrowers shall promptly upon final determination thereof pay the amount of any such imposition or lien claim so determined, together with all costs, interest and penalties which may be payable in connection therewith, (v) the failure to pay such imposition or lien claim does not constitute a default under any other deed of trust, mortgage or security interest covering or affecting any part of the Mortgaged Property, and (vi) notwithstanding the foregoing, Borrowers shall immediately upon request of Bank pay any such imposition or lien claim notwithstanding such contest if, in the reasonable opinion of Bank the Mortgaged Property shall be in jeopardy or in danger of being forfeited or foreclosed. Bank may pay over any such cash deposit or part thereof to the claimant entitled thereto at any time when, in the reasonable judgment of Bank, the entitlement of such claimant is established.

"Debt" shall mean, as of any applicable date of determination thereof, all items of indebtedness, obligation or liability of a Person, whether matured or unmatured, liquidated or unliquidated, direct or indirect, absolute or contingent, joint or several, that should be classified as liabilities in accordance with GAAP. In the case of Borrowers, the term "Debt" shall include, without limitation, the Indebtedness.

"Deeds of Trust" shall mean the Deeds of Trust of even date herewith pursuant to which the Land (and any Improvements located thereon) is mortgaged to a trustee for the benefit of Bank to secure the Loans.

"Default" shall mean, any condition or event which, with the giving of notice or the passage of time, or both, would constitute an Event of Default.

"Default Rate" shall mean, at any time of determination thereof with respect to the applicable portion of the Indebtedness, the Maximum Lawful Rate (as defined in the Notes) or if no Maximum Lawful Rate is in effect, the sum of the Base Rate (as defined in the Notes) plus six percent (6%).

"Disbursement Date" shall mean the date upon which Bank makes an Advance of Loan proceeds under this Agreement.

"Distribution" shall mean any dividend on or other distribution (whether by reduction of capital or otherwise) with respect to any shares of capital stock (or other ownership interests), except for dividends from a Subsidiary to its parent.

"Environmental Law(s)" shall mean all laws, codes, ordinances, rules, regulations, orders, decrees and directives issued by any federal, state, local, foreign or other governmental or quasi

governmental authority or body (or any agency, instrumentality or political subdivision thereof) pertaining to Hazardous Materials or otherwise intended to regulate or improve health, safety or the environment, including, without limitation, any hazardous materials or wastes, toxic substances, flammable, explosive or radioactive materials, asbestos, and/or other similar materials; any so-called "superfund" or "superlien" law, pertaining to Hazardous Materials on or about any of the Mortgaged Property, or any other property at any time owned, leased or otherwise used by any Loan Party, or any portion thereof, including, without limitation, those relating to soil, surface, subsurface ground water conditions and the condition of the ambient air; and any other federal, state, foreign or local statute, law, ordinance, code, rule, regulation, order or decree regulating, relating to, or imposing liability or standards of conduct concerning, any hazardous, toxic, radioactive, flammable or dangerous waste, substance or material, as now or at anytime hereafter in effect.

"ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended, or any successor act or code.

"Event of Default" shall mean any of those conditions or events listed in Section 6.1 of this Agreement.

"Extension Fee" shall mean a sum equal to fifty hundredths percent (0.50%) of the sum of the then outstanding principal balance on the Term Loan plus the Revolving Loan Maximum Amount as of the date of the Loan Extension to be paid by Borrowers to Bank at Loan Extension.

"Extension Loans" shall mean, to the extent Loan Extension occurs, the Loans, as so converted.

"Financing Statements" shall mean the financing statement or financing statements (on Standard Form UCC-1 or otherwise) executed and delivered by Borrowers in connection with the Loan Documents.

"Financial Statements" shall mean all balance sheets, income statements, statements of profit and loss, statements of changes in stockholder equity, statements of cash flow and contingency obligations and other financial data, statements and reports (whether of any Borrower, any of their respective Subsidiaries, or any other Loan Party or otherwise) which are required to, have been, or may from time to time hereafter, be furnished to Bank, for the purposes of, or in connection with, this Agreement, the transactions contemplated hereby or any of the Indebtedness.

"GAAP" shall mean generally accepted accounting principles consistently applied.

"Good Faith" or "good faith" shall have the meaning ascribed to the term "good faith" in Article 1.201(19) of the UCC on the date of this Agreement.

"Governmental Authority" shall mean the United States, each state, each county, each city, and each other political subdivision in which all or any portion of the Mortgaged Property is located, and each other political subdivision, agency, or instrumentality exercising jurisdiction over Bank, any Loan Party or any Mortgaged Property.

"Governmental Requirements" shall mean all laws, ordinances, rules, and regulations of any Governmental Authority applicable to any Loan Party, any of the Indebtedness or any Mortgaged Property.

"Hazardous Material" shall mean and include any hazardous, toxic or dangerous waste, substance or material defined as such in, or for purposes of, any Environmental Law(s).

"Improvements" shall mean any buildings, structures or other permanent improvements to or located on any of the Land.

"Indebtedness" shall mean all loans, advances, indebtedness, obligations and liabilities of any Loan Party to Bank under any Loan Document, together with all other indebtedness, obligations

and liabilities whatsoever of any Borrower to Bank, whether matured or unmatured, liquidated or unliquidated, direct or indirect, absolute or contingent, joint or several, due or to become due, now existing or hereafter arising, voluntary or involuntary, known or unknown, or originally payable to 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 Lien or in pursuing any of its rights or remedies under any Loan Document or in connection with any proceeding involving Bank as a result of any financial accommodation to any Borrower; debts, obligations and liabilities for which any Borrower would otherwise be liable to the Bank were it not for the invalidity or enforceability of them by reason of any bankruptcy, insolvency or other law or for any other reason, and reasonable costs and expenses of attorneys and paralegals, 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; provided that the term Indebtedness shall not include any consumer loan to the extent treatment of such loan as part of the Indebtedness would violate any Governmental Requirement.

"Initial Advance" shall mean the Advance to be made at the time Borrowers satisfy the conditions set forth in Section 2.14 of Addendum 2.

"Interest Reserve Amount" shall mean an amount determined by Bank as the amount sufficient to pay all interest that Bank anticipates will accrue on the Loans during the twelve month period

from the date such calculation is made by Bank. As of the first day of each January, April, July and October during the terms of the Loans, Bank shall recalculate the Interest Reserve Amount it determines is necessary to pay all interest that it anticipates as of such date to accrue on the Notes during the forthcoming twelve month period.

"Interest Reserve Escrow Account" has the meaning given to it Section 4.21.

"Land" shall mean the tracts of real property owned by any Loan Party, whether designated as Primary Collateral, Other Collateral or Related Party Asset..

"Leases" shall mean all written leases or rental agreements, if any, by which any Borrower, as landlord, grants to a tenant a leasehold interest in all or any portion of the Land or Improvements.

"Lien" shall mean any valid and enforceable interest in any property, whether real, personal or mixed, securing an indebtedness, obligation or liability owed to or claimed by any Person other than the owner of such property, whether such indebtedness is based on the common law or any statute or contract and including, but not limited to, a security interest, pledge, mortgage, assignment, conditional sale, trust receipt, lease, consignment or bailment for security purposes.

"Loan Documents" shall mean collectively, this Agreement, the Notes, the Deeds of Trust, the Financing Statements, and any other documents, instruments or agreements evidencing, governing, securing, guaranteeing or otherwise relating to or executed pursuant to or in connection with any of the Indebtedness or any Loan Document (whether executed and delivered prior to, concurrently with or subsequent to this Agreement), as such documents may have been or may hereafter be amended from time to time.

"Loan Extension" shall mean the Extension of the Loans in accordance with the requirements and provisions of Section 1.16 of Addendum 2, the effective date of which shall not be later than December 16, 2001.

"Loan Party" shall mean each Borrower, each of their respective Subsidiaries (whether or not a party to any Loan Document) and each other Person who or which shall be liable for the payment or performance of all or any portion of the Indebtedness or who or which shall own any property that is subject to (or purported to be subject to) a Lien which secures all or any portion of the Indebtedness.

"Loans" shall mean, collectively, the Revolving Loans and the Term Loans, and "Loan" shall mean any of them.

"Material Adverse Effect" shall mean any act, event, condition or circumstance which could be expected to materially and adversely affect the business, operations, condition (financial or otherwise), performance or assets of any Loan Party, the ability of any Loan Party to perform its obligations under any Loan Document to which it is a party or by which it is bound or the enforceability of any Loan Document.

"Material Litigation" shall mean any existing or threatened action, suit or litigation reported or required by applicable law to be reported by Stratus in any filing with the Securities and Exchange Commission and any other action, suit, litigation or proceeding, at law or in equity, or before any arbitrator or by or before any Governmental Authority, pending, or, to the best knowledge of any Borrower, threatened against or affecting any Loan Party, which has a reasonable prospect of adverse determination and, if adversely determined, could reasonably be expected to materially impair the right of the Loan Party to carry on its

business substantially as now conducted or could have a Material Adverse Effect.

"Maximum Legal Rate" shall mean the maximum rate of nonusurious interest per annum permitted to be paid by Borrowers or, if applicable, another Loan Party or received by Bank with respect to the applicable portion of the Indebtedness from time to time under applicable state or federal law as now or as may be hereafter in effect, including, as to Chapter 1 D of Title 79 Vernon's Texas Civil Statutes (and as the same may be incorporated by reference in other Texas statutes), but otherwise without limitation, that rate based upon the "weekly ceiling rate" (as defined in '303 of the Texas Finance Code).

"Maximum Loan Amount"shall mean (i) prior to Loan Extension, thirty-five percent (35%) of the fair market value of the Primary Collateral as indicated by the Primary Collateral Appraisals delivered to and accepted by Bank on or prior to the date hereof, and (ii) at and following Loan Extension, twenty-five percent (25%) of the fair market value of the Primary Collateral as indicated by either, at Bank's option and Borrowers' expense, newly prepared Primary Collateral Appraisals or recertifications of the accuracy and values presented in the Primary Collateral Appraisals delivered to and accepted by Bank on or about the date hereof.

"Mortgaged Property" shall mean the Land, Improvements, MUD Reimbursables, Interest Reserve Escrow Account (if Borrowers establish the same), Stratus's ownership interests, direct or indirect, in all Related Parties, and all other property, assets and rights in which a Lien or other encumbrance in favor of or for the benefit of Bank is or has been granted or arises or has arisen, or may hereafter be granted or arise, under or in connection with any Loan Document, or otherwise, including all other property, assets and rights in which any Borrower obtains an ownership interest, directly or indirectly, with proceeds of either of the Loans.

"MUD Reimbursables" shall mean those reimbursements due to any one or more of the Borrowers from the Municipal Utility Districts, including, but not limited to, those payments due to one or more of the Borrowers from the City of Austin, as more fully identified in Exhibit D attached hereto.

"Notes" shall mean, collectively, whether one or more, the Revolving Loan Note and the Term 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.

"Other Collateral" shall mean the tracts of Land listed on Exhibit B, attached hereto, and no other part or portion of the Mortgaged Property.

"PBGC" shall mean the Pension Benefit Guaranty Corporation, or any Person succeeding to the present powers and functions of the Pension Benefit Guaranty Corporation.

"Pension Plan(s)" shall mean any and all employee benefit pension plans of Borrower and/or any of its Subsidiaries in effect from time to time, as such term is defined in ERISA.

"Permitted Disposition" shall mean (i) a transfer of a beneficial interest in any Borrower or any entity holding a direct or indirect interest in any Borrower by any person or entity holding such an interest to any other person or entity holding such an interest as of the date of this Agreement (the "Interest Holders"); (ii) any transfer of a legal or beneficial interest in any publicly-traded stock of Stratus; or (iii) a transfer of a legal or beneficial interest in any Borrower or any entity holding a direct or indirect interest in any Borrower for bona fide estate planning purposes to: (A) members of such transferor=s immediate family or (B) a trust, the holders of the beneficial interests of

which are a current Interest Holder or a member of the Interest Holder's immediate family; provided, however, that a Permitted Disposition shall not include any transfer or series of transfers which (1) after taking into account any prior Permitted Disposition shall result in (x) the proposed transferee owning (directly or indirectly) more than 49% of the interests in any Borrower or any entity holding a direct or indirect interest in any Borrower unless such transferee owned more than 49% of such interests as of the date of this Agreement, or (y) a transfer of more than 49% of the interests in any Borrower or any entity holding a direct or indirect interest in any Borrower; (2) shall result in a change of control of any Borrower or the day to day operations of the Mortgaged Property; (3) any Borrower shall not have given Bank notice of such transfer together with copies of all instruments effecting such transfer later than seven (7) business days prior to the effective date of such transfer; or (4) occurs at any time when an Event of Default has occurred and remains uncured. For the purposes of Permitted Dispositions, a change of control of any Borrower or any entity holding a direct or indirect interest in any Borrower shall be deemed to have occurred if there is any change in the identity of the individual or group of individuals who have the right, by virtue of the articles of incorporation, articles of organization, the by-laws or an agreement, with or without taking any formative action, to cause such Borrower or such entity to take some action or to block such Borrower or such entity from taking some action which, in either case, such Borrower or such entity could take or could refrain from taking were it not for the rights of such stockholders, partners or members of such Borrower or such entity, as the case may be.

"Permitted Encumbrances" shall mean Liens in favor of the Bank, all matters shown on Schedule B of the Title Policies, Liens for taxes not yet due and payable, Liens not delinquent arising in the ordinary course of business and created by statute in connection with worker's compensation, unemployment insurance, social security and similar statutory obligations, and Contested Items.

"Person" or "person" shall mean any individual, corporation, partnership, joint venture, limited liability company, association, trust, unincorporated association, joint stock company, government, municipality, political subdivision or agency, or other entity.

"Primary Collateral" shall mean the tracts of Land listed on Exhibit A, attached hereto, and no other part or portion of the Mortgaged Property; provided, however, the Primary Collateral may be expanded by adding additional collateral to Exhibit A and obtaining an appraisal, an environmental audit and other documents that may be required by Bank.

"Primary Collateral Appraisals" shall mean appraisals prepared and obtained at Borrowers' expense covering the Primary Collateral in form and content and conducted and prepared by one or more appraisers reasonably acceptable to Bank. Each Primary Collateral Appraisal shall comply with all appraisal requirements of Bank and any Governmental Authority having jurisdiction over Bank.

"Related Party" shall mean any corporation, partnership, limited liability company or any other legal entity in which Stratus owns or holds, directly or indirectly, any legal or beneficial ownership interest.

"Related Party Assets" shall mean the assets owned by the Borrower which may be transferred to the Related Parties from time to time.

"Related Party Shortfall" shall mean the difference between (A) seventy percent (70%) of the appraised value of any real estate asset sold to a Related Party and (B) the net proceeds received by Bank for application to the Loans upon the sale of such real estate asset to a Related Party (which net proceeds shall in no event be less than the greater of (i) fifty percent (50%) of the gross sales

price or (ii) fifty percent (50%) of the Appraised Value of the Primary Collateral or the Assigned Value of the Other Collateral of such asset).

"Release Provisions" shall mean the provisions set forth on Addendum 3, attached hereto.

"Request for Advance" shall mean an oral or written request or authorization for an Advance of Loan proceeds which if made in writing shall be in the form annexed hereto as Exhibit E, or in such other form as is acceptable to Bank.

"Revolving 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 Loan Maximum Amount, pursuant to the Loan Terms, Conditions and Procedures Addendum

"Revolving Loan Maturity Date" shall mean December 16, 2001, unless Loan Extension occurs, in which case such term shall mean December 16, 2002, or, and regardless of whether Loan Extension occurs, such earlier date on which the entire unpaid principal amount of the Revolving 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 Loan Maturity Date shall be the next succeeding Business Day.

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

"Revolving Loan Note" shall mean the Revolving Loan Note of even date herewith in the original principal amount of $10,000,000.00 made by Borrowers payable to the order of the Bank, as the same may be renewed, extended, modified, increased or restated from time to time.

"Section 2.18 Assets" shall have the meaning given to the term in Section 2.18 of Addendum 2.

"Subsidiary"shall mean as to any particular parent entity, any corporation, partnership, limited liability company or other entity (whether now existing or hereafter organized or acquired) in which more than fifty percent (50%) of the outstanding equity ownership interests having voting rights as of any applicable date of determination, shall be owned directly, or indirectly through one or more Subsidiaries, by such parent entity.

"Surveys" shall mean a survey of each tract of the Primary Collateral in form and content reasonably satisfactory and acceptable to the Bank and sufficient to allow the Title Company to endorse the standard survey exception in the Title Policies to "shortages in area" only.

"Telephone Notice Authorization" shall mean an agreement in form satisfactory to Bank authorizing telephonic and facsimile notices of borrowing and establishing a codeword system of identification in connection therewith.

"Term Loan" shall mean the Loan made, or to be made, by Bank to or for the credit of Borrowers in one Advance not to exceed the lesser of Twenty Million Dollars($20,000,000.00) or the sum advanced on the Term Note to Borrower as of the date hereof pursuant to the Loan Terms, Conditions and Procedures Addendum.

"Term Loan Maturity Date" shall mean December 16, 2001, unless Loan Extension occurs, in which case such term shall mean December 16, 2002, or, and regardless of whether Loan Extension occurs, such earlier date on which the entire unpaid principal amount of the Term 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 Term Loan Maturity Date shall be the next succeeding Business Day.

"Term Note" shall mean that certain promissory note of even date herewith in the original principal amount of $20,000,000.00 executed by Borrowers, payable to the order of Bank as the same may be renewed, extended, modified, increased or restated from time to time.

"Title Company" shall mean the Title Company (and its issuing agent, if applicable) issuing the Title Policies, which shall be acceptable to Bank in its sole and absolute discretion.

"Title Policies" shall mean mortgagee policies of title insurance issued by the Title Company, on a coinsurance or reinsurance basis (with direct access endorsement or rights) if and as required by Bank, in the aggregate maximum amount of $30,000,000.00 insuring that the Deeds of Trust covering the Primary Collateral constitute valid liens covering the Primary Collateral subject only to those exceptions which Bank may approve and containing such endorsements as Bank may require.

"UCC" shall mean the Uniform Commercial Code as adopted and in force in the State in which the Land is located, as amended.

ADDENDUM 2

LOAN TERMS, CONDITIONS AND PROCEDURES ADDENDUM

SECTION 1. THE LOAN

1.1Agreements to Lend. Bank hereby agrees to lend to Borrowers up to but not in excess of the Revolving Loan Maximum Amount and the Term Loan, 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 Loan Note and Term Note. Subject to the terms and provisions of this Agreement and the other Loan Documents, principal repaid on the Revolving Loan may be reborrowed by Borrowers. No principal amount repaid by Borrower on the Term Loan may be reborrowed by Borrowers. Borrowers' liability for repayment of the interest on account of the Loans shall be limited to and calculated with respect to Loans proceeds actually disbursed to Borrowers pursuant to the terms of this Agreement and the Notes and only from the date or dates of such disbursements. Bank may, in Bank's discretion, disburse Loans proceeds by journal entry to pay interest and financing costs and disburse Loan proceeds directly to third parties to pay costs or expenses required to be paid by Borrowers pursuant to this Agreement. Loan proceeds disbursed by Bank by journal entry to pay interest or financing costs, and Loan proceeds disbursed directly by Bank to pay costs or expenses required to be paid by Borrowers pursuant to this Agreement, shall constitute Advances to Borrowers.

1.2Advances. The entire amount of the Term Loan shall be disbursed to Borrowers in one Advance upon satisfaction of the conditions to the Initial Advance set forth in this Agreement. The proceeds of the Revolving Loan shall be disbursed to Borrowers in one or more Advances upon satisfaction of the applicable conditions to Advances set forth in this Agreement.

1.3Limitation on Advances. Under no circumstances shall Bank be required to disburse any proceeds of the Revolving Loan that would cause the outstanding balance thereof at any one time to exceed the Revolving Loan Maximum Amount or disburse 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.

1.4Regulatory Restrictions. Notwithstanding anything in this Agreement or the other Loan Documents to the contrary, in no

event shall Bank be required to disburse, nor shall Borrowers be entitled to demand that Bank disburse, all or any portion of any of the Loans if the amounts of the Loans would, in Bank's sole and absolute discretion, cause Bank to exceed the lending limit to a single borrower under any applicable state or federal law, regulation or ruling. If Bank determines, in its sole and absolute discretion, at any time (including after any portion or all of the Loans have been disbursed) that the transactions evidenced by this Agreement and the other Loan Documents violates such lending limit restriction, then Bank shall have the right to immediately declare the Notes to be due and payable and shall thereafter have no further obligations to disburse any further proceeds of the Loans. In such event, Borrowers shall be required to immediately pay all outstanding Indebtedness and shall have no further rights and privileges under this Agreement and the other Loan Documents.

1.5Repayment of and Interest on Loans. The Indebtedness from time to time outstanding under and evidenced by the Notes shall bear interest at the respective rates per annum set forth in the Notes until the occurrence of an Event of Default and thereafter at the Default Rate and shall otherwise be repaid in accordance with the terms of the respective Notes. All unpaid principal, accrued and unpaid interest and other amounts owing under the Revolving Loan Note and Term Note shall be due and payable on the Revolving Loan Maturity Date and Term Loan Maturity Date, respectively.

1.6Loan Extension. The Loans may be converted ("Loan Extension") to the Extension Loans upon written request of Borrowers given to Bank not less than thirty (30) days before the anticipated date for Loan Extension, and upon satisfaction of the following:

(a)Payment to Bank, in cash, of the Extension Fee.

(b)No Event of Default or any event, circumstance or action which, with the giving of notice, passage of time or failure to cure would give rise to an Event of Default shall have occurred and be then existing.

(c)No event, claim, liability or circumstance shall have occurred which, in Bank's determination, could be expected to have or have had a Material Adverse Effect.

(d)The amount outstanding on the Term Loan and the Revolving Loan in the aggregate shall not exceed the Maximum Loan Amount.

(e)At Borrowers' expense, an updated appraisal on the remaining Primary Collateral.

Loan Extension shall occur or be deemed to have occurred upon Borrowers' satisfaction of all conditions precedent to Loan Extension, as determined by Bank and the effective date of such Loan Extension will be December 15, 2001. To the extent Borrowers have not satisfied all conditions precedent to Loan Extension, as determined by Bank, as of December 16, 2001, then Borrowers shall not thereafter be eligible for Loan Extension.

SECTION 2. ADVANCES, PAYMENTS, RECOVERIES AND COLLECTIONS

2.1Advance Procedure. Except as hereinafter provided, Borrowers may request an Advance by submitting to Bank a Request for Advance by an authorized representative of Borrowers, subject to the following:

(a)each such Request for Advance shall include, without limitation, the proposed amount of such Advance and the proposed Disbursement Date, which date must be a Business Day;

(b)a Request for Advance, once communicated to Bank, shall not be revocable by Borrowers;

(c)each Request for Advance, once communicated to Bank, shall constitute a representation, warranty and certification by Borrowers as of the date thereof that:

(i) both before and after the making of such Advance, all of the Loan Documents are and shall be valid, binding and enforceable against each Loan Party, as applicable;

(ii)all terms and conditions precedent to the making of such Advance have been satisfied, and shall remain satisfied through the date of such Advance;

(iii)the making of such Advance will not cause (A) the aggregate principal amount of all Advances on the Term Note to exceed the original principal amount of the Term Note, (B) the aggregate principal amount outstanding on the Revolving Loan Note to exceed the Revolving Loan Maximum Amount or (C) the aggregate principal amount outstanding on both the Term Note and Revolving Loan Note to exceed the Maximum Loan Amount;

(iv)no Default or Event of Default shall have occurred or be in existence, and none will exist or arise upon the making of such Advance;

(v)the representations and warranties contained in this Agreement, and the other Loan Documents are true and correct in all material respects and shall be true and correct in all material respects as of the making of such Advance; and

(vi)the Advance will not violate the terms or conditions of any contract, indenture, agreement or other borrowing of any Loan Party.

Bank may elect (but without any obligation to do so) to make an Advance upon the telephonic or facsimile request of Borrowers, provided that Borrowers have first executed and delivered to Bank a Telephone Notice Authorization. If any such Advance based upon a telephonic or facsimile request is made by Borrowers, Bank may require Borrowers to confirm said telephonic or facsimile request in writing by delivering to Bank, on or before 11:00 a.m. (Dallas, Texas time) on the next Business Day following the Disbursement Date of such Advance, a duly executed written Request for Advance, and all other provisions of this Section 2.1 shall be applicable with respect to such Advance. In addition, Borrowers may authorize the Bank to automatically make Advances pursuant to such other written agreements as may be entered into by Bank and Borrowers. Except as set forth in this Agreement, all Advances are to be made by direct deposit into the Special Account.

2.2Voluntary Prepayment. Borrowers may prepay all or part of the outstanding balance under the Term Note and/or the Revolving Loan Note at any time, without premium, penalty or, in the case of the Revolving Loan Note, prejudice to the right of Borrowers to reborrow sums of the Revolving Loan under the terms of this Agreement, subject to the terms and conditions of the Loan Documents; provided that without the Bank's prior written consent, which consent may be withheld in the Bank's sole discretion, Borrowers shall not be permitted to prepay more than Five Million Dollars ($5,000,000.00) of the outstanding balance of the Revolving Loan during any calendar year while the Term Note is outstanding.

2.3Revolving Loan Maximum Amount and Reduction of Indebtedness. Notwithstanding anything contained in this Agreement to the contrary, the aggregate principal amount of the Revolving Loan at any time outstanding shall not exceed the Revolving Loan Maximum Amount. If said limitation is exceeded at anytime, 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.

2.4Maximum Loan Amount and Reduction of Indebtedness. Notwithstanding anything contained in this Agreement to the contrary, the aggregate principal amounts of the Term Loan and the Revolving Loan at any time outstanding shall not exceed the Maximum Loan Amount. If said limitation is exceeded at anytime, 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.

2.5Use of Proceeds of Loans. The proceeds of the Term Loan 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 Revolving 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.

2.6Non-Application of Chapter 346 of Texas Finance Code. The provisions of Chapter 346 of the Texas Finance Code are specifically declared by the parties not to be applicable to any of the Loan Documents or the transactions contemplated thereby.

2.7Place of Advances. All Advances are to be made at the office of Bank, or at such other place as Bank may designate.

2.8Bank's Books and Records. The amount and date of each Advance hereunder, the amount from time to time outstanding under the Notes, the interest rate in respect of the Loans, and the amount and date of any repayment hereunder or under the Notes, shall be noted on Bank's books and records, which 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 Borrowers of their obligations to pay to Bank all amounts owing to Bank under or pursuant to the Loan Documents, in each case, when due in accordance with the terms hereof or thereof.

2.9Payments on Non-Business Day. In the event that any payment of any principal, interest, fees or any other amounts payable by Borrowers under or pursuant to any Loan Document shall become due on any day which is not a Business Day, such due date shall be extended to the next succeeding Business Day, and, to the extent applicable, interest shall continue to accrue and be payable at the interest rate set forth in the applicable Note for and during any such extension.

2.10Payment Procedures. Unless otherwise expressly provided in a Loan Document, all sums payable by Borrowers to Bank under or pursuant to any Loan Document, whether principal, interest, or otherwise, shall be paid, when due, directly to Bank at the office of Bank identified on the signature page of this Agreement, or at such other office of Bank as Bank may designate in writing to Borrowers from time to time, in immediately available United States funds, and without setoff, deduction or counterclaim. Bank may, in

its discretion, charge any and all deposit or other accounts (including, without limitation, any account evidenced by a certificate of deposit or time deposit) of any Borrower maintained with Bank for all or any part of any Indebtedness which is not paid when due and payable; provided, however, that such authorization shall not affect any Borrower's obligations to pay all Indebtedness, when due, whether or not any such account balances maintained by such Borrower with Bank are insufficient to pay any amounts then due.

2.11Maximum Interest Rate. At no time shall any interest rate or Default Rate under this Agreement or the Notes, or otherwise in respect of the Loans or any Indebtedness hereunder, exceed the Maximum Legal Rate, giving due consideration to the execution of this Agreement and the Notes. In the event that any interest is charged or otherwise received by Bank in excess of the Maximum Legal Rate, Borrowers hereby acknowledge and agree that any such excess interest shall be the result of an accidental and bona fide error, and any such excess shall be deemed to have been payments of principal, and not of interest, and shall be applied, first, to reduce the principal Indebtedness then outstanding, second, any remaining excess, if any, shall be applied to reduce any other Indebtedness, and third, any remaining excess, if any, shall be returned to Borrowers. Notwithstanding the foregoing or anything to the contrary contained in this Agreement or any other Loan Document, but subject to all limitations contained in this paragraph, if at anytime any interest rate or Default Rate applicable to any portion of the Indebtedness is computed on the basis of the Maximum Legal Rate, any subsequent reduction in such interest rate or Default Rate shall not reduce such interest rate thereafter payable below the Maximum Legal Rate until the aggregate amount of interest accrued equals the total amount of interest that would have accrued if interest had, at all times, been computed solely on the basis of the applicable interest rate or Default Rate. This paragraph shall control all agreements between the Borrowers and the Bank.

2.12Receipt of Payments by Bank. Any payment by Borrowers of any of the Indebtedness made by mail will be deemed tendered and received by Bank only upon actual receipt thereof by Bank at the address designated for such payment, whether or not Bank has authorized payment by mail or in any other manner, and such payment shall not be deemed to have been made in a timely manner unless actually received by Bank on or before the date due for such payment, time being of the essence. Borrowers expressly assume all risks of loss or liability resulting from non-delivery or delay of delivery of any item of payment transmitted by mail or in any other manner. Acceptance by Bank of any payment in an amount less than the amount then due shall be deemed an acceptance on account only, and any failure to pay the entire amount then due shall constitute and continue to be an Event of Default hereunder. Bank shall be entitled to exercise any and all rights and remedies conferred upon and otherwise available to Bank under any Loan Document upon the occurrence and during the continuance of any such Event of Default. Borrower further agrees that after the occurrence and during the continuance of any Default Bank shall have the continuing

exclusive
right to apply and to reapply any and all payments received by Bank at any time or times, whether as voluntary payments, proceeds from any Mortgaged Property, offsets, or otherwise, against the Indebtedness in such order and in such manner as Bank may, in its sole discretion, deem advisable, notwithstanding any entry by Bank upon any of its books and records. Borrowers hereby expressly agree that, to the extent that Bank receives any payment or benefit of or otherwise upon any of the Indebtedness, and such payment or benefit, or any part thereof, is subsequently invalidated, declared to be fraudulent or preferential, set aside, or required to be repaid to a trustee, receiver, or any other Person under any bankruptcy act, state or federal law, common law, equitable cause or otherwise, then to the extent of such payment or benefit, the

Indebtedness, or part thereof, intended to be satisfied shall be revived and continued in full force and effect as if such payment or benefit had not been made or received by Bank, and, further, any such repayment by Bank shall be added to and be deemed to be additional Indebtedness.

2.13Security. Payment and performance of the Indebtedness shall be secured by Liens on the assets, other collateral and properties of Borrowers and of such other Loan Parties as Bank may require from time to time.

2.14Conditions Precedent to the Term Loan and Initial Advance. The obligation of the Bank to make the sole Advance on the Term Loan and the initial Advance on the Revolving Loan pursuant to this Agreement shall be subject to the satisfaction of all of conditions precedent set forth in this Section. In the event that any condition precedent is not so satisfied but Bank elects to make the sole Advance on the Term Loan and the initial Advance on the Revolving Loan notwithstanding the same, such election shall not constitute a waiver of such condition and the condition shall be satisfied prior to any subsequent Advance.

(a)All of the Loan Documents shall be in full force and effect and binding and enforceable obligations of Borrowers and, to the extent that it is a party thereto or otherwise bound thereby, of each other Person who may be a party thereto or bound thereby.

(b)All actions, proceedings, instruments and documents required to carry out the borrowings and transactions contemplated by this Agreement or any other Loan Document or incidental thereto, and all other related legal matters, shall have been satisfactory to and approved by legal counsel for Bank, and said counsel shall have been furnished with such certified copies of actions and proceedings and such other instruments and documents as they shall have requested.

(c)Each Loan Party shall have performed and complied with all agreements and conditions contained in the Loan Documents applicable to it and which are then in effect.

(d)Borrowers shall have delivered, or caused to have been delivered, to Bank or done or caused to have been done, to Bank's satisfaction each and every of the following items:

(1)This Agreement (together with all addenda, schedules, exhibits, certificates, opinions, financial statements and other documents to be delivered pursuant hereto), the Notes, the Deeds of Trust and all other Loan Documents duly executed, acknowledged (if required) and delivered by Borrowers and any Person who is a party thereto.

(2)(i) Copies of resolutions of the board of directors, partners or members or managers, as applicable, of each Loan Party evidencing approval of the borrowing hereunder and the transactions contemplated by the Loan Documents, and authorizing the execution, delivery and performance by each Loan Party of each Loan Document to which it is a party or by which it is otherwise bound, which resolutions shall have been certified by a duly authorized officer, partner or other representative, as applicable, of each Loan Party as of the date of this Agreement as being complete, accurate and in full force and effect; (ii) incumbency certifications of a duly authorized officer, partner or other representative, as applicable, of each

Loan Party, in each case, identifying those individuals who are authorized to execute the Loan Documents for and on behalf of such Person(s), respectively, and to otherwise

act for and on behalf of such Person(s); (iii) certified copies of each of such Person(s)' articles of incorporation and bylaws, partnership agreement, certificate of limited partnership, articles of organization, regulations or operating agreement, as applicable, and all amendments thereto; and (iv) certificates of existence, good standing and authority to do business, as applicable, certified substantially contemporaneously with the date of this Agreement, from the state or other jurisdiction of each of such Person(s)' organization and from every other state or jurisdiction in which such Person is required, under applicable law, to be qualified to do business.

(3)Proof that appropriate security agreements, financing statements, mortgages, deeds of trust, collateral and such additional documents or certificates as may be required by Bank and/or contemplated under the terms of any and every Loan Document, and such other documents or agreements of security and appropriate assurances of validity, perfection and priority of Lien as Bank may request shall have been executed and delivered by the appropriate Persons and recorded or filed in such jurisdictions and such other steps shall have been taken as necessary to perfect, subject only to Permitted Encumbrances, the Liens granted thereby.

(4)An opinion of Borrowers' legal counsels, dated as of the date of this Agreement, as to enforceability and authority issues and covering such other matters as are required by Bank and which are otherwise reasonably satisfactory in form and substance to Bank.

(5)An opinion of Drenner & Stuart, L.L.P., dated as of the date of this Agreement, covering such entitlement issues for the Primary Collateral as are required by Bank and which is otherwise reasonably satisfactory in form and substance to Bank.

(6)A UCC, tax lien and judgment lien record search, disclosing no notice of any Liens or encumbrances filed against any of the Mortgaged Property, other than the Permitted Encumbrances.

(7)Evidence of insurance coverage as required by this Agreement and the Deeds of Trust.

(8)The Title Policies (or the Title Company's unconditional commitment to issue the Title Policies upon recordation of the Deeds of Trust).

(9)An environmental audit report covering the Primary Collateral, in form and content and conducted and prepared by an environmental consultant reasonably acceptable to Bank. Borrowers agree that Bank may disclose the contents of such environmental audit report to Governmental Authorities and Borrowers shall deliver to Bank the written consent to such disclosure from the respective environmental consultant.

(10)The Primary Collateral Appraisals.

(11)Evidence that none of the Primary Collateral is located within any designated flood plain or special flood hazard area or, in lieu thereof at Bank's request, evidence that Borrowers have applied for and received flood insurance covering the insurable Improvements in the maximum coverage available to Bank.

(12)To the extent portions of the Primary Collateral have been platted, full-size, single sheet copies of all recorded subdivision or plat maps of the Primary Collateral approved (to the extent required by Governmental Requirements) by all

Governmental
Authorities, if applicable, and legible copies of all
instruments representing exceptions to the state of title
to the Primary Collateral.

(13)Evidence of the applicable zoning ordinances
and restrictive covenants affecting the Land.

(14)Current Financial Statements of Borrowers.

(15)If requested by Bank, a soils and geological
report covering the Primary Collateral issued by a
laboratory approved by Bank, which report shall be
reasonably satisfactory in form and substance to Bank,
and shall include a summary of soils test borings.

(e)Bank shall have received payment of the Commitment
Fee.

(f)Bank shall have received such other instruments,
documents and evidence (not inconsistent with the terms hereof)
as Bank may reasonably request in connection with the making
of the Loans hereunder, and all such instruments,
documents and evidence shall be satisfactory in
form and substance to Bank.

(g)Upon making the Term Loan and the initial Advance on
the Revolving Loan, the aggregate amount outstanding on both
Loans shall not exceed the Maximum Loan Amount.

2.15Conditions to Subsequent Advances. Bank has no
obligation to make any Advance on the Revolving Loan subsequent to
the initial Advance unless the following conditions precedent are
satisfied on or before the Disbursement Date for such Advance:

(a)If the Disbursement Date is ninety (90) days after
the date hereof, and thereafter at Bank's request, Borrower
shall furnish to Bank an endorsement to the Title Policies (or
if an endorsement is not available, a letter from the Title
Company) showing "nothing further" of record affecting the
Primary Collateral from the date of recording of the Deeds of
Trust, except such matters as Bank specifically approves.

(b)All Loan Documents shall be in full force and effect
and binding and enforceable obligations of each Loan Party.

(c)Each of the representations and warranties of each
Loan Party under any Loan Document shall be true and correct
in all material respects.

(d)No Default or Event of Default shall have occurred and be
continuing; there shall exist no Material Adverse Effect; and
no provision of law, any order of any Governmental Authority, or
any regulation, rule or interpretation thereof, shall have had any
material adverse effect on the validity or enforceability of any
Loan Document.

(e)Upon making the Advance on the Revolving Loan then
requested, the amount outstanding on both the Revolving Loan
and Term Loan in the aggregate shall not exceed the Maximum
Loan Amount.

(f)If the Disbursement Date is sixty (60) or more days
after the date hereof, Bank shall be in receipt of all
Surveys.

2.16Advance Not A Waiver. No Advance of the proceeds of the
Revolving Loan shall constitute a waiver of any of the conditions

of Bank's obligation to make further Advances, nor, in the event Borrowers are unable to satisfy any such condition, shall any such Advance have the effect of precluding Bank from thereafter declaring such inability to be an Event of Default.

2.17Advance Not An Approval. Bank shall have no obligation to make any Advance or part thereof during the existence of any Default or Event of Default, but shall have the right and option so to do; provided that if Bank elects to make any such Advance, no such Advance shall be deemed to be either a waiver of the right to demand payment of the Loans, or any part thereof, or an obligation to make any other Advance.

2.18Additional Land Acquisitions. Subject to the satisfaction of all conditions precedent to Advances on the Revolving Loan, Bank hereby agrees to make one or more Advances on the Revolving Loan to Borrowers in an amount not to exceed at any one time or in the aggregate $2,000,000.00 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, and (iii) 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."

2.19Mandatory Prepayments. Borrowers shall immediately pay to Bank for application to the Loans in accordance with the terms of this Agreement, unless otherwise agreed by Bank in writing, the following sums: (i) one-hundred percent (100%) of the net proceeds received by or on behalf of any Borrower from the sale of all or any portion of the Mortgaged Property or upon the taking of all or any portion of the Mortgaged by condemnation; provided that, if such sale is to a Related Party, the mandatory prepayment shall be in an amount equal to the greater of fifty percent (50%) of the gross sales price or fifty percent (50%) of the corresponding Partial Release Price as shown on Addendum 3 of such portion of the Mortgaged Property, (ii) one-hundred percent (100%) of the net proceeds of MUD Reimbursables, (iii) one-hundred percent (100%) of the net proceeds received upon the sale of any Section 2.18 Asset, (iv) and one-hundred percent (100%) of the distributions received by any Borrower from any Partnership or any Future Partnership upon the sale by such Related Party of any real property interest.

2.20Application of Payments. Notwithstanding anything to the contrary set forth in the Loan Documents, so long as no Event of Default exists, all payments made on any of the Loans shall be applied in the following order of priority:

I."REIMBURSABLES". Net proceeds received from MUD Reimbursables shall be applied in the following sequence:

A.Current Interest
First, apply proceeds to pay interest current on both the Term Loan and Revolving Loan or withhold an amount necessary to pay interest current at month end.

B.Remaining proceeds to be applied equally between #1 and #2 below:

1.Term Loan

(i)Reduce Term Loan principal

(ii)Apply any remaining proceeds as follows: to repay any outstanding balance on the Revolving Loan Note, and then the remaining proceeds

shall be distributed to Borrowers at their direction.

2.Revolving Loan
At the Borrowers' election, remaining funds may be allocated between (i) and (ii) below:

(i)Establish or replenish the Interest Reserve Escrow Account.

(ii)Reduce principal balance of the Revolving Loan Note in an amount not to exceed Five Million and No/100 Dollars ($5,000,000.00) in accordance with Section 2.2, Addendum 2. Any remaining proceeds under this provision shall be applied in the following order of priority:

(a)First, to repay the principal balance of the Term Note.

(b)Second, to repay any outstanding balance on the Revolving Loan Note.

(c)Third, upon repayment of the Revolving Loan Note, remaining proceeds shall be distributed to Borrower at their direction.

II.SECTION 2.18 ASSETS
Net proceeds from the sale of a Section 2.18 Asset will be applied in the following order of priority:

A.Current Interest
First, apply proceeds to pay interest current on both the Term Note and Revolving Loan Note or withhold an amount necessary to pay interest current at month end.

B.Revolving Loan Note
Remaining proceeds to be applied to the Revolving Loan Note in an amount not to exceed the funds used under the Revolving Loan Note to acquire the Section 2.18 Asset.

C.Term Note
Remaining proceeds to be applied to the Term Note principal balance until such time as the Term Note balance has been reduced Five Million and No/100 Dollars ($5,000,000.00) from any source in any given calendar year.

D.Any remaining proceeds shall be applied equally to #1 and #2 below:

1.Term Note

(i)Reduce Term Loan principal.

(ii)Apply any remaining proceeds to repay Revolving Loan Note as follows: to repay any outstanding balance on the Revolving Loan Note, and then the remaining proceeds shall be distributed to Borrowers at their direction.

2.Revolving Loan Note
Remaining proceeds to be applied in the following order of priority:

(i)At the Borrower=s discretion, establish or replenish the Interest Reserve Escrow Account.

(ii)To the extent that any Related Party Shortfall balance exists, repay Term Loan in an amount

up to the Related Party Shortfall amount then outstanding.

(iii)Reduce principal balance of the Revolving Loan Note subject to the Five Million and No/100 Dollar ($5,000,000.00) limitation set forth in Section 2.20 of Addendum 2. Any remaining proceeds under this provision shall be applied in the following order of priority:

(a)To repay the principal balance of the Term Note.

(b)To repay any outstanding balance on the Revolving Loan Note.

(c)Upon repayment of the Revolving Note, remaining proceeds shall be distributed to Borrower at their direction.

III.PRIMARY COLLATERAL OR OTHER COLLATERAL SALES OR PARTNERSHIP DISTRIBUTIONS
Net proceeds from the sale of Primary Collateral or Other Collateral or Partnership distributions will be applied in the following order of priority:

A.Current Interest

First, apply proceeds to pay interest current on both the Term Note and Revolving Loan Note or withhold an amount necessary to pay interest current at month end.

B.Term Note
Remaining proceeds to be applied to the Term Note principal balance until such time as the Term Note balance has been reduced Five Million and No/100 Dollars ($5,000,000.00) from any source in any given calendar year (with the first calendar year being from the date hereof to December 31, 2000).

C.Any remaining proceeds shall be applied equally to #1 and #2 below:

1.Term Note

(i)Reduce Term Loan principal.

(ii)Apply any remaining proceeds to repay Revolving Loan Note as follows: to repay any outstanding balance on the Revolving Loan Note, and then the remaining proceeds shall be distributed to Borrowers at their direction.

2.Revolving Loan Note
Remaining proceeds to be applied in the following order of priority:

(i)At the Borrower's discretion, establish or replenish the Interest Reserve Escrow Account.

(ii)To the extent that any Related Party Shortfall balance exists, repay Term Loan in an amount up to the Related Party Shortfall amount then outstanding.

(iii)Reduce principal balance of the Revolving Loan Note subject to the Five Million and No/100 Dollar ($5,000,000.00) limitation set forth in Section 2.20 of Addendum 2. Any remaining proceeds under this provision shall be applied in the following order of priority:

(a)To repay the principal balance of the Term Note.

(b)To repay any outstanding balance on the Revolving Loan Note.

(c)Upon repayment of the Revolving Loan, remaining proceeds shall be distributed to Borrower at their direction.

IV.CONVEYANCE OF PRIMARY COLLATERAL AND OTHER COLLATERAL TO RELATED PARTIES

Net proceeds from the conveyance of Primary Collateral or Other Collateral to a Related Party will be applied in the following sequence:

A.Current Interest

First, apply proceeds to pay interest current on both the Term Note and Revolving Loan Note or withhold an amount necessary to pay interest current at month end.

B.Term Note

1.Reduce Term Note principal

2.Apply any remaining proceeds to repay Revolving Loan Note as follows: to repay any outstanding balance on the Revolving Loan Note, and then the remaining proceeds shall be distributed to Borrowers at their direction.

Attached for informational purposes to this Addendum 2 as Addendum 2(a) is a Priority Application of Proceeds Schedule. In the event of a conflict between the terms of said Priority Application of Proceeds Schedule and this Addendum 2, this Addendum 2 shall control.

ADDENDUM 3

RELEASE PROVISIONS

(Terms used with initial capital letters in this Addendum 3 that are not specifically defined in this Agreement shall have the meanings ascribed to them in the Deeds of Trust.)

The Partial Release Price for Primary Collateral shall be as follows: The payment to Bank of a Partial Release Price equal to one hundred percent (100%) of the Net Proceeds (i.e., all proceeds less only reasonable closing costs, surveying costs, title insurance premiums, attorneys' fees and a broker's commission not to exceed six percent (6.0%) with aggregate deductions not to exceed eight percent(8%) of the sales price), which Net Proceeds shall in no event be less than eighty-five percent (85%) of the appraised value (using year one undiscounted unit prices) (hereinafter referred to as "Appraised Value") of the Primary Collateral being released. See Addendum 3-1 (a) - (c) attached hereto for the schedule of Appraised Value.

The Partial Release Price for Other Collateral shall be as follows: The payment to Bank of a Partial Release Price equal to one hundred percent (100%) of the Net Proceeds (i.e., all proceeds less only reasonable closing costs, surveying costs, title insurance premiums, attorneys' fees and a broker's commission not to exceed six percent (6%) with aggregate deductions not to exceed eight percent (8%) of the sales

price), which Net Proceeds shall in no event be less than eighty-five percent (85%) of the assigned value (hereinafter referred to as "Assigned Value") established by Bank and Borrowers for each of the Lots [or Tracts] of Other Collateral (the "Minimum Release Prices"). See Addendum 3-2 attached hereto for the schedule of Assigned Value.

The foregoing notwithstanding, the Partial Release Price for Primary Collateral or Other Collateral for sale to a Related Party shall be as follows: The payment of a Partial Release Price equal to one hundred percent (100%) of all cash proceeds received by Borrowers, which cash proceeds shall in no event be less than the greater of (i) fifty percent (50%) of the Appraised Value for Primary Collateral or fifty percent (50%) of the Assigned Value for Other Collateral, as applicable, of the Primary Collateral or Other Collateral being released; or (ii) fifty percent (50%) of the gross sales price paid by the Related Party. The gross sales price (i.e., cash proceeds and all other considerations) for the sale to the Related Party will not be less than eighty-five percent (85%) of the applicable Appraised Value or Assigned Value.

Notwithstanding anything contained herein to the contrary, the location and configuration of the Lot or Lots [Tract or Tracts] to be released shall be reasonably satisfactory to Bank and no Partial Release shall result in any remaining Lot [or Tract] being without access to a public street. Any and all Partial Releases shall be in accordance with the following procedures:

(1)Borrowers's request for a Partial Release shall be given to Bank and accompanied by (i) the legal description of the Lot or Lots [or Tract] to be released, together with a draft closing statement prepared for the proposed sale; (ii) information necessary to process the request for Partial Release, including whether the property to be released is Primary Collateral or Other Collateral and whether it is being sold to a Related Party; (iii) any appraisal reconciliation of value information as may be required by Bank, together with a reimbursement of the cost of same, which cost shall not exceed $750.00; and (iv) the name and address of the title company, if any, to whose attention the Partial Release Instrument (as hereinafter defined) should be directed, numbers that should be referenced (order number, loan number, etc.) and the date when such Partial Release is to be made. Borrowers shall also specify the name and address of the prospective purchaser and the intended use of the Lot [or Tract] to be released and shall supply such other

documents and information concerning such Partial Release as Bank may reasonably request.

(2)Within five (5) days after receipt of such request, and in accordance with and pursuant to the terms and conditions of this Addendum 3 and the other applicable provisions of this Agreement, Bank shall execute an instrument effecting such Partial Release ("Partial Release Instrument") and deliver same to the title company so specified; provided that all costs and expenses of Bank associated with such Partial Release (including, but not limited to, reasonable legal fees) shall be paid by Borrowers. Borrowers shall also obtain all title insurance endorsements reasonably required by Bank in connection with such Partial Release.

(3)The execution and delivery of such Partial Release Instrument shall not affect any of Borrowers's obligations under the Loan Documents, except that the

payment of the Partial Release Price must be actually received by Bank. Regardless of the time such Partial Release is executed, delivered and recorded, the payment made by Borrowers to Bank in respect to such Partial Release shall be credited against the Indebtedness in accordance with the terms of this Agreement only upon receipt by Bank of the Partial Release Price. The Partial Release Instrument shall be delivered, in escrow, by Bank to the title company so designated, to be held, released, delivered and recorded in accordance with Bank's escrow instructions, which shall require payment, in cash, of the Partial Release Price to Bank prior to delivery and recordation of the Partial Release Instrument.

OLY STRATUS BARTON CREEK I JOINT VENTURE
(A Texas Joint Venture)

AMENDED AND RESTATED
JOINT VENTURE AGREEMENT

_____

Dated as of December _____, 1999

_____

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OLY STRATUS BARTON CREEK I JOINT VENTURE
AMENDED AND RESTATED
JOINT VENTURE AGREEMENT

This Amended and Restated Joint Venture Agreement (this "Agreement") of OLY STRATUS BARTON CREEK I JOINT VENTURE, a Texas joint venture (the "Partnership"), is made effective as of December ___, 1999 (the "Effective Date"), by and between Oly ABC West I, L.P., a Texas limited partnership, as the financial partner (the "Financial Partner") and Stratus ABC West I, L.P., a Texas limited partnership, as the operating partner (the "Operating Partner"). (The Financial Partner and the Operating Partner are collectively referred to herein as the "Partners").

RECITALS

A.The parties hereto formed the Partnership under the Act (as defined below) pursuant to the terms of that certain Joint Venture Agreement of Oly Stratus ABC West I Joint Venture, dated as of September 30, 1998 (the "Original JV Agreement").

B.The Partnership was originally formed for the purpose of acquiring, owning, developing and reselling that certain property located in Travis County, Texas and known as Lots 1 through 26 and Lots 137 through 185, inclusive, Block A, Barton Creek ABC West Phase I (the "Original Property"). The parties hereto have decided thatit is in the best interests of the undersigned parties and the Partnership that the purpose of the Partnership be amended to include acquiring, owning, developing and reselling the Original Property and that certain property located in Travis County,Texas and known as Lots 1 through 41, Block A, and Lots 2 through 14, Block B, Barton Creek Section J, Phase 2 (the "New Property" and together with the Original Property being collectively referred to herein as the "Property").

C.The Partners hereto desire to amend and restate the provisions of the Original Agreement as set forth herein and to enter into this Agreement to establish their respective rights and obligations with respect to the Partnership and to provide for the orderly management of the affairs of the Partnership.

NOW, THEREFORE, in consideration of the mutual covenants and agreements set forth in this Agreement, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Partners hereby agree as follows:

ARTICLE 1
Definitions

1.1Definitions. As used in this Agreement, the following terms shall have the following meanings:

"Act" shall have the meaning set forth in Section 2.1.

"Agreement" shall have the meaning set forth in the preamble to this Agreement.

"Affiliate" shall mean, when used with reference to a specified Person, any other Person that directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with, the specified Person. As used in this definition of Affiliate, the term

"Control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through ownership of voting securities, by contract, or otherwise.

"Amended and Restated Mezzanine Loan Agreement" shall mean that certain document entitled "Amended and Restated Mezzanine Loan Agreement" of even effective date herewith, by and between the Mezzanine Lender and the Partnership.

"Business" shall mean all tangible and intangible property of the Partnership as of the date of the Buy/Sell offer and any proceeds therefrom subject to all obligations or liabilities associated therewith.

"Business Day" shall mean any day other than a Saturday, Sunday, or holiday on which national banking associations in the State of Texas are authorized or required to be closed.

"Business Plan" shall mean the business plan attached hereto as Exhibit A and incorporated herein, and as may be amended from time to time in accordance with the provisions hereof or as may attached hereto within sixty (60) days of the execution of this Agreement upon approval of the Management Committee.

"Buy-Sell" shall have the meaning set forth in Section 7.3.

"Buy/Sell Closing Date" shall have the meaning set forth in Section 7.3.

"Buy/Sell Election Period" shall have the meaning set forth in Section 7.3.

"Buy/Sell Offer" shall have the meaning set forth in Section 7.3.

"Buy/Sell Purchaser" shall have the meaning set forth in Section 7.3.

"Buy/Sell Seller" shall have the meaning set forth in Section 7.3.

"Capital Account" shall mean a separate account maintained for each Partner in accordance with the provisions of Regulation section 1.704-1(b)(2)(iv).
Each Partner shall have only one Capital Account, regardless of the number of classes of units or other interests in the Partnership owned by such Partner. Initially, the Capital Account of each Partner shall have a positive balance equal

to its initial Capital Contribution. Such Capital Account shall thereafter be adjusted in accordance with the following provisions:

(a)Additions. The Capital Account shall be increased by the sum of (i) except as otherwise provided in paragraph (f) below in the case of a contribution of a promissory note, the amount of cash and the fair market value (determined as of the date of contribution, without regard to section 7701(g) of the Code, including a constructive contribution resulting from a termination and reconstitution of the Partnership under section 708(b)(1)(B) of the Code) of property contributed, or deemed to have been contributed, to the capital of the Partnership by the Partner, net of any liabilities assumed by the Partnership in connection with such contribution or to which the contributed property is subject under section 752 of the Code, plus (ii) the amount of any net income or other item of income or gain allocated to the Partner pursuant to Article 6 hereof.

(b)Subtractions. The Capital Account shall be reduced by the sum of (i) the amount of any net loss or other item of expense, loss or deduction allocated to the Partner pursuant to Article 6 hereof, plus (ii) the Distribution Value (determined without regard to section 7701(g) of the Code) of any cash or other property distributed, or deemed to have been

distributed, by the Partnership to the Partner, net of any liabilities assumed by the distributee in connection with the distribution or to which the cash or other distributed property is subject under section 752 of the Code.

(c)Other Adjustments. The Capital Account shall otherwise be adjusted by the Financial Partner in accordance with the other capital account maintenance rules of Regulation section 1.704-1(b)(2)(iv). In connection with the foregoing:

(d)Determination of Fair Market Value. In determining the balance of each Partner's Capital Account, and for all other purposes of this Agreement, the fair market value of an asset contributed to or distributed by the Partnership shall be determined in good faith by the Partners (which shall use their reasonable efforts not to overstate or understate the fair market value of any such asset). Notwithstanding the preceding sentence, it is understood that no Partner shall have any obligation to contribute any real property asset to the Partnership unless all Partners have agreed to the fair market value of the asset.

(e)Capital Account of Transferee. A transferee of all or part of an interest in the capital and profits of the Partnership shall succeed to the Capital Account of the transferor to the extent that such Capital Account relates to the transferred interest.

(f)Contribution of Note. Notwithstanding any other provision of this definition of Capital Account, if a Partner has contributed his promissory note to the capital of the Partnership and such note is not readily traded on an established securities market, then the principal of such note shall not be credited to the

Partner's Capital Account until and to the extent that either (i) the Partnership makes a taxable disposition of the note or (ii) principal payments are made on the note, all in accordance with Regulation section 1.704-1(b)(2)(iv)(d)(2). "Capital Contribution" shall mean the gross amount of cash or the fair market value of other property contributed or caused to be contributed to the capital of the Partnership by a Partner with respect to such Partner's capital account.

"Cash Flow" of the Partnership for any period shall mean any and all cash revenues generated from the ownership, sale of lots, sale of undeveloped parcels, lease and other operation of the Partnership assets and any and all capital transaction proceeds minus the sum of (i) any operating and capital expenses incurred in the operation of the business of the Partnership, including without limitation any payments of interest and principal (other than payments of principal that are refinanced by the Partnership) on Partnership indebtedness required by the lender of such indebtedness during the quarterly period in question, and (ii) a reasonable reserve for necessary or desirable operating and capital expenses of the Partnership that are anticipated to be incurred or to become due and payable within six (6) months as the Management Committee, in the exercise of its reasonable discretion and as is consistent with the Operating Budget and the Business Plan, shall determine.

"Code" shall mean the Internal Revenue Code of 1986 and any successor statute, as amended from time to time.

"Contribution Agreement" shall mean that certain document entitled

"Contribution Agreement" of even effective date herewith, by and among the Financial Partner, the Operating Partner and the Partnership.

"Contribution Percentage" of a Partner shall be based on the actual equity capital contributions of such Partner in relation to the total equity capital contributions of all Partners.

"Deadlock" shall mean the failure of the Partners to agree with respect to any Major Decision or other issue with respect to the Partnership which could have a material adverse effect or impact to the Partnership if such issue remains unresolved between the Partners.

"Deemed Recipient" shall have the meaning set forth in Section 3.2.

"Default Amount" shall have the meaning set forth in Section 3.2.

"Default Date" shall have the meaning set forth in Section 3.2.

"Defaulting Partner" shall have the meaning set forth in Section 3.2.

"Distribution Period" shall mean (i) the period beginning on the Effective Date and ending on December 31, 1998 and (ii) each calendar quarter thereafter.
"Distribution Value" shall mean the dollar amount of any cash distribution and the fair market value, as jointly determined in good faith by the Partners (each of which shall use its reasonable efforts not to overstate or understate fair market value), of any non-cash property distribution at the time of the distribution, net of the distributee's share of any liabilities to which the distributed property is subject and net of any liabilities assumed by the distributee.

"Effective Date" shall have the meaning set forth in the preamble to this Agreement.

"Escrow Agent" shall have the meaning set forth in Section 7.3.
"Financial Partner" shall mean Oly ABC West I, L.P., together with its successors and assigns.

"Indemnified Parties" shall have the meaning set forth in Section 7.3.

"Major Decision" means any decision with respect to (1) approval of the Business Plan, including the decision to make additional Capital Contributions except as provided in Section 3.2(a), (2) approval of the Operating Budget, (3) approval of the plans and specifications for the Property, and the subsequent approval of all material change orders or amendments given in substitution for such approved plans and specifications, (4) approval of any financing or refinancing, whether secured or unsecured, unless previously approved in the Business Plan or annual Operating Budget, (5) approval of acquisition of any additional property, (6) approval of admission or withdrawal of any Partners to the Partnership, (7) approval of any sale, exchange or other disposition of the Property unless pursuant to governance deadlock provision in Section 7.3 below or in the Business Plan or annual Operating Budget, (8) approval of any amendments to the Agreement, (9) approval of any termination or dissolution of the Partnership and (10) appointment of a successor property manager pursuant to Section 4.1.

"Management Agreement" shall have the meaning set forth in Section 4.1.

"Management Committee" shall have the meaning set forth in Section 4.2.

"Mandatory Additional Contribution" shall have the meaning set forth in Section 3.2.

"Mezzanine Lender" shall have the meaning set forth in Section 3.5.

"New Property" shall have the meaning set forth in the recitals to this Agreement.

"Non-Defaulting Partners" shall have the meaning set forth in Section 3.2.

"Offer Amount" shall have the meaning set forth in Section 7.3.

"Offer Deposit" shall mean the sum of Five Hundred Thousand and No/100 Dollars ($500,000.00) in cash.

"Offeree" shall have the meaning set forth in Section 7.3.

"Offeror" shall have the meaning set forth in Section 7.3.

"Olympus" shall have the meaning set forth in the preamble of this Agreement.

"Olympus Representative" shall have the meaning set forth in Section 4.2.

"Operating Budget" shall mean the budget attached hereto as Exhibit B and incorporated herein, as may be amended from time to time in accordance with the provisions hereof, or to be attached hereto within sixty (60) days of the execution of this Agreement upon approval by the Management Committee in accordance with this Agreement.

"Operating Partner" shall mean Stratus ABC West I, L.P., together with its successors or assigns.

"Original JV Agreement" shall have the meaning set forth in the recitals to this Agreement.

"Original Property" shall have the meaning set forth in the recitals to this Agreement.

"Other Assets" shall mean those certain assets (constituting personal property) further described in the Contribution Agreement.

"Partner" shall mean any Person executing this Agreement as of the Effective Date as a partner or hereafter admitted to the Partnership as a partner as provided in this Agreement, but does not include any Person who has ceased to be a Partner of the Partnership.

"Partnership" shall have the meaning set forth in the preamble to this Agreement.

"Partnership Interest" shall have the meaning set forth in Section 7.3.

"Person" shall mean an individual, partnership, joint venture, limited partnership, limited liability company, foreign limited liability company, trust, business trust, estate, corporation, custodian, trustee, executor, administrator, nominee, association, cooperative or entity in a representative capacity.

"Property" shall have the meaning set forth in the recitals to this Agreement.

"Receipt Amount" shall have the meaning set forth in Section 7.3.

"Regulation" shall mean Treasury Regulations promulgated under Title 26 of the United States Code.

"Replacement Loan" shall have the meaning set forth in Section 3.2.

"Representative" shall have the meaning set forth in Section 4.2.

"Required Capital Contributions" shall have the meaning set forth in Section 3.1.

"Required Interest" shall mean both of the Partners.

"Sale and Purchase Agreement" shall mean that certain agreement entitled

"Sale and Purchase Agreement" of even effective date herewith, by and between Stratus Properties Operating Co., L.P., a Delaware limited partnership, as seller and the Partnership as purchaser.

"Sharing Ratio" shall have the meaning set forth on Schedule I attached hereto.

"Stratus" shall have the meaning set forth in the preamble of this Agreement.

"Stratus Representative" shall have the meaning set forth in Section 4.2.

ARTICLE 2
Organization

2.1Formation of Joint Venture. The Partners formed the Partnership, a Texas joint venture, pursuant to and in accordance with the provisions of the Texas Revised Partnership Act (as amended from time to time, the "Act")

effective as of September 30, 1998 pursuant to the Original JV Agreement. The Partners hereby continue the Partnership pursuant to the terms and provisions of this Agreement. Upon the Effective Date, all of the terms and provisions of the Original JV Agreement are amended, restated and superceded in their entirety by the terms and provisions of this Agreement.

2.2Name. Prior to the Effective Date, the name of the Partnership was Oly Stratus ABC West I Joint Venture. Upon the Effective Date, and unless and until such name shall be changed hereunder, the name of the Partnership shall be Oly Stratus Barton Creek I Joint Venture. The Management Committee may change the name of the Partnership from time to time and shall give prompt written notice thereof to the Operating Partner; provided, however,

that such
changed name may not contain any portion of the name or mark of the Operating Partner without the Operating Partner's consent.

2.3Character of Business. The purpose of the Partnership shall be (i) to acquire, hold, develop, sell, encumber, or otherwise act with respect to investments, direct or indirect, in the Property, and (ii) to engage in such other business as may be conducted by a joint venture organized under the laws of the State of Texas.

2.4Registered Office and Agent. The name and address of the Partnership's initial registered agent are Olympus Real Estate Corporation, 200 Crescent Court Suite 1650, Dallas, Texas 75201. The Partnership's initial principal place of business shall be 200 Crescent Court, Suite 1650, Dallas, Texas 75201. The Financial Partner may change such registered agent, registered office, or principal place of business from time to time. The Financial Partner shall give prompt written notice of any such change to the Operating Partner. The Partnership may from time to time have such other place or places of business within or without the State of Texas as may be determined by the Financial Partner.

2.5Fiscal Year. The fiscal year of the Partnership shall end on December 31 of each calendar year unless, for United States federal income tax purposes, another fiscal year is required. The Partnership shall have the same fiscal year for United States federal income tax purposes and for accounting purposes.

ARTICLE 3
New Property Acquisition and Capital Contributions

3.1Acquisition of New Property and Capital Contributions to the Partnership. Upon the Effective Date, the Partnership shall enter into and execute that certain Sale and Purchase Agreement and that certain Contribution Agreement. Upon the Effective Date, the Partnership shall acquire the New Property in accordance with the Sale and Purchase Agreement. Upon the Effective Date, the Financial Partner shall make a cash contribution to the Partnership in the sum of $1,609,052 and no later than sixty (60) days after the Effective Date, the Financial Partner shall make an additional cash contribution to the Partnership in the sum of $529,926 which shall increase the amount of the Capital Contribution of the Financial Partner as reflected on Schedule I to this Agreement (collectively, the "Olympus Contribution"). Upon the Effective Date, (i) the Operating Partner shall make a contribution in-kind of the Other Assets to the Partnership pursuant to the Contribution Agreement (the "Stratus Contribution") and (ii) the Partnership shall make a cash distribution to the Operating Partner in the sum of $566,776 (the "Stratus Distribution"). The Partners agree that as of the Effective Date the agreed fair market value of the Stratus Contribution is $2,702,902. Upon the Effective Date and following the Olympus Contribution, the Stratus Contribution and the Stratus Distribution, each Partner shall be deemed to have contributed capital to the Partnership in the amount set forth opposite its name on Schedule I to this Agreement (collectively, the "Required Capital Contributions"). Any such Required Capital Contributions shall be in addition to any other Capital Contributions made by the Partners to the Partnership prior to the Effective Date.

3.2Additional Capital Contributions.
(a)After the funding of the Required Capital Contribution set forth above (including any amounts deemed to have been contributed), if the Partnership requires additional funds, either (i) the Partners may agree to make additional Capital Contributions to the Partnership as are deemed advisable by the Partners (each exercising their independent discretion) and by amendment to the Business Plan, or (ii) if either (A) there has been a default or an event of default with respect to any indebtedness of the Partnership; (B) additional capital is necessary to complete any capital improvement program approved in the Business Plan, or (C) funds are necessary for continued operation of the Property consistent with the Business, then the Financial Partner may elect to call or not call for additional Capital Contributions (in each case, the "Mandatory Additional Contribution") to be made to the Partnership to cure any default or event of default with respect to any indebtedness of the Partnership, to complete such capital improvement program or fund operations. The Mandatory Additional Contribution in question shall be made by the Partners pro rata, based on the Contribution Percentages of the Partners. This Section 3.2 is solely for the benefit of the Partners, and shall not, nor shall it be deemed to, create any rights in, or provide any benefit to, any other person or entity, and the decision to make additional contributions to the Partnership shall be made in the sole and absolute discretion of the Financial Partner, except as may be provided in the Business Plan.

(b)Each Partner shall be required to make its Mandatory Additional Contribution to the Partnership on or before twenty-one (21) days after written notice to such Partner ("Default Date"). In the event any Partner fails to make a Mandatory Additional Contribution as required by this Section 3.2 within the time period set forth herein (such Partner, being herein referred to as the "Defaulting Partner"), then, the "Non-Defaulting Partners" (herein so called) shall be entitled, as their sole and exclusive remedy for such failure, by giving written notice to the Defaulting Partner to make a loan (the "Replacement Loan") to the Defaulting Partner in the amount of such Mandatory Additional Contribution, which Replacement Loan (i) shall be applied solely to fund the delinquent Mandatory Additional Contribution, (ii) shall have a term of one hundred twenty (120) days from the date of such loan and (iii) shall bear interest at the lesser of (A) eighteen percent (18%) per annum and (B) the maximum rate of interest which may be charged, collected or contracted for under applicable law, with accrued interest due at the maturity of such loan (each such Replacement Loan together with all accrued interest thereon from time to time, the "Default Amount"). Anything contained in this Agreement to the contrary notwithstanding, any Partner who becomes a Defaulting Partner shall immediately and without any further demand, notice or cure period (time being of the essence herein) automatically cease to have a right to vote on all Partnership decisions from and after the Default Date for any purposes hereunder for the remainder of the life of the Partnership (unless reinstated as described below); provided, however, if a Defaulting Partner shall pay the Default Amount in full to the Non-Defaulting Partners who elected to

make such loan, on or before the expiration of the 120-day term of the Replacement Loan to such Defaulting Partner, such Defaulting Partner's voting rights hereunder shall be automatically reinstated (effective as of the date such Default Amount is paid in full) for all purposes including voting rights. If the Default Amount is not paid in full on or before the expiration of the 120-day period, the Defaulting Partner's voting rights shall not be reinstated upon the subsequent payment of the Default Amount.

(c)The Partners further agree that if the Default Amount is not repaid to the Non-Defaulting Partners within the 120-day term, then, without demand, notice or cure period (time being of the essence herein), such Default Amount shall for all purposes hereunder be deemed to be a Capital Contribution by the Non-Defaulting Partners to the Partnership effective as of the expiration of such 120-day term of such Replacement Loan, which deemed Capital Contribution shall be credited as an amount equal to the product of 200% times the Default Amount, and the Capital Account of the Defaulting Partner shall for all purposes be appropriately reduced to reflect such treatment; provided, however, with respect to any Default Amount attributable to a Replacement Loan made more than one hundred twenty (120) days after the initial Replacement Loan (which is not repaid during its 120-day term) is made by one or more Non-Defaulting Partner, the deemed Capital Contribution shall be credited as an amount equal to the product of 300% times the Default Amount, and in each

case the distribution percentages of the Defaulting Partner (i.e., the pro rata share of the particular distribution which such Partner would otherwise receive under such sections) shall be reduced by, and the distribution percentages of each Non-Defaulting Partner who makes its pro rata share of such loan shall be increased by an amount equal to the quotient of (i) 200% (or 300%, as the case may be) times the Default Amount, divided by (ii) the aggregate Capital Contributions made by the Partners to the Partnership prior to the date of calculation (including the Mandatory Additional Contributions of all Non-Defaulting Partners but excluding the Default Amount then in question).

(d)The new distribution percentages computed in accordance with this Section 3.2 shall remain in effect under this Agreement unless and until there is a subsequent adjustment to the distribution percentages. Notwithstanding the foregoing, no Partner's distribution percentage shall be reduced under any circumstance to less than zero, nor shall any Partner's distribution percentage be increased under any circumstance to more than 100%. Mandatory Additional Contributions shall be made pro rata, based on the relative Contribution Percentages of the Partners.

(e)Each Partner which becomes a Defaulting Partner hereby irrevocably grants to the other Partners a continuing, first priority, perfected security interest in the Partnership Interest of such Defaulting Partner to secure the prompt payment of each Replacement Loan made to such Defaulting Partner until such time, if ever, as the Default Amount with respect to the Replacement Loan under consideration has been converted to a deemed Capital Contribution

pursuant to Section 3.2(c). On or before fifteen (15) days after any written request of any Non-Defaulting Partner, the Defaulting Partner shall execute and deliver a UCC-1 financing statement in form and substance acceptable to such Non-Defaulting Partner to evidence such security interest, the failure of which shall constitute a default under the Replacement Loan. Prior to a default or maturity of a Replacement Loan, and without limiting the remedies of the Non-Defaulting Partners, at the election of the Non-Defaulting Partners, all distributions payable to any Defaulting Partner under this Agreement shall be payable directly to the Non-Defaulting Partners (pro rata based on the relative amount of the Replacement Loan made by such Non-Defaulting Partner) until the Replacement Loan(s) of such Defaulting Partner are paid in full (or converted to a deemed Capital Contribution), shall be paid directly to the Non-Defaulting Partners until the entire amount of the Replacement Loan is paid in full. Any amounts paid directly to a Non-Defaulting Partner pursuant to the terms of the preceding sentence shall be treated as paid to the person (the "Deemed Recipient") entitled to receive the amount of the distribution in the absence of the requirements of the preceding sentence (thereby discharging the Partnership's obligation to make the payment in question to the Deemed Recipient) and then as applied by the Deemed Recipient on behalf of the Defaulting Partner to the repayment of the Defaulting Partner's loan.

(f)EXCEPT AS SET FORTH IN SECTION 3.1 OR THIS SECTION 3.2, NO ADDITIONAL CAPITAL CONTRIBUTIONS SHALL BE REQUIRED BY ANY PARTNER UNLESS AN EXPRESS WRITTEN CALL FOR A CAPITAL CONTRIBUTION IS MADE BY THE MANAGEMENT COMMITTEE TO EACH OF THE PARTNERS.

3.3No Return of Capital Contributions. No Partner is entitled to a return of its Capital Contribution, but shall look solely to distributions from the Partnership as provided for in Article 6 of this Agreement.
3.4Interest. No Partner shall be entitled to interest on its Capital Contribution or its Capital Account. Any interest actually received by reason of temporary investment of any part of the Partnership's funds shall be included in the Partnership's funds.

ARTICLE 4
Rights and Obligations of Partners

4.1Management of Partnership. The management, control and direction of the Partnership and its operations, business and affairs shall be vested exclusively in the Management Committee, which shall have the right, power and authority, acting solely by itself and without the necessity of approval by any Partner or any other person, to carry out any and all of the purposes of

the Partnership and to perform or refrain from performing any and all acts that the Management Committee may deem necessary, desirable, appropriate or incidental thereto, except as otherwise provided in this Agreement; provided, however, that the Operating Partner

shall manage the Partnership and its operations, business and affairs solely as described in Section 4.5. The Management Committee may assume the management duties and responsibilities of the Operating Partner as set forth in Section 4.5 at any time in the event the Management Committee determines in its good faith discretion that either (i) the Operating Partner has acted negligently or with willful misconduct in performing its duties or (ii) the monthly financial reports of the Partnership reveal a material adverse deviation from the Business Plan more than three (3) times within any twelve (12) month period. The Management Committee agrees that prior to its exercise of its right to assume the management duties and responsibilities of the Operating Partner as result of either default by the Operating Partner, the Management Committee shall first deliver written notice of said default to the Operating Partner and give the Operating Partner ten (10) days thereafter in which to cure said default, the Operating Partner so elects. Notwithstanding anything to the contrary provided herein, the Property shall be managed in accordance with the terms and conditions of that certain Management Agreement (the "Management Agreement") dated of even date herewith by and between the Partnership and Stratus Management L.L.C.

4.2Management Committee.
(a)The "Management Committee" (herein so called) shall consist of four (4) representatives, two (2) of which shall be designated by Stratus (jointly, the "Stratus Representative") and two (2) of which shall be designated by Olympus (jointly, the "Olympus Representative") (individually, a "Representative and collectively, the "Representatives"). The Representatives designated by Stratus and Olympus are set forth opposite such Partner's name below:

Partner	Initial Representative
Stratus	William H. Armstrong, III
Stratus	J.B. Brown
Olympus	Hal R. Hall
Olympus	Greg Adair

Olympus and Stratus may appoint alternates for the Representatives appointed by it, which alternates shall have all the powers of the Representatives in their absence or inability to serve. Olympus hereby appoints Ron J. Hoyl as an alternate Representative. Stratus hereby appoints John E. Baker as an alternate Representative. Olympus and Stratus may change its designated Representatives effective upon written notice from Olympus or Stratus designating such Representative to the other Partners. One of the Olympus Representatives shall serve as Chairman of the Management Committee and shall set the agenda for such meetings.

(b) The Representatives shall meet quarterly (or more often as the Management Committee may reasonably determine) in the offices of the Partnership or by telephone conference, unless the Representatives jointly agree

that the meeting is unnecessary or that a different schedule or location for the meeting is appropriate, to discuss current material management issues (but not day-to-day operations matters which are in accordance with the operation parameters set forth in the Business Plan, Operating Budget or otherwise set forth in writing) or Major Decisions. At each meeting the Representatives shall each receive one (1) vote. All action taken by the Management Committee shall require the approval or consent of at least three (3) Representatives except Major Decisions which require unanimous consent as described in Section 4.3 below. Representatives may bring to any meeting such employees, agents, professionals and advisors as they deem necessary or appropriate to assist them at such meeting. A quorum shall consist of at least one Stratus Representative and one Olympus Representative.

(c)The Financial Partner, at the direction of the Management Committee, shall be authorized and empowered to (i) make all day-to-day management decisions (provided that such decisions are consistent with the operation parameters set forth in the Business Plan, Operating Budget or otherwise in writing) except for Major Decisions, (ii) direct the Operating Partner, (iii) perform all acts and enter into and perform all contracts and other undertakings that the Financial Partner may, in the exercise of its reasonable discretion, deem necessary, advisable, appropriate or incidental thereto and (provided that the performance of such acts are consistent with the operation parameters set forth in the Business Plan, Operating Budget or otherwise in writing), (iv) terminate the property manager in the event of a default in the Management Standard (as that term is defined in the Management Agreement), provided, if the property manager is terminated, then the Partnership (as a Major Decision) shall designate a successor property manager.

4.3Major Decisions. All Major Decisions shall be made by both the Stratus Representatives and the Olympus Representatives. Accordingly, neither Stratus nor Olympus, on behalf of the Management Committee, shall have the right or the power to make any binding commitment on behalf of the Partnership in respect of a Major Decision unless and until all of the Representatives have authorized the same in writing.

4.4Budgets and Reports.
(a)By November 1st of each calendar year hereafter during the term hereof, the Operating Partner shall prepare a revised Operating Budget and the Business Plan for the operation of the Partnership for the next succeeding calendar year of the Partnership. The Management Committee shall have thirty (30) days after receipt thereof to either approve the submitted Business Plan and Operating Budget or respond with required changes to same. A copy of the revised Business Plan of the Partnership approved by the Management Committee as of the Effective Date is attached hereto as Exhibit A and a copy of the revised Operating Budget of the Partnership approved by the Management Committee shall be attached hereto as Exhibit B within sixty (60) days after the Effective Date.

(b)The Operating Partner agrees to use diligence and to employ all reasonable efforts to ensure that the actual costs of operating the Partnership shall not exceed the Operating Budget, either in total or for any one accounting category. The Operating Partner shall secure the written approval of the Management Committee for any expenditure that (i) exceeds fifteen percent (15%) of the annual budgeted amount for the Partnership in any one accounting category on such Operating Budget or (ii) exceeds ten percent (10%) of the annual budgeted amount for the Partnership in all accounting categories of the Operating Budget. During each applicable calendar year, the Operating Partner agrees to promptly inform the Management Committee of any major increases in costs and expenses or any major decreases in revenue that were not foreseen during the budget preparation period and thus were not reflected in the Operating Budget.

(c)The Operating Partner shall also submit any additional financial or operational reports as the Financial Partner may from time to time reasonably request.

4.5Powers of the Operating Partner. Subject to Section 4.3, the Operating Partner shall have the duties, rights and obligations to implement the operations of the Partnership as described in the Business Plan, Operating Budget or approved in writing by the Management Committee. Without limiting the generality of Section 4.1, but subject to Section 4.3, the Operating Partner, acting on behalf of the Partnership, shall oversee the activities of property manager, or, if the Management Agreement is terminated, until a successor property manager is appointed, perform the duties, rights and obligations of the property manager; provided, however, neither the Operating Partner nor the property manager shall take any action that has a material economic affect on the Partnership without the prior approval of the Management Committee, including, without limitation, approving the form and substance of all contracts, loan documents or other documents necessary to operate the business of the Partnership.
4.6Liability of Partners. The Partners shall be personally liable for the debts and obligations of the Partnership if (but solely to the extent)

required by applicable law; provided, however, that all such debts and obligations shall be paid or discharged first with the property of the Partnership (including insurance proceeds) before the Partners shall be obligated to pay or discharge any such debt or obligation with its personal assets. Notwithstanding the preceding sentence, the Partners shall not be personally liable for any debts or obligations which are nonrecourse or which, under the terms thereof, do not create or impose such liability.

4.7Other Activities of Partners. Except as otherwise agreed in writing, each Partner (i) may carry on and conduct in any way or in any capacity, including, but not limited to, for such Partner's own right and for such Partner's own personal account, as a partner in any other partnership, as a venturer in any joint venture, as a member or manager in any limited liability company, as an employee, officer, director or stockbroker of any corporation, or as a participant in any syndicate, pool, trust, association or other business organization, a business that competes, directly or indirectly, with the business of the Partnership, (ii) will be free in any capacity to conduct business activities the same or similar as conducted by the

Partnership and (iii) may make investments in any kind of property. The Partnership will have absolutely no claim or right to any such business or assets thereof. Further, the Partnership will have claim to and will own only those assets contributed to the Partnership or acquired with Partnership funds or credit. Neither this Agreement nor any principle of law or equity shall preclude or limit, in any respect, the right of any Partner or any affiliate thereof to engage in or derive profit or compensation from any activities or investments, nor give any other Partner any right to participate or share in such activities or investments or any profit or compensation derived therefrom.

ARTICLE 5
Exculpation and Indemnity

5.1Exculpation. Neither the Partners nor any affiliate of the Partners, nor any officer, director, manager, member, employee, agent, stockholder, or partner of the Partners or any of its affiliates, shall be liable, responsible, or accountable in damages or otherwise to the Partnership or any Partner by reason of, or arising from or relating to the operations, business, or affairs of, or any action taken or failure to act on behalf of, the Partnership, except (i) to the extent that such liability is expressly provided for herein or in any other written agreement executed by any such Partner or affiliate thereof (including, without limitation, the Contribution Agreement and/or the Management Agreement) or (ii) to the extent that any of the foregoing is determined, by a final, nonappealable order of a court of competent jurisdiction, to have been primarily caused by the gross negligence, willful misconduct, or bad faith of the person claiming exculpation.

5.2Indemnity. The Partnership shall indemnify the Partners, each affiliate of the Partners, and each officer, director, stockholder, manager, member, and partner of the Partners or any of its affiliates, and if so determined by the Partners, each employee or agent of the Partners or any of its affiliates, against any claim, loss, damage, liability, or expense (including reasonable attorneys' fees, court costs, and costs of investigation and appeal) suffered or incurred by any such indemnitee by reason of, or arising from or relating to the operations, business, or affairs of, or any action taken or failure to act on behalf of, the Partnership, except to the extent any of the foregoing (i) is determined by final, nonappealable order of a court of competent jurisdiction to have been primarily caused by the gross negligence, willful misconduct, or bad faith of the person claiming indemnification or constitutes a material breach of any provision of this Agreement, the Management Agreement or the Contribution Agreement or (ii) is suffered or incurred as a result of any claim (other than a claim for indemnification under this Agreement) asserted by the indemnitee as plaintiff against the Partnership. Unless a determination has been made (by final, nonappealable order of a court of competent jurisdiction) that indemnification is not required, the Partnership shall, upon the request of any indemnitee, advance or promptly reimburse such indemnitee's reasonable costs of investigation, litigation, or appeal, including reasonable attorneys' fees; provided, however, that the affected indemnitee shall, as a condition of such indemnitee's right to receive such

advances and reimbursements, undertake in writing to repay promptly the Partnership for all such advancements or reimbursements if a court of competent jurisdiction determines that such indemnitee is not then entitled to indemnification under this Section 5.2. No Partner shall be

required to contribute capital in respect of any indemnification claim under this Section 5.2 unless otherwise provided in any other written agreement to which such Partner is a party.

ARTICLE 6
Distributions and Allocations

6.1Distributions. No later than thirty (30) days after the end of each Distribution Period during which the Partnership has Cash Flow, such Cash Flow shall be distributed, after the payment of all third party obligations, to each Partner in proportion to the Sharing Ratios.

6.2Tax Allocations. For United States federal income tax purposes, allocations of items of income, gain, loss, deduction, expense, and credit for each fiscal year of the Partnership shall be in accordance with each Partner's economic interest in the respective item, as determined by the Management Committee pursuant to Section 704(b) of the Code, and the regulations promulgated thereunder and subject to the requirements of Section 704(c) of the Code and the regulations promulgated thereunder. Unless the Management Committee determines otherwise, allocations shall be made to each Partner in the same manner as such Partner (i) would be required to contribute to the Partnership or (ii) would receive as distributions if the Partnership were to liquidate the assets of the Partnership at their book value and distribute the proceeds in accordance with Section 6.1; provided, however, that if any such allocation is not permitted by applicable law, the Partnership's subsequent income, gain, loss, deduction, expense and credit shall be allocated among the Partners so as to reflect as nearly as possible the allocation used in computing capital accounts.

ARTICLE 7
Admissions, Transfers and Withdrawals

7.1Admission of New Partners. After the Effective Date, new Partners may be admitted to the Partnership only with the written consent of, and upon such terms and conditions as are approved by the unanimous approval of the Management Committee. No admission of any new Partner shall cause the Partner's interest in Partnership allocations, distributions and capital to be less than one percent (1%), and no Partner's Sharing Ratio in the Partnership shall be reduced or diluted in connection with any such admission of any new Partner unless approved in writing by such Partner or unless otherwise provided in any other written agreement to which such Partner is a party.

7.2Transfer of Partnership Interests. No Partner may transfer or encumber all or any portion of such Partner's interest in the Partnership without the prior written consent of the Management Committee; provided, however, that Olympus may transfer all or any portion of its interest in the Partnership to an Affiliate of Olympus Real Estate Corporation without the consent of Stratus, and provided, further, that Stratus may transfer all or any portion of its interest in the Partnership to a wholly owned subsidiary of Stratus Properties Inc. without the

consent of Olympus. Additionally, any interest in the Partnership held by Olympus or its Affiliates may be transferred in the exercise of rights of the limited partners of Olympus Real Estate Fund II, L.P. ("Fund II") to remove the general partner under the limited partnership agreement of Fund II.

7.3Buy/Sell Option.
(a)In the event of a Deadlock at any time during the term of the

Partnership, either Partner may exercise a "buy-sell" right (the "Buy-Sell") as follows: either Partner (the "Offeror") exercising such Buy-Sell (A) shall deliver to the other Partner (the "Offeree") a written notice (the "Buy/Sell Offer") stating the Offeror's exercise of such right and setting forth the Buy/Sell Offer and a description of any negotiations or discussions with third parties that Offeror may have had with respect to the sale of the Partnership Interest and the Business, which Buy/Sell Offer shall represent the dollar amount (without reduction for any deemed or imputed expenses of sale) that the Offeror would be willing to pay to the Partnership in cash for the Business (the "Offer Amount") and (B) simultaneously with the delivery of the Buy/Sell Offer, shall deliver into escrow with a title insurance company located in Dallas, Texas selected by the Offeror (the "Escrow Agent"), a good faith deposit in the amount of the Offer Deposit. The Offeror hereby instructs the Escrow Agent that the Escrow Agent shall either (i) in the event the Offeree elects to sell its interest in the Partnership (the "Partnership Interest") in accordance with the terms hereof, apply such Offer Deposit to the purchase price as of the Buy/Sell Closing Date (as hereinafter defined) or if the Offeror fails to timely purchase the Offeree's Partnership Interest in accordance with the terms hereof, disburse such Offer Deposit in accordance with Section 7.3(g), or (ii) in the event the Offeree elects to purchase the Offeror's Partnership Interest, disburse such Offer Deposit in accordance with Section 7.3(e).

(b)The notice transmitting the Buy/Sell Offer shall be deemed to constitute an offer by the Offeror to purchase the Offeree's Partnership Interest for a price equal to the Receipt Amount. "Receipt Amount" shall mean the aggregate amount which the Partner whose Partnership Interest is to be transferred, whether Offeror or Offeree, would receive as a Partnership distribution if (i) the Business were sold for cash for the Offer Amount, (ii) all debts and liabilities of the Partnership but without taking into account any deemed or imputed expenses which would occur for the sale to third parties (e.g. imputed brokerage fees, etc.) were paid in full from such proceeds and (iii) prorations were made with respect to all current assets and current liabilities of the Partnership.

(c)The Offeree shall have forty-five (45) days from the date of the Buy/Sell Offer to elect, by written notice to the Offeror signed by the Partner constituting the Offeree, whether to sell such Offeree's Partnership Interest to the Offeror or whether to purchase (or cause its designee to purchase) the Offeror's Partnership Interest in the Partnership (the "Buy/Sell Election Period").

(d)If the Offeree fails to make an election within such forty-five (45) day period, or fails to comply with subsection (e) below, such Offeree shall be conclusively deemed to have elected to sell its Partnership Interest in the Partnership to the Offeror according to the terms of this Section 7.3.

(e)If the Offeree makes an election to purchase within such forty-five (45) day period by sending written notice to the Offeror as required by subsection (c), and by delivering into escrow with the Escrow Agent a good faith deposit in the amount of the Offer Deposit, then, the original Offeror shall be conclusively deemed to have elected to sell its Partnership Interest in the Partnership to the Offeree for a price equal to the applicable Receipt Amount. In the event the Offeree timely makes an election to purchase, the Offeree hereby instructs the Escrow Agent that the Escrow Agent shall (i) return the Offeror's Offer Deposit to the Offeror and (ii) hold the Offeree's Offer Deposit and shall either apply such Offeree's Offer Deposit to the purchase price or disburse such Offeree's Offer Deposit in accordance with Section 7.3(g).

(f)The Partner (the "Buy/Sell Purchaser") that is obligated to purchase the Partnership Interest in the Partnership of the other Partner (the "Buy/Sell Seller") pursuant to this Section 7.3 shall fix a closing date (the "Buy/Sell Closing Date") for such purchase that is not a Business Day that is not later than forty-five (45) days after the expiration of the Buy/Sell Election Period, by written notice to the Buy/Sell Seller at least fifteen (15) days in advance of Buy/Sell Closing Date. The closing of such purchase shall take place on the Buy/Sell Closing Date at the address of the Escrow Agent. At such closing, the Partner constituting the Buy/Sell Seller shall execute and deliver to the Buy/Sell Purchaser (or its designee) such instruments of assignment, bills of sale, amendments to this

Agreement and other instruments and documents as the Buy/Sell Purchaser and the Buy/Sell Seller (or such designee) may reasonably require for the conveyance to such Buy/Sell Purchaser (or such designee) of all of the Buy/Sell Seller's right, title and interest in and to the Buy/Sell Seller's Partnership Interest in the Partnership against receipt by the Buy/Sell Seller of a wire transfer of immediately available funds in an amount equal to the applicable Receipt Amount; and the Buy/Sell Seller hereby irrevocably constitutes and appoints the Buy/Sell Purchaser as its attorney-in-fact to execute, acknowledge and deliver any of such instruments or documents. Each of the Buy/Sell Seller and Buy/Sell Purchaser shall each bear their respective closing costs and expenses (including, but not limited to, all attorney's fees and costs and all applicable transfer and income taxes) incurred in the purchase or sale of the Buy/Sell Seller's Partnership Interest in the Partnership hereunder. Such sale of such Partnership Interest shall be made without representation, warranty or recourse, except for representations and warranties in form and substance reasonably acceptable to the Buy/Sell Purchaser and the Buy/Sell Seller with respect to existence, good standing, title, no encumbrance, authority, authorization, no conflicts, and such other customary matters as may be reasonably requested by the Buy/Sell Purchaser. If the Buy/Sell Offer or the closing of the purchase contemplated thereby causes the maturity of any Partnership indebtedness to be accelerated, the

Buy/Sell Seller shall be released from liability resulting from such accelerated indebtedness and the Buy/Sell Purchaser shall pay such indebtedness in full (including without limitation, any accrued but unpaid interest and any prepayment premiums or penalties) at Buy/Sell Purchaser's sole cost and expense and shall indemnify and hold Buy/Sell Seller harmless from and against any losses, damages, costs or expenses (including attorneys' fees) incurred by Buy/Sell Seller, or the Buy/Sell Seller's Affiliates, employees, agents, representatives, consultants, attorneys, fiduciaries, servants, officers, directors, partners, predecessors, successors and assigns and Affiliates of the foregoing (the "Indemnified Parties"), as a direct or indirect result thereof, other than any losses, damages, costs or expenses (including attorneys' fees) incurred by any of the Indemnified Parties as a direct result of such Indemnified Party's bad conduct. As a precondition to the closing of the Buy/Sell transaction, the Buy/Sell Seller shall be released from liability from any indebtedness of the Partnership, including, without limitation, the release of any guaranty and collateral pledged to secure any guaranty debt. Anything contained in this Agreement to the contrary notwithstanding, in the event the sale of the Partnership Interest is not consummated because of a default on the part of Buy/Sell Seller or if a condition precedent cannot be fulfilled because Buy/Sell Seller frustrated such fulfillment, Buy/Sell Purchaser may, at its election, pursue an action for specific performance and/or costs and expenses.

(g) In the event that the Buy/Sell Purchaser defaults in its obligation to purchase the Partnership Interest of the Buy/Sell Seller in the Partnership on the Buy/Sell Closing Date, the Buy/Sell Seller shall have the right to (i) solicit third party offers on behalf of the Partnership for the purchase of the Business, to accept the best such offer, as determined by the Buy/Sell Seller in its sole and absolute discretion, and to consummate the sale of the Business to such third party pursuant to such offer, (ii) purchase the Partnership Interest of the Buy/Sell Purchaser for a purchase price equal to ninety percent (90%) of the aggregate Partnership distributions that the Buy/Sell Purchaser would be entitled to receive under this Agreement if the Business were sold for cash for the Offer Amount and all debts and liabilities of the Partnership (excluding imputed sale expenses) were paid in full from such proceeds and proration were made with respect to all current assets and current liabilities of the Partnership, (iii) specifically enforce the Buy/Sell Purchaser's obligation to purchase the Partnership interest of the Buy/Sell Seller, and (iv) notify the Escrow Agent holding the Offer Deposit of the Buy/Sell Purchaser immediately to deliver such Offer Deposit to the Buy/Sell Seller as liquidated damages for the breach by such Buy/Sell Purchaser (and the Buy/Sell Purchaser covenants and agrees to cause, and hereby instructs, the Escrow Agent to deliver such Offer Deposit to the Buy/Sell Seller). The delivery of the Offer Deposit to the Buy/Sell Seller shall not constitute a return of capital. The Buy/Sell Purchaser hereby constitutes and appoints the Buy/Sell Seller as its attorney-in-fact to execute and deliver on behalf of

the Buy/Sell Purchaser all documents as may be reasonably required in connection with the delivery by the Escrow Agent of the Offer Deposit to the Buy/Sell Seller.

7.4No Substituted Partners. Except as permitted by Section 7.1, no transferee of any partnership interest in the Partnership may become a substituted Partner. Rather, any transferee of any Partnership interest of a Partner shall be entitled solely to rights as assignee of the rights to receive all or part of the share of the income, gains, losses, deductions, expenses, credits, distributions, or returns of capital to which his or its transferor would otherwise be entitled with respect to the Partnership interest so transferred.

7.5Withdrawal of Partners. Except as permitted by Section 7.2 hereof, no Partner shall have any right to withdraw or resign from the Partnership without the unanimous consent of the Management Committee.

ARTICLE 8
General Accounting Provisions and Books

8.1Books of Account; Tax Returns. The Financial Partner shall prepare and file, or shall cause to be prepared and filed, all United States federal, state, and local income and other tax returns required to be filed by the Partnership and shall keep or cause to be kept complete and appropriate records and books of account in which shall be entered all such transactions and other matters relative to the Partnership's operations, business and affairs as are usually entered into records and books of account that are maintained by persons engaged in business of like character or are required by the Act. Except as otherwise expressly provided herein, such books and records shall be maintained in accordance with the basis utilized in preparing the Partnership's United States federal income tax returns, which returns, if allowed by applicable law, may upon the approval of the Management Committee be prepared on an accrual basis.

8.2Place Kept; Inspection. The books and records shall be maintained at the principal place of business of the Partnership, and all such books and records shall be available for inspection and copying at the reasonable request, and at the expense, of any Partner during the ordinary business hours of the Partnership.

8.3Tax Matters Partner. The Financial Partner shall be the tax matters partner of the Partnership and, in such capacity, shall exercise all rights conferred, and perform all duties imposed, upon a tax matters partner under Sections 6221 through 6233 of the Code and the regulations promulgated thereunder; provided, however, that the Operating Partner shall have the right to review and approve any actions taken by the Financial Partner in its capacity as the tax matters partner. Notwithstanding the foregoing, the Financial Partner shall have the right to select the methodology to be used pursuant to Section 704(c) of the Code subject to the Operating Partner's consent, which consent shall not be unreasonably withheld.

ARTICLE 9
Amendments and Waivers

9.1Amendments and Waivers. Except as expressly provided in Section 9.2 of this Agreement, the Management Committee may amend or waive any provision of this Agreement which merely (i) corrects an error or clarifies an ambiguity in this Agreement, (ii) does not adversely affect the Financial Partner or the Operating Partner in any material respect or (iii) changes Schedule I to this Agreement to reflect the Sharing Ratios or Partnership Interests of the Partners as from time to time amended in accordance with this Agreement. The Management Committee shall amend Schedule I to this Agreement to reflect any additional Capital Contributions. The Partners agree to look to the books and records of the Partnership for determination of the actual amount of Capital Contributions made to the Partnership, as provided in Section 3.1 of this Agreement.

9.2Certain Other Amendments. Notwithstanding any provision to the contrary contained herein, no amendment to or waiver of any provision of

this Agreement shall be effective against a given Partner without the consent or vote of such Partner if such amendment or waiver would (i) cause the Partnership to fail to be treated as a joint venture under the Act, (ii) change Section 3.1 of this Agreement to increase a Partner's obligation to contribute to the capital of the Partnership, (iii) change Section 5.1 or 5.2 of this Agreement to affect adversely any Partner's rights to exculpation or indemnification, (iv) change Section 6.1 or 6.2 of this Agreement to affect adversely the participation of such Partner in the income, gains, losses, deductions, expenses, credits, capital or distributions of the Partnership (excluding any amendments to Schedule I hereof to accurately reflect the Capital Account balances, Contribution Percentages, Unreturned Capital Contributions, Sharing Ratios and/or Partnership Interests of the Partners following any failure of a Defaulting Partner to timely repay the Default Amount to the Non-Defaulting Partners, as further described in Section 3.2(c) or any transfer of a Partnership Interest expressly permitted pursuant to the provisions of Section 7.2 hereof but including any amendments to admit one or more new Partner or Partners), (v) change Section 7.1 of this Agreement to affect adversely the anti-dilution rights of such Partner, (vi) change the percentage of Partners necessary for any consent or vote required hereunder to the taking of any action or (vii) amend Section 9.2 of this Agreement.

ARTICLE 10
Dissolution and Termination

10.1Dissolution. The Partnership shall be dissolved upon the first to occur of the following events:

(i)the election of both Partners to dissolve the Partnership;

(ii)the election of the Financial Partner to dissolve the Partnership if all or substantially all Partnership assets shall have been sold or disposed of or shall consist of cash;

(iii)both the Partners shall have withdrawn from the Partnership within the meaning of the Act, or any other dissolution event specified in the Act shall have occurred;

(iv)the Financial Partner shall have (A) made a general assignment for the benefit of creditors, (B) filed a voluntary petition in bankruptcy, (C) filed a petition or answer seeking for itself any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under any bankruptcy or debtor relief law, (D) filed an answer or other pleading admitting or failing to contest the material allegations of a petition filed against it in any bankruptcy or insolvency proceeding brought against it or (E) sought, consented to, or acquiesced in the appointment of a trustee, receiver or liquidator of the Financial Partner or of all or any substantial part of its property;

(v)if within sixty (60) days after the commencement of any proceeding against the Financial Partner seeking reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under any bankruptcy or debtor relief law, the proceeding shall not have been dismissed; or

(vi)if within sixty (60) days after the appointment (without the Financial Partner's consent or acquiescence) of a trustee, receiver or liquidator of the Financial Partner or of all or any substantial part of its property, the appointment shall not have been vacated or stayed if within sixty (60) days after the expiration of any such stay, the appointment shall not have been vacated. Notwithstanding the foregoing, the Partnership shall not be dissolved upon the occurrence of an event specified in (iii) through (vi) of this Section 10.1 if within ninety (90) days after such occurrence a majority in interest (under applicable federal income tax principles) of the remaining Partners agree in writing to continue the business of the Partnership and to the appointment, effective as of the date of withdrawal, of a successor Financial Partner.

10.2Accounting on Dissolution. Following the dissolution of the Partnership pursuant to Section 10.1 of this Agreement, the books of the Partnership shall be closed, and a

proper accounting of the Partnership's assets, liabilities and operations shall be made by the Financial Partner, all as of the most recent practicable date. The Financial Partner shall serve as the liquidator of the Partnership unless it has been removed or unless it otherwise fails or refuses to serve. If the Financial Partner does not serve as the liquidator, one or more other persons or entities may be selected to serve by the Operating Partner. The expenses incurred by the liquidator in connection with the dissolution, liquidation and termination of the Partnership shall be borne by the Partnership.

10.3Termination. As expeditiously as practicable, but in no event later than one year (except as may be necessary to realize upon any material amount of property that may be illiquid), after the dissolution of the Partnership pursuant to Section 10.1 of this Agreement, the liquidator shall cause the Partnership to pay the current liabilities of the Partnership and (i) establish a reserve fund (which may be in the form of cash or other property, as the liquidator shall determine) for any and all other liabilities, including contingent liabilities, of the Partnership in a reasonable amount determined by the liquidator to be appropriate for such purposes or (ii) otherwise make adequate provision for such other liabilities. To the extent that cash required for the foregoing purposes is not otherwise available, the liquidator may sell property, if any, of the Partnership for cash. Thereafter, all remaining cash or other property, if any, of the Partnership shall be distributed to the Partners in accordance with the provisions of Section 6.1 of this Agreement. The Partners must agree on the value and distributee for all in-kind distributions or else all property must be sold and the proceeds distributed in accordance herewith. At the time final distributions are made in accordance with Section 6.1 of this Agreement, if applicable, a certificate of cancellation shall be filed in accordance with the Act, and the legal existence of the Partnership shall terminate, but if at any time thereafter any reserved cash or property is released because in the judgment of the liquidator the need for such reserve has ended, then such cash or property shall be distributed in accordance with Section 6.1 of this Agreement.

10.4No Negative Capital Account Obligation. Notwithstanding any other provision of this Agreement to the contrary, in no event shall any Partner who has a negative capital account upon final distribution of all cash and other property of the Partnership be required to restore such negative account to zero.

10.5No Other Cause of Dissolution. The Partnership shall not be dissolved, or its legal existence terminated, for any reason whatsoever except as expressly provided in this Article 10.

10.6Merger. Subject to the rights of the Partners pursuant to Section 9.2, the Partnership may, with the written consent of the Financial Partner acting with the unanimous approval of the Management Committee, adopt a plan of merger and engage in any merger permitted by applicable law.

ARTICLE 11
Miscellaneous

11.1Waiver of Partition. Each Partner hereby irrevocably waives any and all rights that he or it may have to maintain an action for partition of any of the Partnership's property.

11.2Entire Agreement. This Agreement constitutes the entire agreement among the Partners with respect to the subject matter hereof and supersedes any prior agreement or understanding among them with respect to such subject matter.

11.3Severability. If any provision of this Agreement, or the application of such provision to any person or circumstance, shall be held invalid under the applicable law of any jurisdiction, the remainder of this Agreement or the application of such provision to other persons or circumstances or in other jurisdictions shall not be affected thereby. Also, if any provision of this Agreement is invalid or unenforceable under any applicable law, then such provision shall be deemed inoperative to the extent that it may conflict

therewith and shall be deemed modified to conform with such law. Any provision hereof that may prove invalid or unenforceable under any law shall not affect the validity or enforceability of any other provision hereof.

11.4Notices. All notices, requests, demands, and other communications hereunder shall be in writing and shall be deemed to have been duly given if sent by overnight courier, hand delivered, mailed (first class registered mail or certified mail, postage prepaid), or sent by telex or telecopy if to the Partners, at the addresses or telex or facsimile numbers set forth on Schedule I hereto, and if to the Partnership, at the address of its principal place of business at 200 Crescent Court, Suite 1650, Dallas, Texas 75201 (fax 214/740-7340), or to such other address as the Partnership or any Partner shall have last designated by notice to the Partnership and all other parties hereto in accordance with this Section 11.4. Notices sent by hand delivery shall be deemed to have been given when received; notices mailed in accordance with the foregoing shall be deemed to have been given three days following the date so mailed; notices sent by telex or telecopy shall be deemed to have been given when electronically confirmed; and notices sent by overnight courier shall be deemed to have been given on the next business day following the date so sent.

11.5Governing Laws. This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Texas (without regard to principles of conflicts of laws).

11.6Successors and Assigns. Except as otherwise specifically provided, this Agreement shall be binding upon and inure to the benefit of the Partners and their respective successors and permitted assigns.

11.7Counterparts. This Agreement may be executed in one or more counterparts, all of which shall constitute one and the same instrument.

11.8Headings. The section and article headings in this Agreement are for convenience of reference only and shall not be deemed to alter or affect the meaning or interpretation of any provision hereof.

11.9Other Terms. All references to "Articles" and "Sections" contained in this Agreement are, unless specifically indicated otherwise, references to articles, sections, subsections, and paragraphs of this Agreement. Whenever in this Agreement the singular number is used, the same shall include the plural where appropriate (and vice versa), and words of any gender shall include each other gender where appropriate. As used in this Agreement, the following words or phrases shall have the meanings indicated: (i) "or" shall mean "and/or", (ii) "day" shall mean a calendar day, (iii) "including" or "include" shall mean "including without limitation", and (iv) "law" or "laws" shall mean statutes, regulations, rules, judicial orders, and other legal pronouncements having the effect of law. Whenever any provision of this Agreement requires or permits a Partner to take or omit to take any action, or make or omit to make any decision, unless the context clearly requires otherwise, such provision shall be interpreted to authorize an action taken or omitted, or a decision made or omitted, by the Partner acting alone and in good faith.

11.10Power of Attorney. By execution of this Agreement, the Operating Partner hereby makes, constitutes and appoints the Financial Partner, with full power of substitution and re-substitution in the Financial Partner (in its sole discretion), such Partner's true and lawful attorney-in-fact (the "Attorney") for and in the Operating Partner's name, place and stead and for its use and benefit, to prepare, execute, certify, acknowledge, swear to, file, deliver or record any or all of the following, authorized pursuant to the terms of this Agreement:

(i)any agreement, certificate, report, consent, instrument, filing or writing made by or relating to the Partnership that the Attorney deems necessary, desirable, or appropriate for the lawful purpose of (A) organizing or continuing the Partnership under the Act, (B) admitting Partners with respect to the Partnership, (C) pursuing or effecting any rights or remedies available under this Agreement or otherwise with respect to a defaulting Partner, (D) qualifying the Partnership to do business in any jurisdiction and (E) complying with any law, agreement or obligation applicable to the Partnership;

(ii)any agreement, certificate, report, consent, instrument, filing or writing made by or relating to the Partnership necessary, desirable or appropriate to effectuate the business purposes of, or the dissolution, termination or liquidation of, the Partnership pursuant to applicable law or the respective terms of this Agreement; and

(iii)any amendment to or modification or restatement of this Agreement or any other agreement, certificate, report, consent, instrument, filing or writing of any type described in subsection (i) or (ii) of this Section 11.10, provided that any amendment of or modification to this Agreement shall first have been adopted in accordance with Article 9 of this Agreement.

11.11Transfer and Other Restrictions. INTERESTS IN THE PARTNERSHIP HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND MAY NOT BE OFFERED OR SOLD UNLESS SUCH INTERESTS HAVE BEEN REGISTERED UNDER SUCH ACT OR UNLESS AN EXEMPTION FROM SUCH REGISTRATION IS AVAILABLE. INTERESTS IN THE PARTNERSHIP ARE SUBJECT TO CERTAIN RESTRICTIONS ON TRANSFER, VOTING AND OTHER TERMS AND CONDITIONS SET FORTH IN (1) ARTICLE 7 AND (2) VARIOUS INVESTMENT AGREEMENTS BETWEEN OR AMONG CERTAIN PARTNERS. COPIES OF SUCH AGREEMENTS MAY BE OBTAINED FROM THE PARTNERSHIP OR THE FINANCIAL PARTNER AT THEIR PRINCIPAL EXECUTIVE OFFICES.

IN WITNESS WHEREOF, the undersigned have executed this instrument effective as of the Effective Date.

FINANCIAL PARTNER:
OLY ABC WEST I, L.P.,
a Texas limited partnership
By:Oly Texas GP II, LLC,
a Texas limited liability company,
its sole general partner

By:
Name:
Title:

OPERATING PARTNER:
STRATUS ABC WEST I, L.P.,
a Texas limited partnership

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

By:Stratus Properties Inc.,
a Delaware corporation,
its sole member

By:/s/ William H. Armstrong,III

William H. Armstrong, III,
President & CEO

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

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 10, 2000

Exhibit 24.1

Stratus Properties Inc.

Secretary's Certificate

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

> RESOLVED, That any report, registration statement or other form filed on behalf of this corporation pursuant to the Securities Exchange Act of 1934, or any amendment to 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 set my name and the seal

(Seal)

/s/ Douglas N. Currault II

Douglas N. Currault II
Assistant Secretary

F5002516.1

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, 1999, 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 18th day of February, 2000.

/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 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, 1999, 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 18th day of February, 2000.

/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, 1999, 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 18th day of February, 2000.

/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, 1999, 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 18th day of February, 2000.

/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, 1999, 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 18th day of February, 2000.

/s/ C. Donald Whitmire, Jr.

C. Donald Whitmire, Jr.

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This schedule contains summary finacial information extracted from Stratus Properties Inc.'s financial statements at December 31, 1999 and the year then ended, and is qualified in its entirety by reference to such statements.
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