SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the Quarter Ended September 30, 1999

Commission File Number: 0-19989

Stratus Properties Inc.

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

98 San Jacinto Blvd., Suite 220, Austin, Texas 78701

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

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 _

On September 30, 1999, there were issued and outstanding 14,288,270 shares of the registrant's Common Stock, par value $0.01 per share.

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STRATUS PROPERTIES INC.
Part I. FINANCIAL INFORMATION

Item 1. Financial Statements.

STRATUS PROPERTIES INC.
CONDENSED BALANCE SHEETS (Unaudited)

	September 30, 1999	December 31, 1998
	(In Thousands)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 3,867	$ 5,169
Accounts receivable:		
Property sales	479	525
Other	1,633	408
Prepaid expenses	383	361
Total current assets	6,362	6,463
Real estate and facilities, net	96,825	96,556
Investment in and advances to unconsolidated affiliates	4,889	2,468
Other assets	5,915	6,342
Total assets	$ 113,991	$ 111,829
LIABILITIES AND STOCKHOLDERS' EQUITY		
Accounts payable and accrued liabilities	$ 773	$ 583
Accrued interest, property taxes and other	947	1,861
Current portion of long-term debt	13,118	-
Total current liabilities	14,838	2,444
Long-term debt	17,625	29,178
Other liabilities	6,743	6,238
Mandatorily redeemable preferred stock	10,000	10,000
Stockholders' equity	64,785	63,969
Total liabilities and stockholders' equity	$ 113,991	$ 111,829

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

STRATUS PROPERTIES INC.
STATEMENTS OF OPERATIONS (Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	1999	1998	1999	1998

	(In Thousands, Except Per Share Amounts)			
Revenues	$ 1,828	$ 6,239	$ 6,158	$ 12,302
Costs and expenses:				
Cost of sales	420	4,512	2,497	9,165
General and administrative expenses	643	683	2,381	3,182
Total costs and expenses	1,063	5,195	4,878	12,347
Operating income (loss)	765	1,044	1,280	(45)
Interest expense, net	(142)	(495)	(644)	(1,480)
Other income, net	12	17	116	48
Income (loss) before income taxes and equity in affiliates	635	566	752	(1,477)
Income tax provision	-	-	(14)	-
Equity in unconsolidated affiliates	125	-	78	-
Net income (loss)	$ 760	$ 566	$ 816	$ (1,477)
Net income (loss) per share:				
Basic	$0.05	$0.04	$0.06	$(0.10)
Diluted	$0.05	$0.03	$0.05	$(0.10)
Average shares outstanding:				
Basic	14,288	14,288	14,288	14,288
Diluted	16,376	16,205	16,356	14,288

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

STRATUS PROPERTIES INC.
STATEMENTS OF CASH FLOW (Unaudited)

	Nine Months Ended September 30,	
	1999	1998
	(In Thousands)	
Cash flow from operating activities:		
Net income (loss)	$ 816	$ (1,477)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	63	54
Cost of real estate sold	3,518	10,564
Equity in unconsolidated affiliates	(78)	-
(Increase) decrease in working capital:		
Accounts receivable and other	(211)	(3,354)
Accounts payable and accrued liabilities	(724)	346
Other	(483)	(2,504)
Net cash provided by operating activities	2,901	3,629
Cash flow from investing activities:		
Real estate and facilities	(5,203)	(4,284)
Investment in ABC West Joint Venture	-	(494)
Investment in Oly Walden Joint Venture	(376)	(1,999)
Net cash used in investing activities	(5,579)	(6,777)
Cash flow from financing activities:		
Proceeds from preferred stock issuance	-	10,000
Borrowings (repayment) of debt, net	1,000	(6,000)
Proceeds from convertible debt facility	376	1,999

Net cash provided by (used in) financing activities	1,376	5,999
Net increase (decrease) in cash and cash equivalents	(1,302)	2,851
Cash and cash equivalents at beginning of year	5,169	873
Cash and cash equivalents at end of period	$ 3,867	$ 3,724

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

STRATUS PROPERTIES INC.
NOTES TO FINANCIAL STATEMENTS

1. EARNINGS PER SHARE

Basic net income (loss) per share of common stock was calculated by dividing net income (loss) applicable to common stock by the weighted-average number of common shares outstanding during each period presented. Diluted net income (loss) per share was calculated by dividing net income (loss) by the weighted-average of common shares outstanding plus the effects of dilutive stock options during each period presented. Stratus Properties Inc. (STRS) had dilutive options representing approximately 376,000 and 356,000 shares of common stock for the third quarter and nine months ended September 30, 1999, respectively. Additionally, the diluted net income per share calculations for the 1999 periods assume the redemption of STRS' approximate 1.7 million shares of outstanding mandatorily redeemable preferred stock for approximately 1.7 million shares of common stock. STRS' outstanding convertible debt, which is convertible into approximately 359,000 shares of common stock, was excluded from the diluted net income per share calculation because of its anti-dilutive effect. Interest accrued on the convertible debt outstanding totaled approximately $64,000 and $189,000 during the third quarter and nine months ended September 30, 1999, respectively, and there have been no dividends accrued to date on the mandatorily redeemable preferred stock.

During the third quarter of 1998, STRS' diluted net income per share computation included the following: outstanding options representing approximately 202,000 shares of common stock, the assumed redemption of STRS' 1.7 million shares of outstanding mandatorily redeemable preferred stock for approximately 1.7 million shares of common stock and STRS' outstanding convertible debt which, assuming conversion, represented 3,000 shares of common stock. Because of the net loss for the period, the diluted loss per share calculation for the 1998 nine-month period excludes as anti-dilutive the conversion of the mandatorily redeemable preferred stock and convertible debt discussed above, as well as outstanding options to purchase approximately 303,000 shares of common stock.

Outstanding options to purchase approximately 295,000 and 299,000 shares of common stock at an average exercise price of $6.14 per share for both the third quarter of 1999 and 1998, respectively, and outstanding options to purchase 295,000 and 289,000 shares of common stock at average exercise prices of $6.14 and $6.19 per share for the nine months ended September 30, 1999 and 1998, respectively, were excluded from the computation of diluted earnings per share because their exercise prices were greater than the average market price for the periods presented.

2. LONG-TERM DEBT

STRS has a $35.0 million revolving credit facility with individual borrowings bearing interest at rates based on the lead lender's prime rate or LIBOR, at STRS' option. The aggregate commitment decreased to $35.0 million on January 1, 1999. It will be reduced further to $15.0 million on January 1, 2000 and will terminate on January 1, 2001. During 1999 STRS classifies

any borrowings on this credit facility in excess of $15 million as current maturities of long-term debt. As of September 30, 1999, credit facility borrowings totaled $28.1 million. IMC Global Inc. (IGL) has guaranteed amounts borrowed under the facility in exchange for an annual fee. This fee, which is payable quarterly, is equal to the difference between STRS' cost of funded borrowings before the assumption of the guarantee by IGL and the current rate on the funded loans under the facility. STRS cannot amend the facility without IGL's consent. For further discussion of this credit facility, see Note 5 of "Notes to Financial Statements" in STRS' 1998 Annual Report on Form 10-K. STRS had $2.6 million of additional long-term debt outstanding on September 30, 1999 resulting from borrowings on its convertible debt facility (see Note 3).

STRS believes its near-term capital resource needs can be met adequately during the remainder of 1999 from operating cash flows and additional borrowings under its existing debt facilities. However, the debt reduction required under its revolving credit facility (see above) will require new financing by no later than January 1, 2000. Accordingly, STRS is currently exploring capital raising alternatives, including various forms of debt and/or equity financing. STRS continues to pursue financing for the development of individual projects through both commercial bank facilities and in accordance with its alliance with Olympus (see Note 3). While there can be no assurance that STRS will have the necessary funds, management believes that STRS

has the ability to effectively address its capital resource needs and debt reduction requirements. See Note 7 for a discussion of subsequent developments regarding STRS' capital resources and debt reduction requirements.

3. OLYMPUS RELATIONSHIP

In May 1998, STRS and Olympus Real Estate Corporation (Olympus), an affiliate of Hicks, Muse, Tate & Furst Incorporated, formed a strategic alliance to develop certain of STRS' 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 STRS' mandatorily redeemable preferred stock, provided a $10 million convertible debt financing facility to STRS and agreed to make available up to $50 million of additional capital representing its share of direct investments in joint STRS/Olympus projects.

The $10 million convertible debt facility is available to STRS in whole or in part until May 22, 2004 and is intended to fund STRS' equity investments in new STRS/Olympus joint venture opportunities involving properties not currently owned by STRS. Interest under this facility accrues at 12 percent and is payable quarterly or added to principal at Olympus' option. As of September 30, 1999, Olympus had elected to add all interest ($0.2 million) to the outstanding principal ($2.4 million, see Note 5), resulting in an outstanding amount of $2.6 million.

Through May 22, 2001, Olympus agreed to make available up to $50 million for its share of capital for direct investments in STRS/Olympus joint acquisition and development activities. In return, STRS 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 STRS, as well as development opportunities on existing properties in which STRS seeks third-party equity participation. As of September 30, 1999, Olympus had invested approximately $5.7 million of such funds in STRS/Olympus joint ventures. For further discussion of STRS' alliance and its subsequent formation of joint ventures with Olympus see Note 5 and Notes 2, 3 and 4 of "Notes to Financial Statements" included in STRS' 1998 Annual Report on Form 10-K.

4. PROJECT LOAN FACILITY

In April 1999, STRS and a wholly owned subsidiary finalized a

$6.6 million project development loan facility with a commercial bank for the development of the 70,000 square foot first phase of the 140,000 square foot Lantana Corporate Center (7000 West). STRS is guarantor of the completion of the project and is responsible for any unpaid interest and certain other limited obligations. The 18-month, variable-rate, non-recourse loan is secured by approximately 11 acres of land at 7000 West, the related improvements and approximately $2.0 million of reimbursements due from the City of Austin for the Lantana water pump station. Interest is payable monthly and accrues at either the lending bank's prime rate or LIBOR plus 250 basis points at STRS' option. In August 1999, as part of a joint venture agreement with Olympus, STRS sold a 50.1 percent interest in the subsidiary that held the project loan. Accordingly the project loan is no longer consolidated on STRS' books and is now being recorded by the joint venture (see Note 5). As of September 30, 1999, outstanding borrowings on this project loan facility totaled approximately $1.4 million.

5. INVESTMENT IN UNCONSOLIDATED AFFILIATES

On September 30, 1998, STRS entered into two separate transactions 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 STRS sold the land to the Oly Stratus ABC West I Joint Venture (ABC Joint Venture) for approximately $3.3 million, of which $1.65 million attributable to its 50 percent equity interest was deferred for financial accounting purposes, and invested approximately $0.5 million 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 (Walden). Olympus originally purchased Walden in April 1998 when it contained 930 developed lots and 80 acres of undeveloped property. STRS has served as manager of this project since Olympus' purchase. STRS acquired a 50 percent interest in the Oly Walden Partnership (Walden Partnership) for $2.0 million borrowed under its convertible debt facility with Olympus (see Note 3). On September 30, 1999, STRS borrowed an additional $0.4 million under the convertible debt facility to fund its share of an additional capital contribution to the Walden Partnership. STRS accounts for its investment in both of these affiliated entities using the equity method.

The Walden Partnership and the ABC Joint Venture each have project development loan facilities 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 non-recourse to the partners and secured by the assets of the respective projects. At September 30, 1999, borrowings of $4.6 million were outstanding on the Walden facility. The ABC Joint Venture has repaid all outstanding obligations under its facility and does not anticipate making any future borrowings. These facilities required that a wholly owned subsidiary of STRS 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 now been partially removed ($0.4 million) because the entire loan has been repaid. The ABC Joint Venture facility currently has approximately $0.1 million of outstanding letters of credit covering the completion of the project, at which time this remaining restricted cash will be released. At September 30, 1999, STRS had approximately $1.8 million of restricted cash pursuant to these projects' development loan facilities agreements.

On August 16, 1999, STRS sold Olympus a 50.1 percent

interest in 7000 West. STRS received $1.1 million upon closing and recognized a $0.5 million gain. STRS deferred revenue of approximately $0.5 million representing its 49.9 percent retained interest in the 5.5 acres of commercial real estate associated with phase I of the project. The initial 7000 West building is substantially complete and leases have been executed totaling approximately 83 percent of the building. STRS anticipates that the building will be fully leased by completion of its construction, which is expected in November 1999. STRS anticipates the remaining 5.5 acres of commercial real estate associated with phase II of the project will be sold in a similar transaction by year-end 1999. Construction of the second building will be funded utilizing additional borrowings under the existing project loan (see Note 4) and is expected to be completed in the third quarter of 2000. STRS accounts for its investment in this joint venture using the equity method.

For a detailed discussion of the joint venture and partnership transactions with Olympus see Note 4, "Investment in Unconsolidated Affiliates" and "Transactions With Olympus Real Estate Corporation" and "Capital Resources and Liquidity" included in Items 7 and 7A " Management's Discussion and Analysis of Financial Condition and Results of Operations and Disclosures of Market Risks" included in STRS' 1998 Annual Report on Form 10-K.

There have been no dividends paid by any of the unconsolidated affiliates as of September 30, 1999. The summarized unaudited financial information of STRS' unconsolidated affiliates is shown below (in thousands):

	ABC Joint Venture	Walden Partnership	7000 West	Total
Earnings data for the quarter ended September 30, 1999:				
Revenues	$ 1,361	$ 632	$ -	$ 1,993
Operating income (loss)	282	(130)	(5)	147
Net income (loss)	282	(119)	(2)	161
STRS' equity in net income (loss)	141	(15)a	(1)	125a
Earnings data for the nine months ended September 30, 1999:				
Revenues	$ 2,630	$ 1,622	$ -	$ 4,252
Operating income (loss)	534	(476)	(5)	53
Net income (loss)	534	(464)	(2)	68
STRS' equity in net income (loss)	267	(188)a	(1)	78a

a. Includes recognition of $44,000 of a total $337,000 of deferred income, representing the difference in STRS' investment in the Walden partnership and its underlying equity at the date of acquisition. STRS will recognize the remaining difference as the related real estate is sold.

6. LITIGATION

STRS is involved in pending litigation involving the City of Austin (the City) and others, which may affect its property development entitlements and its ability to secure reimbursement of approximately $22 million, of which STRS' portion is estimated to be approximately $18 million, exclusive of penalties and

interest, relating to development of its Circle C property. Refer to Item 3 "Legal Proceedings" and Note 6 "Real Estate" in the STRS Annual Report on Form 10-K for the year ended December 31, 1998 for a detailed discussion of such litigation matters. For discussion of litigation events subsequent to the Form 10-K refer to Note 7, "Capital Resources and Liquidity" and Part II - Other Information, "Legal Proceedings" included elsewhere in this Form 10-Q.

7. SUBSEQUENT EVENTS

In late October 1999, Circle C Land Corp. (Circle C), a wholly owned subsidiary of STRS, and the City reached an agreement regarding a portion of Circle C's claims against the City (see Note 6). As a result of this agreement, STRS received approximately $9.8 million, including $1.0 million in interest, representing a partial payment of these claims. STRS will continue to vigorously pursue its remaining claims against the City for approximately $9.0 million. STRS used the proceeds to reduce the balance outstanding under its existing bank credit facility (see Note 2), to approximately $18 million.

Under the terms of the agreement, STRS would be required to return the money to the City and the City would be required to return the utility infrastructure to STRS if the City's annexation of the Circle C municipal utility districts is reversed or otherwise legally rescinded, whether by legislative action, final action of an appellate court, or other legal process. If the transaction is rescinded, STRS would pursue its reimbursement claims for this amount, plus the additional amounts STRS considers due from the City, under Texas law. For further discussion of STRS' litigation and related issues see Note 6 and Part II- Other Information, "Legal Proceedings" included elsewhere in this interim report on Form 10-Q.

On November 3, 1999, STRS received tentative approval of the basic terms of a new credit facility from a commercial bank. The actual terms of the new facility are subject to final negotiation of a definitive agreement, which if consummated would replace STRS' existing revolving credit facility (see Note 2) and effectively extend STRS' current debt maturity. While STRS believes that a new credit facility can be finalized on acceptable terms by December 31, 1999, there can be no assurance that this will occur. STRS has identified other financing alternatives that it believes will be available if the new credit facility cannot be finalized by December 31, 1999.

Remarks

The information furnished herein should be read in conjunction with STRS' financial statements contained in its 1998 Annual Report on Form 10-K. The information furnished herein reflects all adjustments which are, in the opinion of management, necessary for a fair statement of the results for the periods. All such adjustments are, in the opinion of management, of a normal recurring nature.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

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

We have reviewed the accompanying condensed balance sheet of Stratus Properties Inc. (a Delaware Corporation), as of September 30, 1999, the related statements of operations for the three and nine-month periods ended September 30, 1999 and 1998 and the statements of cash flow for the nine month periods ended September 30, 1999 and 1998. These financial statements are the responsibility of the Company's management.

We conducted our reviews in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion

regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

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

We have previously audited, in accordance with generally accepted auditing standards, the balance sheet of Stratus Properties Inc. as of December 31, 1998, and the related statements of operations, stockholders' equity and cash flow for the year then ended (not presented herein), and in our report dated January 19, 1999, based on our audit, we expressed an unqualified opinion on those financial statements. In our opinion, the information set forth in the accompanying condensed balance sheet as of December 31, 1998, is fairly stated, in all material respects, in relation to the balance sheet from which it has been derived.

/s/ ARTHUR ANDERSEN LLP

Austin, Texas
October 20, 1999 (except with
respect to Note 7, as to which
the date is November 3, 1999)

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

OVERVIEW

Stratus Properties Inc. (STRS) is engaged in the acquisition, development, management and sale of commercial and residential real estate. STRS conducts its real estate operations on properties it owns and through unconsolidated affiliates that are jointly owned with Olympus Real Estate Corporation (Olympus) pursuant to a strategic alliance formed in May 1998 (see Notes 3 and 5), as more fully discussed below.

STRS' principal real estate holdings are in the Austin, Texas area and consist of approximately 2,450 acres of undeveloped residential, multi-family and commercial property within the Barton Creek development, approximately 1,300 acres of undeveloped commercial and multi-family property within the Circle C Ranch development, and approximately 500 acres of undeveloped residential, multi-family and commercial property known as the Lantana tract, south of and adjacent to the Barton Creek development.

As of September 30, 1999, STRS also owned 30 developed lots, 136 acres of undeveloped residential property and 75 acres of undeveloped commercial and multi-family property located in Dallas, Houston and San Antonio, Texas, which are being actively marketed. These real estate interests are managed by unaffiliated professional real estate developers who have been retained to provide master planning, zoning, permitting, development, construction and marketing services for the properties.

DEVELOPMENT ACTIVITIES

STRS Properties

Development is progressing at several sections of the Barton Creek project, including the completion of utility infrastructure that will serve a significant portion of the 2,450 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. STRS expects that a number of these

homesites will be available for sale by late 2000. Permitting and entitlement issues now being litigated make the timing of completion of the projects at Barton Creek uncertain.

In September 1999, STRS commenced construction of 54 multi-acre homesites on approximately 240 acres in the southern portion of its Barton Creek development. The homesites, which range in size from 1 to 11 acres, are scheduled for completion in the third quarter of 2000. All of these lots have scenic hill country settings and some will overlook Fazio Canyons. Construction commenced during the third quarter of 1999 and pre-marketing is expected to begin in the fourth quarter of 1999.

Unconsolidated Affiliates Properties

During the first quarter of 1999, STRS, as developer, completed the development of 75 Barton Creek residential lots owned by the Oly Stratus ABC West I Joint Venture (ABC Joint Venture). STRS, as manager, has closed on the sale of 13 and 26 lots, resulting in revenues of $1.4 million and $2.6 million to the joint venture during the third quarter and nine months ended September 30, 1999, respectively. The net proceeds from these sales were used to repay borrowings under the ABC Joint Venture loan facility. The project loan has been totally repaid and the ABC Joint Venture does not anticipate any future borrowings under the facility. STRS will continue its marketing efforts and anticipates substantial sales during the remainder of 1999 and early 2000. STRS' restricted cash, which serves as additional collateral for the loan facility, has been reduced from $0.5 million to $0.1 million as a result of the repayment of the outstanding borrowings. The remaining $0.1 million will be released when Travis County approves the completion of the project, which STRS anticipates will occur by year-end 1999.

STRS is continuing to manage and market the assets of the Oly Walden Partnership, which currently includes approximately 640 developed lots and 80 acres of platted but undeveloped real estate near Houston, Texas. STRS receives management fees and commissions for its services. During the second quarter of 1998 STRS negotiated agreements with developers 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. Sales of approximately 290 lots have already been closed and funded under these agreements.

On August 16, 1999, STRS sold Olympus a 50.1 percent interest in the 70,000 square foot first phase of the 140,000 square foot Lantana Corporate Center (7000 West) (see Notes 4 and 5). Upon closing STRS received $1.1 million and recognized a $0.5 million gain. The first building is substantially complete and is approximately 83 percent leased. STRS' objective is to have the building fully leased by its completion in November 1999. During the fourth quarter of 1999, STRS anticipates entering into a similar transaction with Olympus to construct a second 70,000 square foot building at 7000 West. STRS anticipates that this transaction will occur by year-end 1999. Funding of the construction of the second building at 7000 West will be primarily through additional borrowings on the existing project loan facility (see Note 4). The second building is expected to be completed in the third quarter of 2000.

RESULTS OF OPERATIONS

STRS' summary operating results follow (in thousands):

	Third Quarter		Nine Months	
	1999	1998	1999	1998

Revenues:				
Undeveloped properties:				
Unrelated parties	$ -	$ 284	$ 873	$ 554
Olympus	509	1,644	509	1,644
Recognition of deferred revenues	287	-	531	-
Total undeveloped properties	796	1,928	1,913	2,198
Developed properties	567	4,311	3,246	10,104
Commissions, management fees and other	465	-	999	-
Total revenues	1,828	6,239	6,158	12,302
Operating income (loss)	765	1,044	1,280	(45)
Net income (loss)	760	566	816	(1,477)

STRS' 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 unconsolidated affiliates. When STRS sells real estate to an entity jointly owed with Olympus, STRS defers recognizing the portion of revenues from the sale related to its interest until all or a portion of the real estate is ultimately sold to unrelated parties. Revenues from unrelated parties included 28 acres of Houston residential property sold during the second quarter of 1999, compared with 17 acres of residential property at Barton Creek sold during the third quarter of 1998 and two acres of residential property sold in Dallas during the first quarter of 1998. STRS' recognition of deferred revenues resulted from the ABC Joint Venture's sale of 13 and 26 developed lots during the third quarter and nine months ended September 30, 1999, respectively. The remaining deferred revenues, which originally totaled $1.6 million and resulted from STRS' retained interest in the sale of 28 undeveloped acres to the ABC Joint Venture during the third quarter of 1998, will be recognized as the remaining lots are sold by the ABC Joint Venture. Revenues from undeveloped property sales to Olympus in the third quarter and nine-month periods of 1999 reflect the transfer to Olympus of a 50.1 percent interest in 5.5 acres of commercial real estate in 7000 West, while third-quarter and nine-month 1998 revenues reflect the interest in the 28 acres transferred to Olympus upon formation of the ABC Joint Venture.

Revenues from developed properties represented the sale of 15 and 69 single family homesites during the third quarter and nine month periods of 1999, respectively, compared with the sale of 46 and 154 single family homesites during the comparable 1998 periods. The decreases in the 1999 periods reflect STRS' reduced inventory of developed lots. STRS currently has no developed lots in its Austin or Dallas developments and 30 remaining developed lots in its Houston and San Antonio developments.

Commissions, management fees and other revenue reflect STRS' effort to expand that part of its business through its role in the joint ventures with Olympus, as well as its management of the 2,200 acre Lakeway project near Austin.

Cost of sales decreased to $0.4 million and $2.5 million for the third quarter and nine months ended September 30, 1999 compared with $4.5 million and $9.2 million for the same periods last year. The decreases primarily reflect the substantial reduction in sales during 1999. Additionally, reimbursement of certain infrastructure costs, which were previously charged to expense or related to properties previously sold, reduced cost of sales by approximately $2.8 million during the nine months ended September 30, 1999 and $0.8 million for the nine-month period in 1998.

General and administrative expenses decreased during the third quarter and nine months ended September 30, 1999, to $0.6 million and $2.4 million, respectively, compared with $0.7

million and $3.2 million during the comparable periods in 1998. The decrease resulted primarily from reduced legal costs in connection with STRS' ongoing efforts to resolve through litigation attempts by the City of Austin (the City) and others to restrict STRS' development entitlements and to secure reimbursement from the City of approximately $22 million relating to infrastructure costs incurred in the development of the Circle C property which had been annexed by the City. On October 29, 1999, STRS received a partial payment of $9.8 million from the City (see "Capital Resources and Liquidity"). STRS' remaining share of these infrastructure costs, is currently estimated at approximately $9 million, exclusive of penalties and interest and are not recorded as an asset in STRS' balance sheet. In December 1998, the Texas Supreme Court heard oral argument on a legal brief that may resolve various issues between STRS and the City. A ruling could be issued at any time. Lower legal costs during the 1999 periods reflect the reduced activity associated with the timing of the Texas Supreme Court's ruling. See Part II, Item 1 "Legal Proceedings" for further discussion of legal matters concerning STRS, including favorable legislative developments during the second quarter of 1999. Legal expenses for the third quarter and nine months ended September 30, 1999 totaled approximately $0.2 million and $0.6 million, respectively, compared with $0.2 million and $1.2 million during the same periods last year.

During 1995, the Texas State legislature enacted legislation that enabled STRS to create a series of municipal utility districts (MUDs) to serve the Barton Creek development. Once established, the MUDs issue bonds, the proceeds of which are used to reimburse STRS for costs related to the installation of major utility, drainage and water quality infrastructure. During the nine months ended September 30, 1999, STRS received approximately $3.1 million in partial reimbursement of infrastructure costs relating to the Barton Creek development, which included $2.8 million related to costs previously expensed (see discussion above). During the nine months ended September 30, 1998, STRS received approximately $2.8 million, reflecting the receipt of $1.8 million in partial Circle C MUD reimbursements and $1.0 million in partial Barton Creek MUD reimbursements, which included $0.8 million related to costs previously expensed. The proceeds were used in part to fund current development expenditures and to repay debt. STRS expects to receive additional reimbursements for previously incurred infrastructure costs related to the Barton Creek development from the proceeds of MUD bonds issued in the future. However, the timing and the amount of future Barton Creek MUD reimbursements are uncertain. For information concerning Circle C MUD reimbursements currently being litigated, see Part II, Item 1, "Legal Proceedings."

Net interest expense totaled $142,000 and $644,000 for the third quarter and nine months ended September 30, 1999, respectively, compared to $495,000 and $1,480,000 during the same periods one year ago. The decrease reflects lower average debt outstanding in the current year and an increase in capitalized interest. Capitalized interest was $304,000 and $835,000 during the third quarter and nine months ended September 30, 1999 compared to $47,000 and $293,000 during the comparable 1998 periods.

CAPITAL RESOURCES AND LIQUIDITY

Net cash provided by operating activities totaled $2.9 million during the nine months ended September 30, 1999 compared with $3.6 million during the nine months ended September 30, 1998. The decrease primarily reflects the reduction of sales revenues and a reduction in outstanding accounts payable and accrued liabilities subsequent to December 31, 1998, offset in part by the receipt of $2.8 million in MUD reimbursements for previously expensed infrastructure costs and collection of outstanding accounts receivable. Cash used in investing activities totaled $5.6 million during the nine months ended September 30, 1999 compared with $6.8 million during the same period in 1998, reflecting STRS' net real estate and facilities expenditures. Financing activities provided cash of $1.4 million

from increased borrowings during the nine months ended September 30, 1999, including $0.4 million of additional borrowing under the convertible debt facility (see Note 5). Financing activities provided $6.0 million during the nine months ended September 30,

1998, which reflected the issuance of $10 million of mandatorily redeemable preferred stock associated with the Olympus transaction (see Note 3) and borrowings on the convertible debt facility (see Note 5), offset in part by net repayments of outstanding borrowings under its existing bank credit facility (see Note 2).

STRS' development expenditures during the nine months ended September 30, 1999 were funded largely from borrowings under its existing credit facility, which provides aggregate available credit of $35 million through December 31, 1999 and $15 million through December 31, 2000 (see Note 2). At September 30, 1999, outstanding debt on this credit facility totaled $28.1 million. Anticipated capital expenditures for the remainder of 1999 are expected to be funded by operating cash flow. Future levels of capital expenditures are subject to change based on the resolution of ownership of certain reimbursements of previously incurred infrastructure costs and other legal and regulatory issues, as further discussed in Part II, Item 1, "Legal Proceedings."

STRS' future operating cash flows and, ultimately, its ability to develop its properties and expand its business will be largely dependent on the level of its real estate sales. In turn, these sales will be significantly affected by future real estate values, regulatory issues, development costs, interest rate levels and the ability of STRS to continue to protect its land use and development entitlements. Significant development expenditures remain to be incurred for STRS' Austin-area properties prior to their eventual sale. STRS' 1999 capital expenditures have been and future capital expenditures will continue to be limited to essential levels as STRS works to preserve its land use and related rights in various disputes with the City and others, as more fully explained in Part II Item 1, "Legal Proceedings." As a result, property sales during the remainder of 1999 and early 2000 are expected to be lower than in previous years.

On October 29, 1999, STRS and the City agreed on a partial payment of STRS' MUD reimbursement claims totaling $9.8 million (see Note 7 and Part II, Item 1, "Legal Proceedings"). These funds were used to reduce STRS' outstanding borrowings under its existing bank facility to approximately $18 million. STRS' debt is required to be reduced to $15 million by January 1, 2000. Accordingly, STRS and a commercial bank have tentatively agreed on the terms of a new credit facility, with final approval by the bank primarily contingent upon STRS providing certain collateral certifications. The new facility would replace STRS' existing credit facility and effectively extend STRS' current debt maturity. While STRS believes that the new credit facility can be finalized on acceptable terms prior to December 31, 1999, there can be no assurance that this will occur. STRS has identified other financing alternatives that it believes will be available if the new credit facility cannot be finalized by December 31, 1999. STRS continues to be able to obtain capital from Olympus for the development of existing properties in which it desires third-party equity participation, and also believes it can obtain bank financing at a reasonable cost for developing its properties. However, obtaining land acquisition financing is generally expensive and uncertain. Resolving its entitlement and reimbursement disputes with the City and establishing a long-term capital structure remain STRS' primary objectives.

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. Date-aware systems (i.e. any system or component that performs calculations, comparisons, sequencing or other operations involving dates) may fail or produce erroneous results on or before January 1, 2000 because the year 2000 will be interpreted as the year 1900.

STRS' State of Readiness. STRS has been pursuing a strategy to ensure all its significant computer systems will be Y2K compliant, i.e., able to process dates from and after January 1, 2000, including leap years, without critical systems failure (Y2K Compliant or Y2K Compliance). Certain computerized business systems and related services are provided under contract by a services company of which STRS owns 10 percent (the Services Company) which is responsible for ensuring Y2K Compliance for the systems it manages. The Services Company has separately prepared a plan for its Y2K Compliance. Progress of the Y2K plan is being monitored by STRS' executive management and reported to the Audit Committee of the STRS Board of Directors. In addition, the independent accounting firm functioning as STRS' internal auditors is assisting management in monitoring the progress of the Y2K plan. Critical components of the plan are complete with the remaining activities focused on contingency planning. Like other companies, STRS cannot, however, make Y2K Compliance certifications because the ability of any organization's systems

to operate reliably after midnight on December 31, 1999 is dependent upon factors that may be outside the control of, or unknown to, the organization.

Information Technology (IT) Systems. STRS and the Services Company have completed Y2K remediation and testing work for critical business and office automation systems.

Non-IT Systems. With a few minor exceptions involving water quality and other environmental monitoring and associated laboratory analysis systems, STRS does not rely upon process control, engineering, or other "Non-IT" systems in its business. STRS completed an assessment of this area and does not believe its overall risk is significant.

Third Party Risks. STRS computer systems are not widely integrated with the systems of its suppliers or customers. The primary potential risk attributable to third parties would be from a temporary disruption of STRS operations due to a failure by a supplier to meet its contractual obligations for services and/or materials (rather than a failure associated with integrated computer systems). An assessment of third party risk has been completed. Based on this assessment, STRS does not believe overall risk from third parties is significant.

The Costs to Address STRS' Y2K Issues Expenditures for the necessary Y2K related modifications will largely be funded by routine software and hardware maintenance fees paid by STRS or the Services Company to the related software providers. The incremental cost of Y2K Compliance not covered by STRS' routine software and hardware maintenance fees will be less than $0.1 million, most of which has been incurred. If the software modifications and conversions referred to above are not made, or are delayed, the Y2K issue could have a material impact on STRS' operations. Additionally, current estimates are based on management's best estimates, which are derived using numerous assumptions of future events including the continued availability of certain resources, third party modification plans and other factors. There also can be no assurance that the systems of other companies will be converted on a timely basis or that failure to convert will not have a material adverse effect on STRS.

The Risks of STRS Y2K Issues Based on its detailed risk assessment work conducted thus far, STRS believes the most likely Y2K-related failures would probably be temporary disruption in certain materials and services provided by third parties, which

would not be expected to have a material adverse effect on STRS' financial condition or results of operations.

STRS' Contingency Plans Although STRS believes the likelihood of any or all of the above risks occurring to be low, specific contingency plans are being developed to address certain risk areas. Initial contingency plans have been developed and will continue to be updated based on changing business requirements. While there can be no assurances that STRS will not be materially adversely affected by Y2K problems, it is committed to ensuring that it is fully Y2K ready and believes its plans adequately address the above-mentioned risks.

CAUTIONARY STATEMENT

Management's discussion and analysis of financial condition and results of operations contains forward-looking statements regarding future reimbursement for infrastructure costs, future events related to financing and the IMC Global Inc. guarantee, the anticipated outcome of litigation and regulatory matters, the expected results of STRS' business strategy, Y2K Compliance and other plans and objectives of management for future operations and activities. Important factors that could cause actual results to differ materially from STRS' expectations include economic and business conditions, business opportunities that may be presented to and pursued by STRS, changes in laws or regulations and other factors, many of which are beyond the control of STRS and other factors that are described in more detail under the heading "Cautionary Statements" in STRS' Form 10-K for the year ended December 31, 1998.

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

PART II. - OTHER INFORMATION

Item 1. Legal Proceedings.

STRS is involved in various regulatory matters and litigation involving entitlement and/or development of its Austin properties. For a detailed discussion on these matters see Item 3, "Legal Proceedings" and Note 6, "Real Estate" included in STRS' 1998 Annual Report on Form 10-K.

Below is a summary of the cases in which STRS is currently involved. The current status is summarized and should be read in conjunction with the above referenced sections of the STRS 1998 Annual Report on Form 10-K.

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 ("WQPZ") 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 defend the legislation. The City filed a motion for partial summary judgment against one defendant and against the State of Texas. All defendant parties filed motions for summary judgment. 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. STRS and other defendants filed appeals. The Texas Supreme Court noted probable jurisdiction and set an expedited briefing and hearing schedule. Oral argument was presented to the Texas Supreme Court on December 9, 1998. A ruling is

expected at any time.

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 STRS, filed a WQPZ (Circle C WQPZ) covering all of its 553 acres in the Circle C development located outside the boundaries of any MUD. In November 1997, STRS sought a declaratory judgment in the Hays County District Court to confirm the validity of the Circle C WQPZ. On September 4, 1998, after numerous attempts by the City to transfer venue, deny jurisdiction or to stay the proceedings, the Hays County District Court ruled that the WQPZ enabling legislation was constitutional and that the Circle C WQPZ was validly created. The City filed a petition for writ of injunction with the Texas Supreme Court requesting a stay of the District Court's ruling. On October 22, 1998, the Texas Supreme Court granted a temporary stay. The City has appealed the Hays County District Court's ruling to the Texas Third Court of Appeals. The appellate court set the case for submission. 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 enabling legislation is determined to be 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 STRS' WQPZ at Circle C, are expected to be resolved in STRS' 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, STRS' 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 STRS 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, STRS sued the City. Both parties have filed motions for summary judgment. The hearing previously set for May 18, 1999 and the trial, previously scheduled for May 24, 1999, were both continued and are expected to be set during the first 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 STRS' remaining share is estimated at approximately $9.0 million, exclusive of penalties and interest. On October 29, 1999, Circle C Land Corp. and the City reached an agreement in which STRS received $9.8 million (including $1 million of interest) as partial payment of its MUD reimbursement claims. Under the terms

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

Phoenix Litigation: Circle C Land Corp. v. Phoenix Holdings, Ltd., Cause No. 97-10388 (Travis County 261st Judicial District Court, Texas filed 2/5/97). In February 1997, Circle C filed a

petition for declaratory judgment against Phoenix, which purchased the residential portion of Circle C's lands, seeking a declaration that Circle C is entitled to most of the MUD reimbursements for infrastructure cost incurred at Circle C. Phoenix filed a counterclaim. In February 1998, the District Court granted Circle C's summary judgement motion on the primary case and Phoenix dismissed its counterclaim with prejudice. Phoenix filed various appeals and writs. On August 26, 1999, the Texas Supreme Court denied Phoenix's writ making the judgment against Phoenix final and non-appealable.

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 STRS' Circle C property and Lantana. In response, STRS 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. Additionally, three other laws were enacted during the second quarter of 1999, which are expected to have a positive impact on STRS' 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 laws enacted include: 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.

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

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

(b) The registrant filed no Current Reports on Form 8-K during the period covered by this Quarterly Report on Form 10-Q.

SIGNATURE

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

STRATUS PROPERTIES INC.

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

C. Donald Whitmire, Jr.
Vice President & Controller
(authorized signatory and
Principal Accounting Officer)

Date: November 12, 1999

STRATUS PROPERTIES INC.
EXHIBIT INDEX

Exhibit Number	
3.1	Amended and Restated Certificate of Incorporation of STRS. Incorporated by reference to STRS' Exhibit 3.1 to 1998 Form 10-K.
3.2	By-laws of STRS, as amended as of February 11, 1999. Incorporated by Reference to Exhibit 3.2 to STRS' 1998 Form 10-K.
4.1	STRS' Certificate of Designations of Series A Participating Cumulative Preferred Stock. Incorporated by reference to Exhibit 4.1 to STRS' 1992 Form 10-K.
4.2	Rights Agreement dated as of May 28, 1992 between STRS and Mellon Securities Trust Company, as Rights Agent. Incorporated by reference to Exhibit 4.2 to STRS' 1992 Form 10-K.
4.3	Amendment No. 1 to Rights Agreement dated as of April 21, 1997 between STRS and the Rights Agent. Incorporated by reference to Exhibit 4 to STRS' Current Report on Form 8-K dated April 21, 1997.
4.4	Amended, Restated and Consolidated Credit Agreement dated as of December 15, 1997 among the Partnership, Circle C Land Corp., certain banks, and The Chase Manhattan Bank, as Administrative Agent and Document Agent. Incorporated by reference to Exhibit 4.4 to STRS' 1997 Form 10-K.
4.5	Certificate of Designations of the Series B Participating Preferred Stock of Stratus Properties Inc. Incorporated by reference to Exhibit 4.1 to STRS' 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 STRS' 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 STRS' 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 STRS. Incorporated by reference to Exhibit 10.2 to STRS' 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 STRS' 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 STRS' 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 STRS' 1992 Form 10-K.

10.5 STRS Guarantee Agreement dated as of December 15, 1997 by STRS. Incorporated by reference to Exhibit 10.6 to STRS' 1997 Form 10-K.

10.6 Amended and Restated IGL Guarantee Agreement dated as of December 22, 1997 by IMC Global Inc. Incorporated by reference to Exhibit 10.7 to STRS' 1997 Form 10-K.

10.7 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 STRS' Current Report on Form 8-K dated June 3, 1998.

10.8 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 STRS' Current Report on Form 8-K dated June 3, 1998.

10.9 Oly Stratus ABC West I Joint Venture Agreement between Oly ABC West I, L.P. and Stratus West I, L.P. dated September 30, 1998. Incorporated by reference to Exhibit 10.10 to the Quarterly Report on Form 10-Q of STRS for the Quarter ended September 30, 1998 ("the STRS Third Quarter 10-Q")

10.10 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 STRS Third Quarter 10-Q.

10.11 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 STRS Third Quarter 10-Q.

10.12 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 STRS Third Quarter 10-Q.

10.13 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 STRS Third Quarter 10-Q.

10.14 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 STRS Third Quarter 10-Q.

10.15 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 STRS Third Quarter 10-Q.

10.16 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 STRS Third Quarter 10-Q.

10.17 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 STRS Third Quarter 10-Q.

10.18 Amended and Restated Joint Venture Agreement Program,

dated August 16, 1999 by and between Oly Lantana, L.P., and Stratus 7000 West Ltd.

10.19 The Reimbursement Claim Agreement dated October 29, 1999 by and between Circle C Land Corp. and the City of Austin.

Executive Compensation Plans and Arrangements (Exhibits 10.20 through 10.23)

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

10.21 STRS Stock Option Plan, as amended. Incorporated by reference to Exhibit 10.9 to STRS's 1997 Form 10-K.

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

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

15.1 Letter dated November 3, 1999 from Arthur Andersen LLP regarding unaudited interim financial statements.

27.1 Financial Data Schedule.

Exhibit 10.18

STRATUS 7000 WEST JOINT VENTURE
(A Texas Joint Venture)

AMENDED AND RESTATED JOINT VENTURE AGREEMENT

_____

Dated as of August 16, 1999

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STRATUS 7000 WEST JOINT VENTURE
AMENDED and RESTATED JOINT VENTURE AGREEMENT

This Amended and Restated Joint Venture Agreement (this "Agreement") of STRATUS 7000 WEST JOINT VENTURE, a Texas joint venture (the "Partnership"), is made effective as of August 16, 1999 (the "Effective Date"), by and between Oly Lantana, L.P., a Texas limited partnership, as the financial partner (referred to herein alternatively as "Olympus" or the "Financial Partner") and Stratus 7000 West, Ltd., a Texas limited partnership, as the operating partner (referred to herein alternatively as "Stratus" or the "Operating Partner"). (The Financial Partner and the Operating Partner are collectively referred to herein as the "Partners").

RECITALS

A. STRS L.L.C. ("STRS") and the Operating Partner formed the Partnership under the Act (as defined below) effective as of April 1, 1999, pursuant to that certain Joint Venture Agreement of Stratus 7000 West Joint Venture, entered into and executed by STRS and Stratus and dated to be effective April 1, 1999 (the "Original JV Agreement").

B. Effective as of August 16, 1999, STRS assigned a 0.1% interest in the Partnership to Olympus and Stratus assigned a 50.0% interest in the Partnership to Olympus (collectively, the "Assignments"), pursuant to that certain Assignment Agreement (as defined below).

C. The Partnership has been formed for the purpose of acquiring, owning, developing, operating and reselling that certain property located in Travis County, Texas and further described in Exhibit C to this Agreement (the "Property").

D. The Partners hereto desire to enter into this Agreement to reflect the Assignments, the withdrawal of STRS from the Partnership and the admission of Olympus to the Partnership as the Financial Partner; and in connection therewith, the undersigned Partners desire to amend and restate the Original JV Agreement as provided in this Agreement in order 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

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

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

"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. For purposes of this definition, the Partners agree and acknowledge that Stratus, Stratus Management, Stratus Properties, Inc., a Delaware corporation and Stratus Properties Operating Co., a Delaware general partnership are Affiliates.

"Agreement" shall mean this Amended and Restated Joint Venture Agreement.

"Assignment Agreement" shall mean that certain Agreement of Assignment dated to be effective August 16, 1999, by and among Stratus 7000 West, Ltd., a Texas limited partnership, STRS L.L.C., a Delaware limited liability company and Oly Lantana, L.P., a Texas limited partnership.

"Assignments" shall have the meaning set forth in the recitals of this Agreement.

"Attorney" shall have the meaning set forth in Section 11.10.

"Bankruptcy" shall mean, with respect to the affected party, (i) the entry of an order for relief under the Bankruptcy Code, (ii) the admission by such party of its inability to pay its debts as they mature, (iii) the making by it of an assignment for the benefit of creditors, (iv) the filing by it of a petition in bankruptcy or a petition for relief under the Bankruptcy Code or any other applicable federal or state bankruptcy or insolvency statute or any similar law, (v) the expiration of thirty (30) days after the filing of an involuntary petition under the Bankruptcy Code without such petition being vacated in such thirty (30) day period, (vi) an application by such party for the appointment of a receiver for the assets of such party, (vii) an involuntary petition seeking liquidation, reorganization, arrangement or readjustment of its debts under any federal or state insolvency law, provided that the same shall not have been vacated, set aside or stayed within thirty (30) days after the filing of such petition or (viii) the imposition of a judicial or statutory lien on all or a substantial part of its assets unless such lien is discharged or vacated or the enforcement thereof stayed within thirty (30) days after its effective date.

"Bankruptcy Code" shall mean Title 11 of the United States Code, as amended.

"Building I" shall mean that certain approximately 70,000 square foot office building currently under construction by the Partnership on the Phase I Property, the plans and specifications for which have been approved by the Management Committee and reflected in the Operating Budget and Business Plan.

"Building II" shall mean that certain approximately 70,000 square foot office building which, pursuant to the provisions of Section 3.5 of this Agreement, may be constructed by the Partnership on the Phase II Property in accordance with plans and specifications approved by the Management Committee and reflected in the pertinent Operating Budget and Business Plan.

"Building II Permit" shall mean that certain building permit, a copy of which is attached hereto as Exhibit D.

"Buildings" means, collectively, Building I and Building II.

"Business" shall mean all tangible and intangible (and real and personal) 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 be 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(a).

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

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

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

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

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

"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 (i) 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 and (ii) the Partners have agreed that the fair market value of Property II is $1,065,000.00.

(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 undeveloped parcels, sale of developed 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 any payments of principal or interest that are refinanced by the Partnership) on Partnership indebtedness required by the lender of such indebtedness during the quarterly period in question but specifically excluding any amounts payable by the Partnership to Stratus under the Indemnity Agreement and any payments of interest and principal with respect to any Partnership indebtedness owed by the Partnership to any Partner or Affiliate thereof, and (ii) an amount necessary to replenish or maintain 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.

"Construction Lender" shall have the meaning set forth in Section 3.1(b).

"Construction Loan" shall have the meaning set forth in Section 3.1(b).

"Contribution Percentage" of a Partner shall be the percentage obtained by dividing the actual Capital Contributions of such Partner by the total actual Capital Contributions of all Partners. The initial Contribution Percentage of each Partner is set forth opposite its name on Schedule I attached hereto.

"Cost Overrun" shall have the meaning set forth in Section 3.1(b).

"Debtor Partner" shall have the meaning set forth in Section 3.2(e).

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

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

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

"Disposition Fee" shall have the meaning set forth in Section 6.4.

"Distribution Period" shall mean (i) the period beginning on the Effective Date and ending on September 30, 1999 and (ii) each calendar quarter thereafter; provided, however, that in the event that the Partnership shall commence the development of the Phase II Property (as further described in Section 3.5 (e)) other than upon the date that is the last day of a Distribution Period, then the Distribution Period in which the Partnership commences such development shall be terminated upon the date that the Partnership commences development of the Phase II Property (as described in Section 3.5(e) hereof) and a new Distribution Period shall commence upon the next

succeeding day.

"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.

"Equalization Contribution" means the Stratus Equalization Contribution or the Olympus Equalization Contribution .

"Equalization Percentage" shall have the meaning set forth in Section 3.5(c).

"Escrow Agent" shall have the meaning set forth in Section 7.3(a).

"Exercise Period" shall have the meaning set forth in Section 3.5(b).

"Financial Partner" shall mean Oly Lantana, L.P., together with its successors and assigns.

"Fund II" shall have the meaning set forth in Section 7.2.

"Funding Date" shall have the meaning set forth in Section 3.1(c).

"Guaranty" shall have the meaning set forth in Section 3.1(b).

"Guaranty Payment" shall have the meaning set forth in Section 3.2(a).

"Indemnification Obligation" shall have the meaning set forth in Section 6.1(c).

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

"Indemnity Agreement" shall mean that certain Indemnity Agreement made and entered into to be effective August 16, 1999 by and among the Partnership, Stratus Properties Inc., a Delaware corporation and Stratus Properties Operating Co., a Delaware general partnership.

"IRR" shall mean, internal rate of return and is the annualized interest rate received for an investment consisting of payments (negative values) and income (positive values) that occur at regular periods. In this case, IRR shall be derived by annualizing the rate received from quarterly cash flows. As it relates to any Partner, its actual internal rate of return on its Capital Contributions, which with respect to Stratus shall not include the value of the Phase II Property, when determining IRR in accordance with Section 6.1(a)(iii), IRR shall be computed by entering the following Excel formula: =(1+IRR(values))^4-1.

"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 3.1 or Section 3.2,

(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 the same is pursuant to the applicable provisions of an approved Business Plan or annual Operating Budget, (8) approval of any amendments to this Agreement, (9) approval of any termination or dissolution of the Partnership, (10) assumption of the duties of the Operating Partner pursuant to Section 4.1 and (11) approval of the terms of any lease of any portion of the Property and the form of lease document pursuant to which such lease shall be made.

"Management Agreement" means that certain Management Agreement (7000 West), dated of even date herewith, between the Partnership, as Owner, and Stratus Management L.L.C., a Delaware limited liability company, as Property Manager.

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

"Mandatory Additional Contributions" shall have the meaning set forth in Section 3.2(a).

"Non-Debtor Partners" shall have the meaning set forth in Section 3.2(e).

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

"Obligor Partner" shall have the meaning set forth in Section 3.1(c).

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

"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(a).

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

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

"Olympus Equalization Contribution" shall have the meaning set forth in Section 3.5(c).

"Olympus Equalization Percentage" shall have the meaning set forth in Section 3.5(c).

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

"Operating Budget" shall mean the budget attached hereto as Exhibit B (specifically including the construction budget which is a part thereof) 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 7000 West, Ltd., together with its successors or assigns.

"Operational Default" shall have the meaning set forth in Section 3.2(a).

"Operational Default Partner" shall have the meaning set forth in Section 3.2(a).

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

"Original Stratus Contribution" shall have the meaning set forth in Section 3.1(a).

"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.

"Phase I Asset Management Fee" shall have the meaning set forth in Section 6.3.

"Phase II Asset Management Fee" shall have the meaning set forth in Section 6.3.

"Phase I Property" shall mean that portion of the Property generally described and identified as the "Phase I Property" on the attached Exhibit E.

"Phase II Approval Notice" shall have the meaning set forth in Section 3.5(b).

"Phase II Development Proposal" shall have the meaning set forth in Section 3.5(b).

"Phase II Indemnified Parties" shall have the meaning set forth in Section 3.5(b).

"Phase II Notice" shall have the meaning set forth in Section 3.5(b).

"Phase II Option Exercise Period" shall have the meaning set forth in Section 3.5(b).

"Phase II Property" shall mean that portion of the Property generally described and identified as the Phase II Property on the attached Exhibit F.

"Phase II Purchase Option" shall have the meaning set forth in Section 3.5(b).

"Phase II Purchase Option Exercise Notice" shall have the meaning set forth in Section 3.5(b).

"Phase II Purchase Option Closing" shall have the

meaning set forth in Section 3.5(b).

"Procuring Party" shall have the meaning set forth in Section 6.4.

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

"Purchase Amount" shall have the meaning set forth in Section 3.5(b).

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

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

"Reimbursement Payment" shall have the meaning set forth in Section 3.1(a).

"Rejection Date" shall have the meaning set forth in Section 3.5(b).

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

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

"Required Payment" shall have the meaning set forth in Section 3.2(e).

"Sharing Ratio" shall mean with respect to a Partner, the percentage set forth opposite its name on Schedule I attached hereto (as such percentage shall be adjusted from time to time under Section 3.2).

"Shortfall Contribution" shall have the meaning set forth in Section 3.1(c).

"Shortfall Notice" shall have the meaning set forth in Section 3.1(c).

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

"Stratus Equalization Contribution" shall have the meaning set forth in Section 3.5(c).

"Stratus Equalization Percentage" shall have the meaning set forth in Section 3.5(c).

"Stratus Management" means Stratus Management, L.L.C., a Delaware limited liability company.

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

"STRS" shall have the meaning set forth in the recitals of this Agreement.

"Terminal Sale" shall have the meaning set forth in Section 6.4.

"Unreturned Capital Contributions" means with respect to a Partner the aggregate Capital Contributions made or deemed made by the Partner to the Partnership (which with respect to Stratus shall not include the value of the Phase II Property) less any distributions by the Partnership to the Partner under Section 6.1(b)(iii) in reduction thereof (any such distributions under Section 6.1(b)(iii) being applied first to repay the Unreturned Capital Contributions of the Partners, and thereafter, to the payment of amounts necessary to achieve the 25% IRR described therein).

ARTICLE 2

Organization

2.1 Original Formation of Joint Venture. Effective April 1, 1999, STRS and Stratus formed the Partnership pursuant to the Original JV Agreement and in accordance with the provisions of the Texas Revised Partnership Act, as amended from time to time (the "Act"). Effective August 16, 1999, pursuant to the Assignment Agreement, Olympus acquired a 50.1% interest in the Partnership, and STRS withdrew from the Partnership. In connection with the Assignments, the withdrawal of STRS from the Partnership and the Admission of Olympus to the Partnership as the Financial Partner, the Original JV Agreement is hereby amended and restated as further set forth in this Agreement and the provisions of the Original JV Agreement are superceded in their entirety by the provisions of this Agreement. The Partnership is hereby continued upon the terms and conditions set forth in this Agreement.

2.2 Name. The name of the Partnership is Stratus 7000 West 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 Partners; provided, however, that such name may not contain any portion of the name or mark of a Partner without the consent of such Partner.

2.3 Character of Business. The purpose of the Partnership shall be (i) to acquire, hold, develop, operate, 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.

2.4 Registered Office and Agent. The name and address of the Partnership's initial registered agent is Oly 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.

2.5 Fiscal 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

Capital Contributions

3.1 Capitalization of the Partnership.

(a) Prior to the effective date of this Agreement, Stratus made a cash contribution to the Partnership of $1,658,000 and made a contribution in-kind of the Property to the Partnership (collectively, the "Original Stratus Contribution"). Upon the Effective Date, the Partnership shall make a payment to Stratus in the sum of $959,000 to reimburse a portion of the Original Stratus Contribution previously made by Stratus to the Partnership (the "Reimbursement Payment"). The Partners agree and acknowledge that for purposes of determining the Capital Account of Stratus the Original Stratus Contribution (i.e. the net value of the Property plus the amount of cash contributed) had a value of $1,714,000, and further, that upon

the effective date of this Agreement and following the Assignments, the payment of the Reimbursement Payment to Stratus, the admission of Olympus to the Joint Venture (and the "book up" of Stratus' Capital Account in connection therewith), the Capital Account balance of Stratus and the Unreturned Capital Contributions owing Stratus and the Sharing Ratio and Contribution Percentage of Stratus shall be as further set forth opposite its name in Schedule I hereto. For purposes of determining the Unreturned Capital Contributions of Stratus hereunder (as the same has been reflected in Schedule I hereto), the value of the Property has been reduced by $1,065,000 (the agreed value of the Phase II Property). The Partners agree and acknowledge that as of the Effective Date, the Phase II Property has a net value of $1,065,000, and further, that Stratus shall receive distributions from the Partnership with regard to the value of the Phase II Property, if at all, only as further provided in Section 6.1(a)(iv). Upon the Effective Date, Olympus shall make a cash contribution to the Partnership of $1,722,000 (the "Olympus Contribution"). Upon the Effective Date of this Agreement the Capital Account balance of Olympus, the Unreturned Capital Contributions owing Olympus and the Sharing Ratio and Contribution Percentage of Olympus shall be as further set forth opposite its name in Schedule I hereto. For purposes of determining the distributions payable under Section 6.1(a)(iii) hereof (and the calculation of the IRR of the Partners hereunder) all of the Capital Contributions further described in this Section 3.1(a) (including the Original Stratus Contribution and the Olympus Contribution) shall be deemed to be made to the Partnership as of the Effective Date of this Agreement.

(b) On April 9, 1999 the Partnership obtained a loan from Comerica Bank - Texas (the "Construction Lender") in the maximum principal sum not to exceed $6,600,000 (the "Construction Loan") in order to finance the construction of certain improvements on the Property. In connection with the Construction Loan, Stratus provided that certain Guaranty, dated April 9, 1999, executed by Stratus Properties, Inc., a Delaware corporation, as Guarantor, for the benefit of the Construction Lender (the "Guaranty"). In consideration for the provision of the Guaranty as well as Stratus' contribution of the entire Property to the Joint Venture (notwithstanding the fact that the Joint Venture may not pursue the full construction of Building II) upon the Effective Date hereof, Olympus shall pay to Stratus a credit enhancement fee in the sum of $150,000.

(c) In addition to the Original Stratus Contribution and any Mandatory Additional Contributions under Section 3.2 hereof, Stratus shall make such additional Capital Contributions to the Partnership as shall be necessary to cover any Cost Overruns (as further defined herein) directly resulting from any breach by Stratus, Stratus Management or any Affiliate thereof of any material provision of this Agreement or the Management Agreement or any act or omission on the part of Stratus, Stratus Management or any Affiliate thereof with respect to the construction of the Buildings that constitutes bad faith, willful misconduct or gross negligence. In addition to the Olympus Contribution, and any Mandatory Additional Contributions under Section 3.2 hereof, Olympus shall make such additional Capital Contributions to the Partnership as shall be necessary to cover any Cost Overruns (as further defined herein) directly resulting from any breach by Olympus of any material provision of this Agreement or any act or omission on the part of Olympus with respect to the construction of the Buildings that constitutes bad faith, willful misconduct or gross negligence. For purposes hereof, "Cost Overrun" shall mean any expenditure that shall be required to complete the development of a Building in accordance with the applicable plans and specifications to the extent that such expenditure is not set forth in the approved Operating Budget or exceeds the amount set forth in the Operating Budget. Upon the reasonable determination by the Financial Partner that the Partnership has incurred or shall incur a Cost Overrun and that a Partner (the "Obligor Partner") has an obligation to make a Capital Contribution to the Partnership (a "Shortfall Contribution") under this Section 3.1(c), as soon as reasonably practicable following such

determination, the Financial Partner shall send written notice (a "Shortfall Notice") to the Obligor Partner setting forth (i) the breach or other act or omission of the Obligor Partner resulting in the Cost Overrun, (ii) the nature and amount of such Cost Overrun and (iii) the date on or before which the Obligor Partner must make the Shortfall Contribution to the Partnership (the "Funding Date") which such Funding Date shall be no earlier than ten (10) days and no later than twenty (20) days following delivery of the Shortfall Notice to the Obligor Partner. In the event that the Obligor Partner shall fail to timely make any Shortfall Contribution to the Partnership, the other Partner may, in addition to any other remedies available to the other Partner at law or in equity, make a Capital Contribution to the Partnership in an amount equal to such Shortfall Contribution. In such case, the Obligor Partner shall be treated for all purposes hereunder (including, without limitation, Section 3.2 and Article IX hereof) as a Defaulting Partner with respect to such Shortfall Contribution and the other Partner shall be treated for all purposes hereunder (including, without limitation Section 3.2 and Article IX hereof) as a Non-Defaulting Partner having made a Replacement Loan to the Obligor Partner in the amount of the Shortfall Contribution. Notwithstanding any provision to the contrary set forth herein, any Shortfall Contributions made by an Obligor Partner to the Partnership under this Section 3.1(c) shall not constitute Capital Contributions to the Partnership and shall not affect or result in any adjustment or recalculation of the Unreturned Capital Contributions or Sharing Ratios of the Partners.

3.2 Additional Capital Contributions.

(a) In addition to the Original Stratus Contribution and the Olympus Contribution further set forth above and to the extent not available from proceeds of the Construction Loan, (i) the Partners shall make additional Capital Contributions to the Partnership at such times and in such aggregate amounts as shall be approved by the Management Committee, and reflected in an amendment to the Business Plan; (ii) the Partners shall make additional Capital Contributions to the Partnership in accordance with Section 3.5 hereof in the event that the Partnership undertakes the development of the Phase II Property in accordance with Section 3.5 hereof; (iii) if either (A) there has been a default or an event of default under the Construction Loan or (B) additional capital is necessary to complete any capital improvement or development program approved in the Business Plan or reflected in the applicable Operating Budget, then either Partner may elect to call or not call for additional Capital Contributions to be made to the Partnership to cure any default or event of default under the Construction Loan or to complete such capital improvement or development program; or (iv) in the event that Stratus makes any payment to the Construction Lender under that certain Guaranty (a "Guaranty Payment") and the obligation to make such payment shall not be attributable or related to, or arise from any Cost Overrun with respect to which an Obligor Partner shall have an obligation to make a Shortfall Contribution under Section 3.1(c) hereof, or the bad faith, willful misconduct or gross negligence of a Partner or any Affiliate thereof or a material breach by a Partner or any Affiliate thereof of the provisions of the Guaranty, this Agreement or the Management Agreement (collectively, "Operational Defaults"), the Financial Partner shall elect to call for additional Capital Contributions from the Partners in an amount necessary to reimburse Stratus for any portion of the Guaranty Payment which has not already been paid by the Partnership to Stratus. Any Capital Contributions required to be made by the Partners to the Partnership in accordance with this Section 3.2(a) are collectively referred to herein as "Mandatory Additional Contributions." In the event that Stratus shall make a Guaranty Payment, and such Guaranty

Payment shall be attributable or relate to, or arise from any Operational Default by a Partner (the "Operational Default Partner") or its Affiliates, then any such Guaranty Payment shall not give rise to any Mandatory Additional Contributions hereunder, rather, in such case the Operational Default Partner shall be obligated to make a cash payment to Stratus in an amount equal to the Guaranty Payment (the "Operational Default Payment") made by Stratus to the Construction Lender, no later than sixty (60) days after written demand therefor delivered by Stratus to the Operational Default Partner. In the event that Stratus shall be the Operational Default Partner, then any such Guaranty Payment shall not result in any Mandatory Additional Contributions or any Operational Default Payments hereunder, rather, Stratus shall have the sole responsibility for any such Guaranty Payment. Any Mandatory Additional Contributions shall be made by the Partners pro rata, based on the Contribution Percentages of the Partners. This Section 3.2(a) 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, 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 Partners other than the Defaulting Partner, 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 Defaulting Partner's delinquent share of such Mandatory Additional Contribution, which Replacement Loan (i) shall be applied solely to fund the Defaulting Partner's delinquent share of such Mandatory Additional Contribution, (ii) shall have a term of one hundred twenty (120) days from the date of such loan (as such term and maturity date may be accelerated upon any default with respect to the Replacement 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 and any Representatives appointed by such Partner to the Management Committee 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 Management Committee 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. 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 (as the same may be accelerated upon default) of the Replacement Loan to such Defaulting Partner, effective as of the date that such Default Amount is paid in full, such Defaulting Partner's voting rights hereunder and the voting rights of the Representatives appointed by the Defaulting Partner to the Management Committee shall be automatically reinstated. If the Default Amount is not paid in full on or before the expiration of the 120-day period (as the same may be accelerated upon default), the Defaulting Partner's voting rights (and the voting rights of any Representatives appointed by such Defaulting Partner) 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 in full to the Non Defaulting Partners within the 120-day term (as the same may be accelerated upon a default), 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 (as the same may be accelerated upon default) of such Replacement Loan, which deemed Capital Contribution shall, for all purposes hereunder (including, without limitation, the calculation of the Unreturned Capital Contributions, IRR and Sharing Ratio of Olympus hereunder), be credited as an amount equal to the product of 150% multiplied by the Default Amount, and the Sharing Ratio 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 (as the same may be accelerated upon default) after the initial Replacement Loan (which is not repaid during its 120-day term, as the same may be accelerated upon default) made by one or more Non Defaulting Partners, the deemed Capital Contribution shall be credited as an amount equal to the product of 300% multiplied by the Default Amount, and in each case (i.e. with respect to an initial Replacement Loan and/or any subsequent Replacement Loan) the Sharing Ratio of the Defaulting Partner shall be reduced by, and the Sharing Ratio 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) 150% (or 300%, as the case may be) multiplied by the Default Amount, divided by (ii) the aggregate Capital Contributions made by the Partners to the Partnership (which for purposes of this calculation with respect to Stratus shall not include any amount attributable to the value of the Phase II Property unless and until the Partnership shall commence development of the Phase II Property in accordance with Section 3.5 hereof) 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) In the event that the Sharing Ratio of any Partner shall be adjusted hereunder, the new Sharing Ratios 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 Sharing Ratios. Notwithstanding the foregoing, no Partner's Sharing Ratio shall be reduced under any circumstance to less than zero, nor shall any Partner's Sharing Ratio 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 an Obligor Partner, an Operational Default Partner, or a Defaulting Partner or Stratus, to the extent of any Indemnification Obligation further described in Section 6.1(c) (in each case, the "Debtor Partner") hereby irrevocably grants to the Partnership and the other Partners a continuing, first priority, perfected security interest in the Partnership Interest of such Debtor Partner to secure the prompt payment of each Shortfall Contribution, Operational Default Payment, Replacement Loan or Indemnification Obligation under Section 6.1(c) hereof (each a "Required Payment") owed by such Defaulting Partner to the Partnership or the other Partners until such time, if ever, as the Required Payment shall have been satisfied (or with respect to a Required Payment arising from a Default Amount, the Replacement Loan under consideration has been converted into a deemed Capital Contribution pursuant to Section 3.2(c), and there shall be no other Required Payments owed by the Debtor Partner to the Partnership or the Partners). On or before fifteen (15) days after any written request of any Partner other than the Debtor Partner (the "Non-Debtor Partners"), the Partner shall execute and deliver a UCC-1 financing statement in form and substance acceptable to such Non-Debtor Partners to evidence such security interest, the failure of which shall constitute a material breach of this Agreement (and a default under any Replacement Loan owed by the Debtor Partner to the Non-Debtor Partners). Upon any default under any Replacement Loan, in addition to any other remedies which may be available to the Non-Defaulting Partners at law or in equity, the maturity date (and one hundred twenty (120) day term) of such Replacement Loan shall be accelerated and all amounts of principal and interest with respect to such Replacement Loan shall immediately become due and payable in-full to the Non-Defaulting Partners. Without limiting the remedies of the Non-Debtor Partners, at law or in equity, at the election of the Non-Debtor Partners, all distributions payable to the Debtor Partner under this Agreement and any fees or other compensation payable by the Partnership to the Debtor Partner or its Affiliates (including without limitation the Fees further described in Sections 6.3 and 6.4 hereof) shall be paid directly to the Partnership and/or the Non-Debtor Partners (pro rata based on the relative amount of the Required Payment owing the Partnership and/or each such Non-Debtor Partner) until the Required Payments are paid in full (or, with respect to any Replacement Loan, converted to a deemed Capital Contribution). Any amounts paid directly to the Partnership and/or the Non-Debtor Partners pursuant to the terms of the preceding sentence shall be treated as paid to the Debtor Partner (or, as applicable, its Affiliate) entitled to receive the amount of the distribution or payment in the absence of the requirements of the preceding sentence (thereby discharging the Partnership's obligation to make the payment in question) and then applied by the Debtor Partner to the repayment of the Debtor Partner's Required Payment.

(f) EXCEPT AS SET FORTH IN SECTION 3.1, THIS SECTION 3.2 OR SECTION 3.5 (FOLLOWING THE COMMENCEMENT OF THE DEVELOPMENT OF THE PHASE II PROPERTY, AS DESCRIBED IN SECTION 3.5(E) HEREOF), 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.

3.3 No Return of Capital Contributions. No Partner

is entitled to a return of its Capital Contributions, but shall look solely to distributions from the Partnership as provided for in Article 6 of this Agreement.

3.4 Interest. No Partner shall be entitled to interest on its Capital Contributions or its Capital Account, and any payments to the Partners under Article 6 (whether in the form of IRR payments or otherwise) shall not be deemed to be interest for any purpose. 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.

3.5 Development of Phase II.

(a) Upon satisfaction of the Phase II Conditions (as further described herein), the Partnership shall commence development activities on the Phase II Property in accordance with an Operating Budget and Business Plan (and pursuant to plans and specifications with respect to Building II) approved by the Management Committee. For purposes of this Agreement, the "Phase II Conditions" shall be satisfied at such point in time as (i) (A) at least 75% of the gross leasable area of Building I shall be leased by tenants pursuant to leases that have been duly executed by such tenants and the Partnership and approved by the Management Committee, or (B) at least 50% of the projected gross leasable area of Building II shall be leased by tenants pursuant to leases that have been duly executed by such tenants and the Partnership and approved by the Management Committee; and (ii) construction financing shall be available to the Partnership in such amounts and on such terms as further set forth in Schedule III hereof.

(b) In the event that the Phase II Conditions have not been satisfied but the Operating Partner determines in good faith that the development of the Phase II Property and the construction of Building II is in the best interests of the Partnership, it shall deliver to the Financial Partner written notice of such proposal (the "Phase II Notice") together with (i) a detailed description of the development activities to be performed on the Phase II Property (including detailed plans and specifications describing Building II) and (ii) a proposed Business Plan and Operating Budget for the development of the Phase II Property and the construction of Building II (collectively, the "Phase II Development Proposal"). In addition, following delivery of the Phase II Notice to the Financial Partner, the Operating Partner shall deliver to the Financial Partner, as soon as reasonably practicable following a request therefor, any and all such information, pro forma and other analyses and other data that the Financial Partner shall request with respect to the proposed development of the Phase II Property and the construction of Building II. On or before the date that is thirty (30) days following receipt of the Phase II Notice, as the same shall be extended to the extent that the Operating Partner shall fail to deliver any requested information to the Financial Partner (such thirty (30) day period, as the same may be extended, being referred to herein as the "Exercise Period"), the Financial Partner may, in its sole discretion, elect to approve the commencement of development activities on the Phase II Property in accordance with the Phase II Development Proposal by delivery of written notice to Stratus (the "Phase II Approval Notice"), in which case, the Partnership shall undertake the development of the Phase II Property and the construction of Building II in accordance with the Phase II Development Proposal. In the event that the Financial Partner shall not deliver a Phase II Approval Notice to Stratus prior to the end of the Exercise Period,

the Financial Partner shall be deemed to have rejected the Phase II Development Proposal upon the first Business Day following the expiration of the Exercise Period (the "Rejection Date"), in which case, the Partnership shall not pursue the development of the Phase II Property. Notwithstanding the above provisions of this Section 3.5(b), during the sixty (60) day period following the Rejection Date (the "Phase II Option Exercise Period"), Stratus may elect to purchase the entire interest of Olympus in the Partnership (the "Phase II Purchase Option") for an amount of cash equal to the Unreturned Capital Contributions owing Olympus plus an amount of cash necessary to result in an IRR to Olympus of 25% (the "Purchase Amount"), as calculated through the date of the Phase II Purchase Option Closing (as hereinbelow defined). The Phase II Purchase Option may be exercised by Stratus by its delivery of written notice of such exercise (the "Phase II Purchase Option Exercise Notice") to Olympus during the Phase II Option Exercise Period. In the event that Stratus shall fail to timely deliver a Phase II Purchase Option Exercise Notice to Olympus, such Phase II Purchase Option shall lapse and expire as of the close of business on the final day of the Phase II Option Exercise Period.

The closing of the Phase II Purchase Option (the "Phase II Purchase Option Closing") shall take place upon a Business Day chosen by Stratus by delivery of written notice thereof to Olympus which such Business Day shall in no event be later than thirty (30) days following the expiration of the Phase II Option Exercise Period. The sale of Olympus' Partnership Interest to Stratus pursuant to the Phase II Purchase Option shall be made without representation, warranty or recourse, except for representations and warranties in form and substance reasonably acceptable to Olympus and Stratus with respect to existence, good standing, title, no encumbrance, authority, authorization, no conflicts, and such other customary matters as may be reasonably agreed upon by the parties. If the Phase II Purchase Option or the purchase contemplated thereby causes the maturity of any Partnership indebtedness to be accelerated, Olympus shall be released from liability resulting from such accelerated indebtedness and Stratus shall pay (or cause to be paid) such indebtedness in full (including without limitation, any accrued but unpaid interest and any prepayment premiums or penalties) at Stratus' sole cost and expense and shall indemnify and hold Olympus harmless from and against any losses, damages, costs or expenses (including attorneys' fees) incurred by Olympus, or Olympus' Affiliates, employees, agents, representatives, consultants, attorneys, fiduciaries, servants, officers, directors, partners, predecessors, successors and assigns and Affiliates of the foregoing (the "Phase II Indemnified Parties"), as a direct or indirect result of any such acceleration or relating to or otherwise arising from events and occurrences that take place after the Phase II Purchase Option Closing, other than any losses, damages, costs or expenses (including attorneys' fees) incurred by any of the Phase II Indemnified Parties as a direct result of such Phase II Indemnified Parties' gross negligence, willful misconduct or bad faith. As a precondition to the closing of the Phase II Purchase Option, Olympus shall be released from liability from any indebtedness of the Partnership, including, without limitation, the release of any guaranties and/or collateral pledged to secure any guaranteed debt. Anything contained in this Agreement to the contrary notwithstanding, in the event the sale of Olympus' Partnership Interest is not consummated because of a default on the part of Stratus or if a

condition precedent cannot be fulfilled, Olympus may, at its election, pursue an action for specific performance and/or damages, costs and expenses.

(c) In the event that the Partnership shall undertake the development of the Phase II Property in accordance with Section 3.5(a) or Section 3.5(b) hereof, (i) (A) if the Sharing Ratio of Stratus shall be less than 49.9%, as a condition precedent to the Partnership undertaking the development of the Phase II Property, Stratus shall make a Capital Contribution to the Partnership (the "Stratus Equalization Contribution") in such amount as shall be required to result in the percentage obtained by dividing the aggregate Capital Contributions made (or deemed made) by Stratus to the Partnership (which for purposes hereof shall include, in addition to all other Capital Contributions made by Stratus to the Partnership, the value of the Phase II Property which the Partners agree and acknowledge shall be equal to $1,065,000, notwithstanding that at the time of such determination the fair market value of the Phase II Property may be greater than $1,065,000) by the aggregate Capital Contributions made (or deemed made) by all Partners to the Partnership (which for purposes hereof shall include the value of the Phase II Property which the Partners agree and acknowledge shall be equal to $1,065,000, notwithstanding that at the time of such determination the fair market value of the Phase II Property shall be greater than $1,065,000), to equal 49.9% (the "Stratus Equalization Percentage") and (B) if the Sharing Ratio of Olympus shall be less than 50.1%, as a condition precedent to the Partnership undertaking the development of the Phase II Property, Olympus shall make a Capital Contribution to the Partnership (the "Olympus Equalization Contribution" in such amount as shall be required to result in the percentage obtained by dividing the aggregate Capital Contributions made (or deemed made) by Olympus to the Partnership by the aggregate Capital Contributions made (or deemed made) by all Partners to the Partnership (which for purposes hereof shall include the value of the Phase II Property which the Partners agree and acknowledge shall be equal to $1,065,000, notwithstanding that at the time of such determination the fair market value of the Phase II Property shall be greater than $1,065,000) to equal 50.1% (the "Olympus Equalization Percentage") and (ii) each of Stratus and Olympus shall be required to make Capital Contributions to the Partnership in an amount equal to the Stratus Equalization Percentage and the Olympus Equalization Percentage, respectively multiplied by the amount of any Capital Contributions required in connection with the development of the Phase II Property and/or the construction of Building II by the Partnership, as reflected in the applicable Operating Budget and Business Plan (any such Capital Contributions by a Partner to be made to the Partnership at the same time as any Capital Contributions made by the other Partner, to the Partnership). Immediately following the Equalization Contribution by Stratus or Olympus (as the case may be) to the Partnership, the Sharing Ratio and Contribution Percentage of Olympus shall be adjusted to 50.1% and the Sharing Ratio and Contribution Percentage of Stratus shall be adjusted to 49.9%.

(d) From and after the Effective Date hereof and for so long as the Partnership shall hold the Building II Permit for the development and construction of Building II but shall not have commenced the development of the Phase II Property (as further described in Section 3.5(e)), the Partnership shall not undertake any development activities or make any expenditures with respect to the Phase II Property,

other than such minimum development activities and expenditures, in an amount not to exceed in the aggregate $300,000 with respect to all periods following the Effective Date, as shall be required to maintain the Building II Permit and as shall be approved in advance and in writing by Olympus (such approval not to be unreasonably withheld or delayed). Stratus hereby represents and warrants to Olympus that, as of the Effective Date, the aggregate expenditures made by Stratus with respect to the construction of Building II and the development of the Phase II Property are as set forth in Schedule IV hereto.

(e) For purposes of this Section 3.5 and the further provisions of this Agreement, the Partnership shall be deemed to have commenced the development of the Phase II Property as of the date upon which (i) (A) the Phase II Conditions have been satisfied or (B) Olympus has delivered a Phase II Approval Notice to Stratus, (ii) the Management Committee shall have approved a Business Plan and Operating Budget with respect to the development of the Phase II Property and plans and specifications relating to Building II, (iii) a construction management agreement and any requisite construction contracts shall have been approved by the Management Committee and executed by the Partnership and all other parties thereto, and (iv) the Partnership shall have obtained sufficient construction financing to pursue the development of the Phase II Property and the construction of Building II.

ARTICLE 4

Rights and Obligations of Partners

4.1 Management 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 (i) the Operating Partner has acted negligently or with willful misconduct in performing its duties, (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, (iii) the Operating Partner has breached a material provision of this Agreement or (iv) a Bankruptcy has occurred with respect to the Operating Partner. The Management Committee agrees that prior to its exercise of its right to assume the management duties and responsibilities of the Operating Partner as a result of a default by the Operating Partner further described in clauses (i) or (iii) of the immediately preceding sentence, 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, if the Operating Partner so elects.

4.2 Management Committee.

(a) The "Management Committee" (herein so called) shall consist of four (4) representatives, two (2) of which shall be designated by Stratus

(collectively, the "Stratus Representatives") and two (2) of which shall be designated by Olympus (collectively, the "Olympus Representatives") (individually, a "Representative and collectively, the "Representatives"). The initial Representatives designated by Stratus and Olympus are set forth opposite such Partner's name below:

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

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. Olympus shall designate one of the Olympus Representatives who 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, including any Major Decisions, shall require the approval or consent of at least one Olympus Representative and at least one Stratus Representative; provided, however, that in the event that either of Olympus or Stratus shall be a Defaulting Partner and its designated Representatives shall lose their voting rights in accordance with Section 3.2(b) hereof, then, unless and until such voting rights shall be reinstated under Section 3.2(b) hereof, all action taken by the Management Committee, including any Major Decisions, shall require the approval or consent of the two Representatives appointed by the Non-Defaulting Partner. 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 unless either of Olympus or Stratus shall be a Defaulting Partner and its designated Representatives shall lose their voting rights in accordance with Section 3.2(b) hereof, in which case, unless and until such voting rights shall be reinstated under Section 3.2(b) hereof, a quorum shall consist of the two Representatives appointed by the Non-Defaulting Partner.

(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 (which shall be obligated to follow any such directives), and (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; provided that any directives of the Financial Partner under clause (ii) hereof and the performance of any acts under clause (iii) hereof are consistent with the operation parameters set forth in the Business Plan, Operating Budget or otherwise in writing. Notwithstanding any provision of this Agreement to the contrary, the Financial Partner acting singly and without necessity of joinder of any other Person shall be authorized and empowered to exercise any rights and remedies granted to the Partnership under the Management Agreement (including, without limitation, the provision or withholding of consent, the making of any elections and any other decisions of the Partnership thereunder). The authority granted to the Financial Partner hereunder with respect to the Management Agreement shall include, without limitation, the power to terminate the Management Agreement in accordance with its terms. If the Management Agreement is terminated, then the Financial Partner shall have the power and authority to replace Stratus Management as the construction manager and to designate a successor construction manager. In connection therewith, the Financial Partner shall have the power and authority acting alone and without necessity of joinder of any other Person to negotiate, enter into and execute (on behalf of the Partnership) a construction management agreement pursuant to which such successor construction manager shall provide construction management services to the Partnership for the consideration set forth therein. Upon the execution by the Financial Partner of any such construction management agreement, the Operating Budget and Business Plan shall automatically, and without any approval or consent of the Partners or the Representatives, be amended to reflect the terms of the construction management agreement between the Partnership and the successor construction manager.

4.3 Major Decisions. Except as otherwise expressly provided to the contrary in Article 3, Article 4, Article 7 or Article 9 hereof, Major Decisions shall be made upon the prior written approval or written consent of at least one Stratus Representative and at least one Olympus Representative. Accordingly, except as provided to the contrary in Article 3, Article 4, Article 7 or Article 9 hereof, 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 at least one Stratus Representative and at least one Olympus Representative have authorized the same in writing.

4.4 Budgets 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 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 initial Business Plan is attached hereto as Exhibit A and a copy of the initial Operating Budget is attached hereto as Exhibit B.

(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 material increases in costs and expenses or any material decreases in revenue that were not foreseen during the budget preparation period and thus were not reflected in the Operating Budget.

(c) In addition to the reports further described in Section 8.4, the Operating Partner shall submit any additional financial or operational reports as the Financial Partner may from time to time reasonably request.

4.5 Powers 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 4.2(c) and Section 4.3, the Operating Partner, acting on behalf of the Partnership, shall oversee the development activities with respect to the Property as well as the activities of the property manager and the construction manager; provided, that if there is no property manager, the Operating Partner shall perform the duties and obligations of a property manager; provided, further, that neither the Operating Partner nor any Affiliate thereof 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 leases, contracts, loan documents or other documents necessary to operate the business of the Partnership.

4.6 Liability 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 debts or obligations with their 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. For purposes hereof, any obligations arising under the Indemnity Agreement and/or the Management Agreement shall be treated as nonrecourse obligations and Stratus agrees and acknowledges that, except as expressly provided to the contrary in Section 3.2(a) hereof with respect to any Guaranty Payment, no Partner shall have any obligation to make any Capital Contribution to the Partnership or any other payment in order to satisfy any obligation arising under the Indemnity Agreement and/or the Management Agreement.

4.7 Other 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

5.1 Exculpation. Except as expressly provided to the contrary herein, 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 to the extent that any of the foregoing is determined, to have been primarily caused by the negligence, willful misconduct, or bad faith of the person claiming exculpation.

5.2 Indemnity. 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 primarily caused by the negligence (which for purposes of this Agreement shall not include the provision or withholding of any consent or approval by the Partner or its Representative with respect to any matter under this Agreement), willful misconduct, or bad faith of the person claiming indemnification or constitutes a material breach of any provision of the Guaranty, this Agreement, the Management Agreement or the Assignment Agreement (including, without limitation, any breach of any representation, warranty or covenant of Stratus further set forth in the Assignment 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 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, certify its good faith belief that it is entitled to indemnification hereunder, 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 and provide the Partnership with reasonable assurances of performance with respect to the obligation to repay such amounts. No Partner shall be required to contribute capital to the Partnership in respect of any indemnification claim under this Section 5.2.

ARTICLE 6

Distributions and Allocations

6.1 Distributions.

(a) Subject to the provisions of Section 3.2(e) and Section 6.1(c) hereof, unless and until the Partnership shall commence the development of the Phase II Property (as described in Section 3.5(e) hereof), in which event distributions of Partnership Cash Flow shall be made in accordance with Section 6.1(b) hereof, any and all Cash Flow of the Partnership shall be distributed in accordance with this Section 6.1(a). 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 (which third party obligations shall not include any amounts owing any Partner or Affiliate thereof with respect to any Partnership indebtedness or any amounts owing Stratus under the Indemnity Agreement), in the following order of priority:

(i) first, to Stratus in an amount equal to any unpaid amounts owing Stratus under the Indemnity Agreement;

(ii) second, to the Partners and their Affiliates in an amount equal to any accrued and unpaid interest and/or any unpaid principal amounts with respect to any Partnership indebtedness owing any such Partners or their Affiliates;

(iii) third, to the Partners, pro rata, in accordance with their respective Sharing Ratios until each Partner shall have received aggregate distributions under this Section 6.1(a)(iii) equal to an IRR of 25%;

(iv) fourth, to Stratus until Stratus has received an aggregate amount equal to $1,065,000 under this Section 6.1(a)(iv); and

(v) fifth, to the Partners, pro rata, in accordance with their respective Sharing Ratios.

(b) Subject to the provisions of Section 3.2(e) and Section 6.1(c) hereof, notwithstanding the provisions of Section 6.1(a) hereof to the contrary, upon the date that the Partnership shall commence development of the Phase II Property (as described in Section 3.5(e) hereof) and during all periods of the Partnership thereafter, any and all Cash Flow of the Partnership shall be distributed in accordance with this Section 6.1(b). 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 (which third party obligations shall not include any amounts owing any Partner or any Affiliate thereof with respect to any Partnership Indebtedness or any amounts owing Stratus under the Indemnity Agreement), in the following order of priority:

(i) first, to Stratus in an amount equal to any unpaid amounts owing Stratus under the Indemnity Agreement;

(ii) second, to the Partners and their Affiliates in an amount equal to any accrued and unpaid interest and/or any unpaid principal amounts with respect to any Partnership indebtedness owing any such Partners or their Affiliates; and

(iii) third, to the Partners, pro rata, in accordance with their respective Sharing Ratios.

(c) In accordance with Section 11.15 of the Assignment Agreement, each of Stratus and STRS have agreed to indemnify Olympus and hold Olympus harmless from certain Losses (as defined in the Assignment Agreement) incurred by Olympus and its Affiliates (as defined in the Assignment Agreement). Stratus hereby agrees and acknowledges that, in addition to any other remedies available to Olympus under any other provision of this Agreement, the Assignment Agreement or at law or in equity, in the event that Stratus or STRS shall have any obligation to Olympus under Section 11.15 of the Assignment Agreement (an "Indemnification Obligation"), the Partnership shall not distribute or pay to Stratus, Stratus Management, or their respective Affiliates, any amount that would otherwise be distributable or payable to Stratus, Stratus Management, or their respective Affiliates (including, without limitation, any amounts of Cash Flow otherwise distributable to Stratus or its Affiliates under this Section 6.1 as well as any fees payable by the Partnership to Stratus, Stratus Management or their respective Affiliates, including, without limitation, the Phase I Asset Management Fee, the Phase II Asset Management Fee and any applicable Disposition Fees), and such amounts shall instead be paid by the Partnership to Olympus and applied to the discharge of such Indemnification Obligation, provided that the application of such amounts to any such Indemnification Obligation shall not release Stratus and STRS of their obligation to indemnify and hold Olympus harmless from and against any and all Losses in accordance with the provisions of Section 11.15 of the Assignment Agreement. Any amounts otherwise distributable or payable by the Partnership to Stratus, Stratus Management or their respective Affiliates that are instead paid to Olympus hereunder and applied toward the discharge of any Indemnification Obligation shall be treated, for all purposes under this Agreement as distributions or payments (as the case may be, based upon the amount of the payment and the priority of payment provided under the other provisions of this Agreement) to Stratus, Stratus Management and/or their respective Affiliates.

6.2 Tax 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 (i) in the same manner as such Partner would be required to contribute to the Partnership or (ii) in such manner as shall result in the Capital Account of each Partner having a balance equal to the aggregate distributions the Partner would receive 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.

6.3 Asset Management Services. From and after the Effective Date, until the termination of the Management Agreement, Stratus Management shall provide the asset management services to the Partnership further described in the attached Schedule II (the "Asset Management Services") with respect to the Property, in consideration for the accrual and/or payment of the fees further set forth in this Section 6.3. In consideration for its provision of the Asset Management Services with respect to the Phase I Property Stratus Management shall be paid a monthly asset management fee equal to $5,000 per month (the "Phase I Asset Management Fee") upon the terms and conditions set forth in this Section 6.3. The Phase I Asset Management Fee shall begin to accrue with respect to the Phase I Property at such time as a certificate of occupancy shall have been issued for the Phase I Property by the City of Austin, and all development fees shall have been paid; provided, however, that the Phase I Asset Management Fee shall not be payable by the Partnership to Stratus Management unless and until a tenant, other than the Partnership, any Partner or any Affiliate thereof shall take physical possession of a portion of the Phase I Property pursuant to a lease between such tenant and the Partnership that has been approved by the Management Committee. In consideration for its provision of the Asset Management Services with respect to the Phase II Property, Stratus Management shall be paid a monthly asset management fee (in addition to the Phase I Asset Management Fee) equal to $2,500 per month (the "Phase II Asset Management Fee"). The Phase II Asset Management Fee shall begin to accrue with respect to the Phase II Property at such time as a certificate of occupancy shall have been issued for the Phase II Property by the City of Austin and all development fees have been paid; provided, however, that the Phase II Asset Management Fee shall not be payable by the Partnership to Stratus Management unless and until a tenant, other than the Partnership, any Partner or any Affiliate thereof shall take physical possession of a portion of the Phase II Property pursuant to a lease between such tenant and the Partnership that has been approved by the Management Committee. Any accrued fees that become payable to Stratus Management hereunder shall be paid by the Partnership monthly in arrears and shall constitute guaranteed payments to Stratus as further described in Section 707(c) of the Code.

6.4 Disposition Services. Upon the sale by the Partnership of all or substantially all of the Property (a "Terminal Sale") to a third-party buyer (who shall not be a Partner or Affiliate of a Partner), a sales commission of 2% of the gross sale price (the "Disposition Fee") shall be paid to the Partner or a duly licensed Affiliate or representative of the Partner who procured such third-party buyer (the "Procuring Party"); provided, however, that, no Disposition Fee shall be payable to the Procuring Party in the event that (i) the Partnership shall have retained any broker or representative that is entitled to a commission with regard to the Terminal Sale, (ii) the third party buyer shall have initiated contact with the Partnership or any Partner or Affiliate or representative thereof without prior independent solicitation by the Procuring Party or (iii) the third party buyer otherwise shall have contacted the Partnership or any Partner or Affiliate or representative thereof or have been identified other than through the marketing efforts and solicitation of the Procuring Party. Any Disposition Fee payable to a Partner hereunder shall constitute a guaranteed payment to the Partner as further described in Section 707(c) of the Code.

6.5 No Other Fees. Except as otherwise expressly provided herein to the contrary or as otherwise expressly provided to the contrary in the Management Agreement or as may be unanimously approved by the Partners in writing, the Partners and their Affiliates shall not be paid any fees or other compensation by the Partnership.

ARTICLE 7

Admissions, Transfers and Withdrawals

7.1 Admission of New Partners. Except as expressly provided to the contrary herein, 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 unless approved in writing by such Partner.

7.2 Transfer 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 the Management Committee or 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., a Delaware corporation, without the consent of the Management Committee or Olympus. Additionally, any interest in the Partnership held by Olympus or its Affiliates may be transferred without the consent of the Management Committee or Stratus in connection with the exercise of the 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. As soon as reasonably practicable following any transfer that is permitted hereunder, the Management Committee shall amend the Partnership Agreement (and Schedule I hereof) to reflect the Capital Account balance, Contribution Percentage, Unreturned Capital Contributions and Sharing Ratios of the Partners and the admission of the transferee to the Partnership as a Partner.

7.3 Buy/Sell Option.

(a) 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 or its Affiliates may have had with respect to the sale of all or any portion of the Partnership Interest and/or 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 (or pursuant to Section 7.3(g), the Buy/Sell Purchaser), 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 in the order of priority further set forth in this Agreement, 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 as of the Buy/Sell Closing Date (as hereinafter defined) 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 shall be 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 the 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 attorneyin-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 (or cause to be paid) 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 of any such acceleration, 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 gross negligence, willful misconduct or bad faith. 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 damages, 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 Receipt Amount with respect to the Partnership Interest of the Buy/Seller Purchaser, (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 or a Partnership distribution. 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 in accordance with this Section 7.3.

7.4 No Substituted Partners. Except as permitted by Section 7.1 and subject to the provisions of Section 7.2, 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.

7.5 Withdrawal 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, Books and Reports

8.1 Books 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. The Financial Partner shall have the authority to make any and all federal or state tax elections with respect to the Partnership and its Business. In addition, the Partners agree and acknowledge that the Partnership shall make an election under Section 754 of the Code with respect to its 1999 taxable year, and more particularly, with regard to the Assignments. Except as otherwise expressly provided herein, the books and records of the Partnership 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, shall be prepared on an accrual basis.

8.2 Place 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.

8.3 Tax 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. 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.

8.4 Additional Reporting Requirements. In addition to any reports required under Section 4.4(c) hereof:

(a) Stratus shall deliver to each Partner within twenty (20) days of the end of each month a statement of receipts and disbursements relating to the Property, and on a quarterly basis a narrative report on all variances from the Business Plan or Operating Budget, pacing against the Construction Loan, and all construction, leasing and marketing activities affecting the Property, and such other reports as reasonably requested by Olympus.

(b) Stratus shall cause a preliminary annual report of the Partnership (for the immediately preceding fiscal year of the Partnership) to be sent to each of the Partners before January 31st of each fiscal year of the Partnership and a final annual report of the Partnership (for the immediately preceding fiscal year of the Partnership) to be sent to each of the Partners on or before March 1st of each fiscal year of the Partnership. Such reports shall contain a balance sheet as of the end of the fiscal year, an income statement and statement of changes in financial position for the fiscal year.

(c) If requested by Olympus, the financial statements referred to in Section 8.4(b) shall be accompanied by the report thereon, if any, of Arthur Andersen & Co. or such other accountant as may be designated by the Management Committee.

ARTICLE 9

Amendments and Waivers

9.1 Amendments 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 Capital Account balances, Contribution Percentages, Unreturned Capital Contributions, Sharing Ratios and/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; provided, however, that upon any failure of a Defaulting Partner to repay the Default Amount to the Non Defaulting Partners within the one hundred twenty (120) day term further described in the first sentence of Section 3.2(c), the Non-Defaulting Partners shall have complete power and authority, acting singly and without necessity of joinder of any other Partner to amend Schedule I to accurately reflect the Capital Contributions, Sharing Ratios and Contribution Percentages of the Partners. 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 and Section 3.2 of this Agreement.

9.2 Certain 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 partnership for federal income tax purposes or under the Act, (ii) change Section 3.1 or Section 3.2 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 (but 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), (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 (provided, that the provisions of this Section 9.2 shall have no affect upon the loss of voting rights hereunder of a Defaulting Partner or its Representatives under Section 3.2(b)) or (vii) amend this Section 9.2 of this Agreement.

ARTICLE 10

Winding Up and Termination

10.1 Dissolution. The Partnership's business and affairs shall be wound up upon the first to occur of the following events:

(i) the election of the both Partners to wind up the business and affairs of the Partnership;

(ii)the election of the Financial Partner to wind up the business and affairs of 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 business and affairs of the Partnership shall not be wound up 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 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.

10.2 Accounting Upon Winding Up. Following the occurrence of an event requiring the winding up of the business and affairs of the Partnership pursuant to Section 10.1 of this Agreement (and, if applicable, the failure of a majority in interest of the remaining Partners to continue the business of the Partnership in accordance with Section 10.1), 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.

10.3 Termination. 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 occurrence of an event requiring the winding up of the business and affairs 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 (other than any liabilities or obligations of the Partnership under the Indemnity Agreement or with respect to any Partnership indebtedness owed to any Partner or Affiliate thereof which shall be repaid in the order of priority further set forth in Section 6.1 hereof) 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 therefrom distributed in accordance herewith. At the time final distributions are made in accordance with Section 6.1 of this Agreement, the liquidator shall make any and all such filings as the liquidator shall determine to be appropriate to cause or evidence the termination of the Partnership, 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.

10.4 No 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.

10.5 No 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.

10.6 Merger. 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 or consolidation permitted by applicable

law.

ARTICLE 11

Miscellaneous

11.1 Waiver 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.

11.2 Entire 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.

11.3 Severability. 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.

11.4 Notices. 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.

11.5 Governing 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).

11.6 Successors 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.

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

11.8 Headings. 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.

11.9 Other 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.

11.10 Power 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 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.

11.11 Transfer 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.

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

FINANCIAL PARTNER:
OLY LANTANA, L.P.,
a Texas limited partnership

By: Oly Lantana GP, L.L.C.,
a Texas limited liability company,
its sole general partner

By: /s/Hal R. Hall,
its Vice President

OPERATING PARTNER:

STRATUS 7000 WEST, LTD.,
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:
Name: William H. Armstrong III
Title:President

WITHDRAWING PARTNER:

STRS L.L.C.,
a Texas limited liability company

By:
Name: William H. Armstrong III
Title: President

FOR PURPOSES OF SECTION 6.3 ONLY:

STRATUS MANAGEMENT, L.L.C.,
a Delaware limited liability company

By:
Name: William H. Armstrong III
Title: President

EXHIBIT A

Business Plan
[TO BE ATTACHED WITHIN 60 DAYS OF EFFECTIVE DATE]

EXHIBIT B

Operating Budget

[TO BE ATTACHED WITHIN 60 DAYS OF EFFECTIVE DATE]

EXHIBIT C

Property Description

Lot 6, Block A, LANTANA LOT 6, BLOCK A, a subdivision in Travis County, Texas, according to the map or plat thereof, recorded in Volume 100, Page(s) 1-2 of the Plat Records of Travis County, Texas, as corrected by instrument recorded in Volume 13064, Page 278 of the Real Property Records of

Travis County.

EXHIBIT D

Building II Permit

The Building II Permit shall comprise (i) that certain City of Austin-Project Permit No. 9811861 issued 8/28/98, a copy of which is attached as Attachment D-1, and (ii) that certain City of Austin Site Plan Development Permit No. SP98-0054C issued 5/21/98, a copy of which is attached as Attachment D-2.

EXHIBIT E

Description of Phase I Property

EXHIBIT F

Description of Phase II Property

SCHEDULE I

Partnership Capital Accounts, Unreturned Capital Contributions, Sharing Ratios and Contribution Percentages

Partner and Address		Stratus 7000 West, Ltd.			Oly Lantana, LP			
		Prior to Effective Date	Adjust-ments	Capital Account as of Effective Date	Capital Account as of Effective Date	Unreturned Capital Contributtion as of Effective Date	Sharing Ratio	Contribuion Percentage
Financial Partner:								
Oly Lantana, L.P.		$0.0	$0.00	$	$1,722,000		50.1%	50.1%
200 Crescent Court,								
Suite 1650								
Dallas, Texas 75201								
(214) 740-7340								
Operating partner:								
Stratus 7000 West, Ltd.								
98 San Jacinto Blvd.,								
Suite 220	Cash	$1,658,000	$ (959,000)	$ 699,000	$	$ 699,000		
Austin, Texas	Phase I Land	$1,015,000		$1,015,000	$	$1,015,000		
78701	Phase II Land	$1,065,000	$(1,065,000)		$	$	49.9%	49.9%
(512)478-5788	Subtotal-Stratus	$3,738,000	$(2,024,000)	$1,714,000	$	$		
Total		$3,738,000	$(2,024,000)	$1,714,000	$1,722,000	$1,714,000	100.0%	100.0%

SCHEDULE II

Description of Asset Management Services

The Asset Management Services shall consist of those services required to be performed by Stratus Management L.L.C. pursuant to that certain Management Agreement between Stratus Management L.L.C., as "Property Manager," and Stratus 7000 West Joint Venture, as "Owner," dated of even date herewith.

SCHEDULE III

Amount and Terms of Phase II Construction Financing

Loan Amount:	not less than 50% of total project costs.
Interest Rate:	No higher than LIBOR plus 300 basis points.
Amortization:	Minimum of 15 year amortization or no amortization and interest only payments.
Term to Maturity:	Term to maturity of at least 18 months.
Prepayment:	May be pre-paid at any time without payment of any fee, premium or penalty.

SCHEDULE IV
Historical Development Costs (Phase II Property)

[ATTACHED]

Exhibit 10.19

REIMBURSEMENT CLAIM AGREEMENT
(CCLC)

This Reimbursement Claim Agreement is entered into on the 29th day of October 1999 by and between Circle C Land Corp., a Texas corporation ("CCLC") and the City of Austin, a Texas municipal corporation (the "City").

RECITALS

A.Circle C Municipal Utility District Nos. 1, 2, 3 and 4 (the "Districts" or the "Circle C MUDs") were conservation and reclamation districts created in 1984 that operated as municipal utility districts under the provisions of Article XVI, Sec. 59 of the Texas Constitution and Chapters 49 and 54, Texas Water Code. The lands comprising the former Districts are located in southwest Travis County and were in the City's extra-territorial jurisdiction ("ETJ") until the annexation described below.

B.As a condition of the City's consent to the creation of the Districts in its ETJ, the developers of the Districts and the City entered into four separate "Agreements Concerning Creation and Operation of the Circle C Municipal Utility District No. ____ (the "Consent Agreements") for each of the Districts. The Consent Agreements placed certain conditions upon the Districts' authority to issue bonds to fund or reimburse the developers for the cost of construction of water, wastewater and drainage infrastructure and facilities. After their creation, the Districts joined in the Consent Agreements.

C.By a succession of transactions, CCLC succeeded to the rights, interests and obligations of a Developer of the Districts under the Consent Agreements.

D.By certain municipal annexation proceedings effective December 19, 1997, the City of Austin annexed and dissolved the Districts in accordance with the procedures set forth in Chapter 43, Texas Local Government Code, and Article XI, Sec. 5 of the Texas Constitution.

E.Previous to the City's annexation and dissolution of the Districts, each of the Districts entered into a separate agreement with the developers in each of the Districts entitled "Utility Construction Agreement Between Circle C Municipal Utility District No. __and [Developer]" (the "Utility Construction Agreements"). The Utility Construction Agreements set forth terms and conditions under which the Developer would construct, and the District would acquire, throughthe issuance of district bonds, certain water, wastewater and drainage improvements to serve the land within the boundaries of the Districts (the "Improvements"). As of the date of annexation, CCLC held the rights, interests and obligations of a Developer under each of the Utility Construction Agreements.

F.The Utility Construction Agreements are subject to the terms and conditions of the Consent Agreements entered into between the City, the Developer and the Districts.

G.On December 19, 1997, Circle C Land Corp. filed suit against the City on its alleged claim for reimbursement for the Improvements pursuant to Texas Local Government Code 43.0715, and related claims in Cause No. 97-13994; Circle

C Land Corp. v. City of Austin, pending in the 53rd Judicial District Court, Travis County, Texas (the "Reimbursement Claim Lawsuit").

H.On December 31, 1997, Phoenix Holdings, Ltd. ("Phoenix"), another developer in the Districts intervened in the Reimbursement Claim Lawsuit as a plaintiff. Phoenix is not a party to this agreement.

I.Pulte Home Corporation of Texas, a Michigan corporation ("Pulte"), another developer in the Districts, also presented to the City a claim for reimbursement for water, wastewater and/or drainage improvements serving a portion of the lands in Circle C MUD No. 2. By an assignment from Pulte, CCLC holds the right to one-half (1/2) of that reimbursement claim. CCLC's interest in the reimbursement claim pursuant to the assignment from Pulte is the subject of a separate agreement and is not addressed or included in this agreement.

J.In 1998, the City established an administrative procedure for the submittal and processing of developer reimbursement claims arising out of the City's December 1997 annexations of the Circle C MUDs and other municipal utility districts previously located in the City's extra-territorial jurisdiction ("ETJ").CCLC has submitted to the City documentation to support its reimbursement claim and the City has administratively processed the claim to determine what portion of the claim is eligible for reimbursement under the Consent Agreements, the Utility Construction Agreements, the TNRCC rules governing bond applications for reimbursement of developers in municipal utility districts and applicable law.

K.Based on the administrative processing of the claim the City has determined that the sum of $8,844,269.00 is eligible for reimbursement to CCLC under the Consent Agreements, the Utility Construction Agreements, the TNRCC rules and applicable law, except that each of the Circle C MUDs did not have sufficient tax base as of the date of annexation to service bond debt necessary to repay this entire amount along with all other developer reimbursement claims relating to each of the Circle C MUDs. TNRCC rules require that the tax base be sufficient to service the bond debt necessary to fund developer reimbursement claims as a condition of approving district bond applications. It is the City's position that payment of developer reimbursement claims upon annexation is not due under applicable law, TNRCC rules, the Consent Agreements and the Utility Construction Agreements until this condition is satisfied. CCLC disputes this position.

L.It is CCLC's position that the full amount of its reimbursement claim was due and payable upon annexation under Texas Local Government Code 43.0715, and that penalties and interest are due on the amount of the claim under the May 1999 amendments to this statute. The City disputes this position.

M.The parties recognize and acknowledge that there is pending litigation challenging the validity of the City's annexation and dissolution of the Circle C MUDs and that the City's annexation or dissolution of the Circle C MUDs may hereafter be reversed or otherwise legally rescinded, by legislative action, final action of an appellate court of last resort in the pending or other litigation or other legal process. Nothing in this agreement is intended, or shall be used or construed, to limit, prejudice, or otherwise affect either party's positions or claims in the litigation referenced in the preceding sentence.

N.In the event the annexation or dissolution of the Districts is so reversed or otherwise legally rescinded, then it is the parties' intent to rescind this agreement as set forth below.

O.This agreement is not a full and final settlement of the Reimbursement Claim Lawsuit and the parties are reserving certain rights with respect to that suit as set forth below.

Agreement

1.City Payment to CCLC and CCLC's Conveyance of Facilities to City. Upon execution of this agreement, the City shall pay to CCLC the sum of $8,844,269.00, plus simple interest at the rate of 6% from the date of annexation (12/19/97) through the date of this agreement. Concurrent with and in exchange for this payment, CCLC shall execute and deliver the Deed, Bill of Sale and Assignment with General Warranty in the form attached hereto as Exhibit A, conveying the facilities and related rights described therein (the "Conveyed Facilities and Related Rights") to the City. The parties acknowledge that the City's administrative review of CCLC's reimbursement claim is ongoing. If as a result of this process, the City determines that additional amounts are eligible for reimbursement for the Conveyed Facilities, then the City may pay such additional amounts, with interest as set forth above, to CCLC under this Agreement. Such additional amounts shall be included as part of the amount paid under this Section of the Agreement for all purposes and shall be allocated to the Conveyed Facilities in a revised Attachment A-1 to the Deed, Bill of Sale and Assignment with General Warranty referenced above.

2.Recission of Transaction. In the event that the City's annexation or dissolution of the Circle C MUDs is reversed or otherwise legally rescinded, whether by legislative action, final action of an appellate court of last resort or other legal process (a "Recission Event"), the transaction provided for in this agreement shall be rescinded and both parties shall be restored to the positions they were in prior to this agreement. In the event a Recission Event occurs and results in the recission of the transaction as provided in the prior sentence, then the following shall occur:

(i)CCLC Repays City. Within sixty (60) days from the occurrence of a Recission Event, and simultaneously with and in exchange for the City fulfilling its obligations under (ii) below, CCLC shall pay to the City, in cash or cash equivalent funds, all amounts paid by the City to Circle C pursuant to Section 1, above.

AND

(ii)City Reconveys Facilities to CCLC. Within sixty (60) days after the occurrence of a Recission Event, and simultaneously with and in exchange for CCLC fulfilling its obligations under (i) above, the City shall convey back to CCLC the Conveyed Facilities and Related Rights by execution and delivery of a Deed, Bill of Sale and Assignment with General Warranty Deed, in the form attached hereto as Exhibit B, subject to the provisions of Section 5 below.

3.Security for CCLC's Repayment Obligation. CCLC's obligation to repay the City upon the occurrence of a Recission Event and recission of this transaction, as provided in Section 2, above, shall be secured by one of the following three forms of security:

(i)First Lien Deed of Trust on 536.699 Acre Tract. CCLC shall execute and deliver to the City of Austin for recording a first lien deed of trust, in the form attached hereto as Exhibit C, encumbering that certain 536.699 acre tract of land, generally located on the southeast corner of State Highway 45 and FM 1826, more specifically described in the legal description attached to Exhibit C (the "First Lien Land Security");

OR

(ii)Letter of Credit. CCLC shall provide an irrevocable Letter of Credit to the City in the form attached as Exhibit D (the "Letter of Credit Security");

OR

(iii)Surety Bond. CCLC shall provide a Surety Bond in favor of the City, providing the same payment terms and conditions for payment as provided in the form Letter of Credit attached as Exhibit D (the "Surety Bond Security").

CCLC shall, at its option, elect one of the three forms of security required above to secure its repayment obligation. Both parties understand that upon execution of this agreement, CCLC shall elect to provide the First Lien Land Security. So long as CCLC is obligated under this Section to maintain security for its repayment obligation, upon ten (10) days advance written notice to the City, CCLC shall have the option to substitute one of the three alternate forms of security. As long as there is litigation pending wherein it is alleged that the City's annexation or dissolution of the Districts is invalid or illegal for any reason, CCLC shall take all action necessary to assure that the required security is continuously in place, with no gap in time, including, without limitation, actions necessary to extend or substitute letters of credit or surety bonds prior to their expiration or maturity. If a Recission Event occurs resulting in recission of this transaction, and CCLC fulfills its repayment obligation as provided in Section 2, above, the City shall cooperate in the release of the security.

4.Maintenance of Condition and Capacity of Conveyed Facilities and Related Rights. In the event a Recission Event occurs resulting in recission of this transaction, the City is required to convey back to CCLC the Conveyed Facilities and Related Rights, as provided above. In order to assure that the City will be in a position to fulfill this obligation, the City agrees that it will maintain and operate the Conveyed Facilities in a prudent manner and with the same degree of care as it operates the balance of the City's utility facilities.

5.City's Retention of Facilities. In the event a Recission Event occurs and the City has permitted any connection into, or use of, any of the Conveyed Facilities to provide water or wastewater service to any land which is not located within the boundaries of the former Circle C Municipal Utility District Nos. 1, 2, 3 and 4, without CCLC's express written consent, then as to those specific Conveyed Facilities (referred to as "City's Retained Facilities") (i) the City shall retain ownership of the City's

Retained Facilities and Related Rights; (ii) CCLC shall not be obligated to repay the "Eligible Amount" allocated to the City's Retained Facilities as shown on Exhibit A-1 to the Deed, Bill of Sale and Assignment with General Warranty referenced in Paragraph 1 above; (iii) the security CCLC provided pursuant to Section 3, above, shall be promptly released as to the "Eligible Amount" allocated to the City's Retained Facilities as shown on Exhibit A-1 to the Deed, Bill of Sale and Assignment with General Warranty referenced in Paragraph 1 above; and (iv) the City shall pay to CCLC any additional amount for the City's Retained Facilities and Related Rights ordered to be paid in the Reimbursement Claim Lawsuit, provided that CCLC will not seek or be entitled to recover against the City any penalties or interest under Texas Local Government Code 43.0715, as amended. If, in the event of a Recission Event, the City wishes to retain additional of the Conveyed Facilities (to which the City has not permitted connection into or use to provide water or wastewater service to any land not located within the boundaries of the former Districts), then the parties agree to negotiate in good faith to reach an agreement for the City to retain those additional Conveyed Facilities and to execute all documents evidencing such agreement.

6.CCLC's Access to Utility Capacity. The City agrees to provide CCLC access to water and wastewater capacity in the Conveyed Facilities for development of its property at Circle C on a first-come, first-serve basis and subject to the same engineering specifications and other technical criteria, and applicable fees that are imposed on other City water and wastewater customers. In the event the City provides water and wastewater service to any land which is not located within the boundaries of the former Circle C Municipal Utility Districts Nos. 1, 2, 3 and 4, without CCLC's express written consent, as described in paragraph 5, above, then the City agrees that CCLC, or any successor to CCLC's interest in land within Circle C, shall be entitled to utilize any available utility capacity in the City's Retained Facilities on a first-come, first-serve basis and subject to the same engineering specifications and other technical criteria, and applicable fees that are imposed on other City water and wastewater customers. In the event that the available capacity in the City's Retained Facilities is insufficient to provide adequate water or wastewater service for development of CCLC's land within Circle C as a result of the City using the City's Retained Facilities to provide service to land outside the former Circle C MUDs, then the City agrees that CCLC shall be entitled to construct at CCLC's cost water and wastewater facilities to provide adequate capacity to develop CCLC's land at Circle C and the City shall approve the construction of such facilities provided the City's engineering specifications and other technical criteria for such infrastructure facilities are satisfied.

7.City's Waiver and Retention of Claims. While this agreement is in effect, the City agrees to waive its argument in the Reimbursement Claim Lawsuit that the sum the City paid CCLC pursuant to Section 1, above, was not due and payable to CCLC under the applicable agreements and law for the reason that the Circle C MUDs did not each have sufficient tax base at the date of annexation. The City expressly reserves the right to assert this position as to any other developer claimant, including Phoenix, and as to any other amount that CCLC claims is due on its reimbursement claim. In the event this transaction is rescinded, the City's waiver of claim provided for in this paragraph shall be fully revoked and the claim restored. The City reserves all of its rights and defenses to oppose any claim by CCLC for additional amounts (in excess of the amounts paid under Section 1 of this agreement) as reimbursement for the facilities, including penalties and interest asserted to be due on such amounts,and reserves its counterclaims to offset and declaratory judgment as to such amounts, which rights, defenses and counterclaims are or may become the subject of the pending Reimbursement Claim Lawsuit. Except for the specific waiver provided above, the City expressly reserves the right to assert or pursue any claims, counterclaims, offsets or defenses that are or may become the subject of the pending Reimbursement Claim Lawsuit.

8.CCLC's Waiver and Retention of Claims. While this agreement is in effect, CCLC agrees to waive its argument in the Reimbursement Claim Lawsuit that any penalty or additional interest is due on the amounts paid under Section 1 of this agreement, whether under the May 1999 amendments to Texas Local Gov't Code 43.0715 or any other law or agreement. Except for the specific waiver provided in the prior sentence, CCLC expressly reserves the right to claim additional amounts are owed as reimbursement for the Improvements and to claim penalties and interest on such additional amounts, and to assert or pursue any other claims that are or may become the subject of the pending Reimbursement Claim Lawsuit. In the event this transaction is rescinded, CCLC's waiver of claim provided for in this paragraph shall be

fully revoked and the claim restored.

9.CCLC's Indemnity. CCLC agrees to indemnify, defend and hold harmless the City of and from any and all claims, demands or causes of action brought by third parties, including, but not limited to, Phoenix Holdings, Ltd., asserting any right, claim or interest in the Improvements or any right to any portion of the amount paid hereunder to CCLC or any right to reimbursement for construction of the Improvements whether under the Consent Agreements, the Utility Construction Agreements, the TNRCC rules or applicable law. This indemnity includes all costs of defense incurred by the City in connection with any such claim or cause of action, regardless of whether the claim is colorable, frivolous, or without merit, and the City may tender any such claim, demand or cause of action to CCLC upon receipt for defense and resolution at CCLC's sole expense.

10.Except as expressly set forth herein, no party is making any admission of liability or waiving any claim or defense in the pending Reimbursement Claim Lawsuit.

EXECUTED by the parties and effective on the date set forth above.

CIRCLE C LAND CORP., a Texas corporation	THE CITY OF AUSTIN, TEXAS, a Texas municipal corporation
By:/s/ William H. Armstrong III	By:/s/ Jesus Garza
William H. Armstrong, III President	Jesus Garza City Manager

Attached and Incorporated Exhibits:

A: CCLC to City: Deed, Bill of Sale and Assignment with General Warranty (with Attachment A-1: Description of Facilities)

B:Reconveyance - City to CCLC: Deed, Bill of Sale and Assignment With General Warranty (with Attachment A-1: Description of Facilities)

C:First Lien Deed of Trust (with Attachment A-1: Description of 536.699 Acres)

D:Letter of Credit Form

Exhibit 15.1

November 3, 1999

Stratus Properties Inc.
98 San Jacinto Blvd.
Austin, TX 78701

Gentlemen:

We are aware that Stratus Properties Inc. has incorporated by reference in its Registration Statements (File Nos. 33-78798, 333-31059 and 333-52995) its Form 10-Q for the quarter ended September 30, 1999, which includes our report dated October 20, 1999 (except with respect to Note 7, as to which the date is November 3, 1999) covering the unaudited interim financial information contained therein. Pursuant to Regulation C of the Securities Act of 1933 (the Act), this report is not considered a part of the registration statements prepared or certified by our firm or a report prepared or certified by our firm within the meaning of Sections 7 and 11 of the Act.

Very truly yours,

/s/ Arthur Andersen LLP

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This schedule contains summary financial information extracted from Stratus Properties Inc.'s financial statements at September 30, 1999 and the nine months then ended, and is qualified in its entirety by reference to such statements.
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