

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

**FORM 8-K**

**CURRENT REPORT**

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

**Date of Report (Date of earliest event reported): June 29, 2018**

**S T R A T U S** ®

**Stratus Properties Inc.**

(Exact name of registrant as specified in its charter)

**Delaware**  
(State or Other Jurisdiction of  
Incorporation)

**001-37716**  
(Commission File  
Number)

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

**212 Lavaca St., Suite 300**  
**Austin, Texas**  
(Address of Principal Executive Offices)

**78701**  
(Zip Code)

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

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

Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR §230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR § 240.12b-2).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

**Item 1.01. Entry into a Material Definitive Agreement.**

On June 29, 2018, Stratus Properties Inc. ("Stratus") entered into a Loan Agreement (the "Loan Agreement") by and between Stratus and certain of its wholly-owned subsidiaries, Stratus Properties Operating Co., L.P., Circle C Land, L.P., Austin 290 Properties, Inc., The Villas at Amarra Drive, L.L.C., 210 Lavaca Holdings, L.L.C., Magnolia East 149, L.L.C., and Stratus Lakeway Center, L.L.C. (collectively with Stratus, the "Borrowers"), as borrowers, and Comerica Bank ("Comerica"), as lender. The Loan Agreement modifies, increases and extends, Stratus' \$52.5 million credit facility with Comerica (the "Prior Loan Agreement"), which was comprised of a \$45.0 million revolving credit facility and a \$7.5 million letters of credit tranche that was scheduled to mature on November 30, 2018.

The Loan Agreement provides for: (1) an increase in the revolving credit facility from \$45.0 million to \$60.0 million, (2) a \$7.5 million sublimit for letters of credit issuance, (3) an additional estimated \$20.3 million collateral added to the borrowing base in consideration of the increase in the revolving credit facility, and (4) extends the maturity date from November 30, 2018 to June 29, 2020. Under the terms of the \$60.0 million promissory note evidencing the Loan Agreement, the interest rate applicable to amounts borrowed is equal to an annual rate of LIBOR plus 4.0% or the prime referenced rate plus 1.0%.

Proceeds from the revolving credit facility shall be used to fund Stratus' working capital needs, including land acquisitions; however, without prior approval from Comerica, individual land acquisitions shall not exceed \$3.0 million and aggregate land transactions shall not exceed \$10.0 million.

The Loan Agreement contains customary financial covenants, including a requirement that Stratus maintain at all times (1) a net asset value of \$125.0 million and (2) aggregate promissory note debt-to-gross asset value at all times of less than 50%. Repurchases of shares of Stratus' common stock in excess of \$1,000,000 in the aggregate during the term of the loan would require Comerica's prior written consent.

Repayments under the Loan Agreement can be accelerated by Comerica upon the occurrence of certain customary events of default. Stratus' obligations under the Loan Agreement are secured by substantially all of Stratus' assets, except for properties that are encumbered by separate loan financing.

As of June 29, 2018, the principal balance outstanding under the revolving credit facility was \$43.9 million, and letters of credit totaling \$4.1 million were committed against the revolving credit facility.

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

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

The disclosures set forth in Item 1.01 above are incorporated by reference into this Item 2.03.

**Item 8.01. Other Events.**

Stratus issued a press release dated July 5, 2018, announcing the increase and extension of its revolving credit facility. A copy of the press release is attached hereto as Exhibit 99.1 and is incorporated in this Item 8.01 by reference.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

<u>Exhibit Number</u>	<u>Exhibit Title</u>
<a href="#">10.1</a>	Loan Agreement by and between Stratus Properties Inc., certain of its subsidiaries and Comerica Bank, dated as of June 29, 2018.
<a href="#">10.2</a>	Revolving Promissory Note by and between Stratus Properties Inc., certain of its subsidiaries and Comerica Bank, dated as of June 29, 2018.
<a href="#">99.1</a>	Press release dated July 5, 2018, titled "Stratus Properties Inc. Announces Increase and Extension of Its Revolving Credit Facility."

SIGNATURE

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

Stratus Properties Inc.

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

Date: July 5, 2018



**LOAN AGREEMENT**

**BY AND BETWEEN**

**COMERICA BANK**

**AND**

**STRATUS PROPERTIES INC.  
STRATUS PROPERTIES OPERATING CO., L.P.  
CIRCLE C LAND, L.P.  
AUSTIN 290 PROPERTIES, INC.  
THE VILLAS AT AMARRA DRIVE, L.L.C.  
210 LAVACA HOLDINGS, L.L.C.  
MAGNOLIA EAST 149, L.L.C.  
STRATUS LAKEWAY CENTER, L.L.C.**

**Dated June 29, 2018**

## LOAN AGREEMENT

THIS LOAN AGREEMENT (this "**Agreement**") is made and delivered effective as of June 29, 2018, by and between **STRATUS PROPERTIES INC.**, a Delaware corporation ("**Stratus**"), **STRATUS PROPERTIES OPERATING CO., L.P.**, a Delaware limited partnership ("**SPOC**"), **CIRCLE C LAND, L.P.**, a Texas limited partnership ("**Circle C**"), **AUSTIN 290 PROPERTIES, INC.**, a Texas corporation ("**Austin**"), **THE VILLAS AT AMARRA DRIVE, L.L.C.**, a Texas limited liability company ("**Amarra**"), **210 LAVACA HOLDINGS, L.L.C.**, a Texas limited liability company ("**Lavaca**"), **MAGNOLIA EAST 149, L.L.C.**, a Texas limited liability company ("**Magnolia**"), **STRATUS LAKEWAY CENTER, L.L.C.**, a Texas limited liability company ("**Lakeway**") (Stratus, SPOC, Circle C, Austin, Amarra, Lavaca, Magnolia and Lakeway are sometimes referred to in this Agreement severally as "**Borrower**" and jointly as "**Borrowers**"), and **COMERICA BANK** ("**Bank**").

### RECITALS

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

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

C. This Agreement is entered into for purposes of renewing, extending, amending, modifying, increasing and restating the credit facilities and extensions of credit made pursuant to that certain Amended and Restated Loan Agreement dated effective as of August 21, 2015, entered into by Bank and certain of the Borrowers, as the same has heretofore been amended, restated and modified from time to time (the "**Amended and Restated Credit Agreement**"), and amending and restating the Original Credit Agreement in its entirety, and for the other purposes provided in this Agreement.

D. The Amended and Restated Credit Agreement was entered into for purposes of renewing, extending, amending, modifying, increasing and restating the credit facilities and extensions of credit made pursuant to that certain Loan Agreement dated effective as of December 31, 2012, entered into by Bank and certain of the Borrowers, as the same has heretofore been amended, restated and modified from time to time (the "**Original Credit Agreement**"), and amending and restating the Original Credit Agreement in its entirety.

E. The Original Credit Agreement was entered into for purposes of renewing, extending and modifying the credit facilities and extensions of credit made pursuant to that certain Loan Agreement dated effective as of September 20, 2005 entered into by the Bank and Borrowers, as the same has heretofore been amended, restated and modified from time to time (the "**Initial Credit Agreement**") and which Original Credit Agreement amended and restated the Initial Credit Agreement in its entirety.

## AGREEMENT

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

### SECTION 1. DEFINITIONS

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

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

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

### SECTION 2. TERMS, CONDITIONS AND PROCEDURES FOR BORROWING

Subject to the terms, conditions and procedures of this Agreement and each other Loan Document including, but not limited to, the terms, conditions and procedures set forth in the Defined Terms Addendum and Loan Terms, Conditions and Procedures Addendum, Bank agrees to make credit available to the Borrowers on such dates and in such amounts as the Borrowers shall request from time to time or as may otherwise be agreed to by Borrowers and Bank.

The Loan is a \$60,000,000 revolving credit facility that is evidenced by the Note and the other Loan Documents, and which is subject to the Letter of Credit Sublimit. At no time shall the Letter of Credit Liabilities exceed \$7,500,000 and Borrower shall not have the right to request Bank issue a new Letter of Credit at any time the Letter of Credit Liabilities equals or exceeds \$7,500,000.

### SECTION 3. REPRESENTATIONS AND WARRANTIES

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

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

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

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

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

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

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

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

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

3.9 Non-contravention. The execution, delivery and performance by each Loan Party of the Loan Documents to which such Loan Party is a party or otherwise bound, are not in contravention of the terms of any indenture, agreement or undertaking to which any such Loan



Party is a party or by which it is bound, except to the extent that such terms have been waived or that failure to comply with any such terms would not have a Material Adverse Effect.

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

3.11 Compliance with Laws. To the best knowledge of each Borrower, each Loan Party has complied with all applicable Governmental Requirements, including, without limitation, Environmental Laws, to the extent that failure to so comply could have a Material Adverse Effect.

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

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

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

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

3.16 No Margin Stock. No Loan Party is engaged principally, or as one of its important activities, directly or indirectly, in the business of extending credit for the purpose of purchasing or carrying margin stock, and none of the proceeds of the Loan will be used, directly or indirectly,

to purchase or carry any margin stock or made available by any Loan Party in any manner to any other Person to enable or assist such Person in purchasing or carrying margin stock, or otherwise used or made available for any other purpose which might violate the provisions of Regulations G, T, U, or X of the Board of Governors of the Federal Reserve System.

### 3.17 Environmental Representations.

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

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

(c) No Loan Party is subject to any judgment, decree, order or citation related to or arising out of any applicable Environmental Law(s), which, either singularly or in the aggregate, could have a Material Adverse Effect; and, to Borrowers' knowledge, no Loan Party has been named or listed as a potentially responsible party by any Governmental Authority in any matter arising under any applicable Environmental Law(s), except as disclosed in Schedule 3.17, and, in the event that any such matters are disclosed in said Schedule 3.17 they will not, either singularly or in the aggregate, have a Material Adverse Effect.

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

3.18 Accuracy of Information. The Financial Statements previously furnished to Bank have been prepared in accordance with GAAP and fairly present the financial condition of Borrowers and, as applicable, the consolidated financial condition of Borrowers and such other Person(s) as such Financial Statements purport to present, and the results of their respective operations as of the dates and for the periods covered thereby; and since the date(s) of said Financial Statements, there has been no material adverse change in the financial condition of Borrowers or any other Person

covered by such Financial Statements. No Loan Party, nor any such other Person has any material contingent obligations, liabilities for taxes, long-term leases or long-term commitments not disclosed by, or reserved against in, such Financial Statements. Each Loan Party is solvent, able to pay its respective debts as they mature, has capital sufficient to carry on its business and has assets the fair market value of which exceed its liabilities, and no Loan Party will be rendered insolvent, under-capitalized or unable to pay debts generally as they become due by the execution or performance of any Loan Document to which it is a party or by which it is otherwise bound.

3.19 Equity Ownership. As of May 31, 2018, Stratus' entire issued and outstanding capital stock consists of 8,153,370 shares of common stock, \$.01 par value; and the names of all Persons who own beneficially five percent (5%) or more of such shares, together with the amount of such ownership, are set forth in Schedule 3.19, Part 1 attached hereto. All of the partnership interests in Circle C are owned beneficially and of record by the Persons and in the amounts/percentages set forth in Schedule 3.19, Part 2 attached hereto. Austin's entire issued and outstanding capital stock consists of 1,000 shares of common stock, \$1.00 par value; and the names of all Persons who own beneficially five percent (5%) or more of such shares, together with the amount of such ownership, are set forth in Schedule 3.19, Part 4 attached hereto. All of the partnership interests in SPOC are owned beneficially and of record by the Persons and in the amounts/percentages set forth in Schedule 3.19, Part 3. All of the membership interests in Amarra are owned as set forth in Schedule 3.19, Part 6 attached hereto. All of the membership interests of Lavaca are owned as set forth in Schedule 3.19, Part 7 attached hereto. All of the membership interests of Magnolia are owned as set forth in Schedule 3.19, Part 8 attached hereto. All of the membership interests of Lakeway are owned as set forth in Schedule 3.19, Part 9 attached hereto. To the extent that any such partner is a corporation (other than Stratus or Austin), limited liability company or partnership (other than Circle C, Amarra, Lavaca, Magnolia or Lakeway), similar information with respect to the beneficial and record owners of all equity ownership interests in each such entity is set forth in Schedule 3.19, Part 3. There are no outstanding options, warrants or rights to purchase, nor any agreement for the subscription, purchase or acquisition of, any equity ownership interests of any Loan Party, except described in Schedule 3.19, Part 5.

3.20 Business Loan. The Loan is a business loan transaction in the stated amount solely for the purpose of carrying on the businesses of Borrowers and none of the proceeds of the Loan will be used for the personal, family, household or agricultural purposes of any Borrower.

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

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

3.23 Compliance with Laws. The Land and any Improvements thereon comply, in all material respects, with all applicable Governmental Requirements and restrictive covenants, including, without limitation, zoning laws, building codes, handicap or disability legislation, and all rules, regulations and orders relating thereto, and all Environmental Laws, and the use to which a Borrower is using or intends to use its Land and Improvements complies with all Governmental Regulations in all material respects, specifically including, but not limited to, any and all land use and development entitlements and Municipal Utility District requirements for the Primary Collateral and the Other Collateral, and that such Borrower has taken all action necessary to preserve and maintain the land use and development entitlements, and has taken no action which would cause a loss of any such entitlements.

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

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

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

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

#### **SECTION 4. AFFIRMATIVE COVENANTS**

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

4.1 Preservation of Existence, Etc. Preserve and maintain its existence and preserve and maintain such of its rights, licenses, and privileges as are material to the business and operations conducted by it; qualify and remain qualified to do business in each jurisdiction in which the Land it owns is located and where such qualification is material to its business and operations or ownership of its properties; continue to conduct and operate its business substantially as conducted and operated during the present and preceding calendar year; at all times maintain, preserve and protect all of its

franchises and trade names and preserve all the remainder of its property and keep the same in good repair, working order and condition; and from time to time make, or cause to be made such repairs or betterments as Borrower is obligated to make under any Governmental Requirements.

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

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

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

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

(c) As soon as available, and in any event not later than sixty (60) days after the start of each fiscal year of Stratus, the business plan of Stratus for such forthcoming fiscal year.

(d) As soon as available, and in any event within forty-five (45) days after the end of each calendar quarter, consolidated Financial Statements of Stratus and, to the extent not covered in the Stratus Financial Statements, from such of the other Loan Parties as may be required by the Bank, Consolidated, as applicable, for and as of such reporting period, including a balance sheet, statement of operations, statement of equity and statement of cash flows and disclosure of contingent obligations for and as of such reporting period then ending and for and as of that portion of the calendar year then ending, with comparative numbers for the same period of the preceding calendar year, in each case (except as provided in the next sentence), certified by the chief financial officer or other appropriate authorized representative of Stratus and, as applicable, each other Loan Party as to consistency with prior financial reports and accounting periods, accuracy and fairness of presentation. Notwithstanding the foregoing, included within such quarterly Financial Statements shall be an SEC form 10-Q Financial Statement certified by the chief financial officer or other appropriate authorized representative of Stratus, as applicable.

(e) As soon as available, and in any event within forty-five (45) days after the end of each calendar month, a statement of Stratus' sales as of such reporting period then ending and for and as of that portion of the calendar year then ending, with comparative numbers for the same period of the preceding calendar year, in each case, certified by the chief financial officer of Stratus as to consistency with prior reports and accounting periods, accuracy and fairness of presentation ended and the year-to-date.

(f) As soon as available, and in any event within forty-five (45) days after and as of the end of each calendar quarter, a statement of the status of MUD Reimbursables and the MUD Reimbursables Value, Credit Banks and Credit Bank Value, and Material Litigation as of such reporting period then ending certified by the chief financial officer of Stratus as to accuracy and completeness.

(g) Promptly upon receipt thereof, copies of all management letters and other substantive reports submitted to any Loan Party by independent certified public accountants in connection with any annual audit of any such party.

(h) Within 30 days of filing the same, a copy of Stratus' annual federal income tax return.

(i) Simultaneously with the Financial Statements to be delivered to Bank pursuant to Section 4.3(b) above, a Compliance Certificate dated as of the end of such year.

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

#### 4.4 Intentionally Omitted.

4.5 Further Assurances: Financing Statements. Furnish Bank, at Borrowers' expense, upon Bank's request and in form reasonably satisfactory to Bank, and execute and deliver or cause

to be executed and delivered, such additional pledges, assignments, mortgages, lien instruments or other security instruments, consents, acknowledgments, subordinations and financing statements covering any or all of the Mortgaged Property pledged, assigned, mortgaged or encumbered pursuant to any Loan Document, of every nature and description, whether now owned or hereafter acquired by the Person providing such Mortgaged Property, together with such other documents or instruments as Bank may require to effectuate more fully the express purposes of any Loan Document.

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

4.7 Indemnification. Indemnify, defend and save Bank harmless from any and all claims, losses, costs, damages, liabilities, obligations and expenses, including, without limitation, reasonable attorneys' fees, incurred by Bank by reason of any Default or Event of Default, in defending or protecting the Liens which secure or purport to secure all or any portion of the Indebtedness, whether existing under any Loan Document or otherwise or the priority thereof, any bodily injury or death or property damage occurring in or upon or in the vicinity of the Mortgaged Property through any cause whatsoever or asserted against them on account of any act performed or omitted to be performed hereunder or on account of any transaction arising out of or in any way connected with the Mortgaged Property or with this Agreement or any other Loan Document, or in enforcing the obligations of any Borrower or any other Person under or pursuant to any Loan Document, or in the prosecution or defense of any action or proceeding concerning any matter growing out of or connected with the Mortgaged Property or any Loan Document, **INCLUDING ANY CLAIMS, LOSSES, COSTS, DAMAGES, LIABILITIES, OBLIGATIONS, AND EXPENSES RESULTING FROM BANK'S OWN NEGLIGENCE, EXCEPT AND TO THE EXTENT, BUT ONLY TO THE EXTENT, CAUSED BY BANK'S GROSS NEGLIGENCE OR WILLFUL MISCONDUCT**. Without limiting in any manner any of the foregoing, it is specifically agreed that the obligations of Borrowers under this section shall extend to any and all claims, losses, costs, damages, liabilities, obligations and expenses, including, without limitation, reasonable attorneys' fees, incurred by Bank by reason that the legal description of any of the Mortgaged Property in any Loan Document is incorrect in any respect or because the Liens of any of the Deeds of Trust are other than first and prior Liens, except to the extent any such Deed of Trust expressly recognizes that it is not a first and prior Lien.

4.8 Governmental and Other Approvals. To the extent necessary to be in compliance, comply with all Governmental Requirements in a timely matter and apply for, obtain and/or maintain in effect, as applicable, all authorizations, consents, approvals, licenses, qualifications, exemptions, filings, declarations, and registrations (whether with any Governmental Authority, securities exchange or otherwise) which are necessary in connection with the execution, delivery and/or performance by any Loan Party of any Loan Document to which it is a party, specifically including, but not limited to, the entitlements necessary to develop the Mortgaged Property.

4.9 Insurance. Each Borrower shall obtain and maintain or cause to be obtained and maintained at such Borrower's sole expense with respect to the portions of the Mortgaged Property owned by it: (a) all-risk property insurance with respect to all insurable Mortgaged Property, if any, against loss or damage by fire, lightening, windstorm, explosion, hail, tornado and such hazards as are presently included in so-called "all-risk" coverage and against such other insurable hazards as Bank may reasonably require, in an amount not less than 100% of the full replacement cost, including the cost of debris removal, without deduction for depreciation and sufficient to prevent Borrowers or Bank from becoming a coinsurer; (b) if and to the extent any insurable Improvements are in a special flood hazard area, a flood insurance policy in an amount equal to the lesser of the principal balance of the Indebtedness or the maximum amount available or the replacement cost of the insurable Mortgaged Property; (c) commercial general public liability insurance, on an "occurrence" basis, for the benefit of Borrowers with Bank named as loss payee in respect to the Land and Improvements; (d) statutory worker's compensation insurance with respect to any work on or about the Mortgaged Property; and (e) such other insurance on the insurable Mortgaged Property as may from time to time be reasonably required by Bank and against other insurable hazards or casualties which at the time are commonly insured against in the case of premises similarly situated, due regard being given to the height, type, construction, location, use and occupancy of buildings and improvements. All insurance policies shall be issued and maintained by insurers, in amounts, with deductibles, and in form reasonably satisfactory to Bank, and shall require not less than fifteen (15) days' prior written notice to Bank of any cancellation or material change of coverage. All insurance policies maintained, or caused to be maintained, by a Borrower with respect to any of the Mortgaged Property shall provide that each such policy shall be primary without right of contribution from any other insurance that may be carried by such Borrower or Bank and that all of the provisions thereof, except the limits of liability, shall operate in the same manner as if there were a separate policy covering each insured. If any insurer which has issued a policy of title, hazard, liability or other insurance required pursuant to this Agreement or any other Loan Document becomes insolvent or the subject of any bankruptcy, receivership or similar proceeding or if Bank, in good faith, believes that the financial responsibility of such insurer is or becomes inadequate, the applicable Borrower shall, in each instance, promptly, upon the request of Bank and at such Borrower's expense, obtain and deliver to Bank a certificate of insurance issued by another insurer, which insurer and policy meet the requirements of this Agreement or such other Loan Document, as the case may be and shall furnish a copy of the policy upon Bank's request. Without limiting the discretion of Bank with respect to required endorsements to insurance policies, all such policies for loss of or damage to the Mortgaged Property shall contain a standard mortgage clause (without contribution) naming Bank as mortgagee with loss proceeds payable to Bank notwithstanding (i) any act, failure to act or negligence of or violation of any warranty, declaration or condition contained in any such policy by any named insured; (ii) the occupation or use of the Mortgaged Property for purposes more hazardous than permitted by the terms of any such policy; (iii) any foreclosure or other similar action by Bank under the Loan Documents; or (iv) any change in title to or ownership of the Mortgaged Property or any portion thereof, such proceeds to be held for application as provided in the Loan Documents. The originals of each initial insurance policy (or to the extent permitted by Bank, a copy of the original policy and a satisfactory certificate of insurance) shall be delivered to Bank at the time of execution of this Agreement, with no delinquent premium payments, and each renewal certificate shall be delivered to Bank prior to the expiration of the policy it renews or



replaces with no delinquent premium payments; provided that all insurance premiums shall be prepaid on an annual basis. Borrower shall pay all premiums on policies required hereunder as they become due and payable. If any loss occurs at any time when Borrower has failed to perform any Borrower's covenants and agreements in this Paragraph, Bank shall nevertheless be entitled to the benefit of all insurance covering the loss and held by or for all Borrowers, to the same extent as if it had been made payable to Bank. Upon any foreclosure hereof or transfer of title to the Mortgaged Property in extinguishment of the whole or any part of the Indebtedness, all of Borrowers' right, title and interest in and to the insurance policies referred to in this Paragraph (including unearned premiums) and all proceeds payable thereunder shall thereupon vest in the purchaser at foreclosure or other such transferee, to the extent permissible under such policies. Bank shall have the right (but not the obligation) to make proof of loss for, settle and adjust any claim under, and receive the proceeds of, all insurance for loss of or damage to the Mortgaged Property, and the expenses incurred by Bank in the adjustment and collection of insurance proceeds shall be a part of the Indebtedness, shall be due and payable to Bank on demand and shall bear interest from the date paid by Bank until reimbursed at the highest rate of interest applicable to any of the Indebtedness (but not in excess of the highest rate permitted by applicable law). Bank and Bank's employees are each irrevocably appointed attorney-in-fact for Borrowers and are authorized to adjust and compromise each loss without the consent of Bank, to collect, receive and receipt for all insurance proceeds in the name of Bank and/or Borrowers, and to endorse Borrowers' name upon any check in payment of the loss. Bank shall not be, under any circumstances, liable or responsible for failure to collect or exercise diligence in the collection of any of such proceeds or for the obtaining, maintaining or adequacy of any insurance or for failure to see to the proper application of any amount paid over to any Borrower.

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

4.11 Environmental Covenants.

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

and safety measures as necessary to protect any person coming into contact with such releases, and all impacted soil resulting from site excavations will be disposed of in accordance with applicable regulations.

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

(c) Borrower hereby agrees to indemnify, defend and hold Bank, and any of Bank's past, present and future officers, directors, shareholders, employees, representatives and consultants, harmless from any and all claims, losses, damages, suits, penalties, costs, liabilities, obligations and expenses (including, without limitation, reasonable legal expenses and attorneys' fees, whether inside or outside counsel is used) incurred or arising out of any claim, loss or damage of any property, injuries to or death of any persons, contamination of or adverse effects on the environment, or other violation of any applicable Environmental Law(s), in any case, caused by any Loan Party or in any way related to any property owned or operated by any Loan Party or due to any acts of any Loan Party or any of its officers, directors, shareholders, employees, consultants and/or representatives, **INCLUDING ANY CLAIMS, LOSSES, DAMAGES, SUITS, PENALTIES, COSTS, LIABILITIES, OBLIGATIONS OR EXPENSES, RESULTING FROM BANK'S OWN NEGLIGENCE; PROVIDED HOWEVER, THAT THE FOREGOING INDEMNIFICATION SHALL NOT BE APPLICABLE, AND BORROWER SHALL NOT BE LIABLE FOR ANY SUCH CLAIMS, LOSSES, DAMAGES, SUITS, PENALTIES, COSTS, LIABILITIES, OBLIGATIONS OR EXPENSES, TO THE EXTENT (BUT ONLY TO THE EXTENT) THE SAME ARISE OR RESULT FROM ANY GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF BANK OR ANY OF ITS AGENTS OR EMPLOYEES.**

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

4.13 Surveys. Furnish Bank from time to time at the request of Bank but no more often than once per year, at Borrowers' expense recertified and updated Surveys of the Primary Collateral. All Surveys shall be in form and substance reasonably acceptable to Bank.

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

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

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

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

4.18 Brokers. Pay all fees, commissions and other compensation payable to all brokers, if any, involved in this transaction at or prior to the disbursement of the Initial Advance, except for any brokers expressly contracted with by Bank. Borrowers hereby agree to indemnify and hold harmless Bank from and against any loss, damage, expense or claims of brokers (except for brokers expressly contracted with by Bank) arising by reason of the execution hereof or the consummation of the transactions contemplated hereby, including but not limited to, any transactions involving or relating to any Lease.

4.19 Appraisals. Supply Bank, at Borrowers' expense, with new or recertified Appraisals from time to time upon Bank's request; provided, (i) such Appraisals shall be updated at least one time every two (2) years and (ii) so long as no Default or Event of Default shall have occurred and be continuing, Borrowers shall not be obligated to pay for any such Appraisals more frequently than once during any calendar year; subject, however, to the updated information regarding reconciliation of value as may be required by Bank in connection with a partial release, as more fully set forth in Addendum 3 (a "**Partial Release**"). Without limiting the foregoing in any manner, Borrower may, from time to time and at its cost and expense, and without affecting Bank's right to require any updated Appraisal pursuant to this Section 4.19, obtain and deliver to Bank new

Appraisals or updates of existing Appraisals, provided such Appraisals comply with the requirements of this Agreement, for the purposes of updating the Borrowing Base Limitation.

4.20 Financial Covenants. Maintain compliance with the following financial covenants on a consolidated basis:

- (a) Maintain a Net Asset Value at all times of not less than \$125,000,000.
- (b) Maintain a Debt-to-Gross Asset Value at all times of less than 50%

The foregoing covenants shall be (i) computed on a consolidated basis, (ii) tested at the end of each calendar year, (iii) and certified to in the Compliance Certificate required to be delivered to Bank pursuant to Section 4.3(i) above.

4.21 Post-Closing Obligations.

(a) On or before August 31, 2018, Borrower shall provide to Bank a "Consent to Assignment" in form and substance reasonably acceptable to Bank for each of the MUD Districts provided on Exhibit D attached hereto to the extent that such MUD District has any remaining or will have any future reimbursement obligations, each being executed by the applicable MUD District.

(b) On or before August 31, 2018, Borrower shall use best efforts to obtain a Subordination Agreement in form and substance reasonably acceptable to Bank subordinating that certain Profits Participation Agreement (and its rights therein) dated August 22, 2014 to the Loan.

4.22 Loan-to-Value Ratio. The Loan-to-Value Ratio, as determined by Bank based on Appraisals obtained by Bank in accordance with this Agreement shall be less than or equal to 50%. If, at any time after the date of this Agreement, Bank obtains new Appraisals pursuant to the terms of this Agreement, and such Appraisals reflect that a Loan-To-Value Ratio exceeding 50%, Borrowers shall make a mandatory prepayment of principal under the Note in an amount necessary to reduce the Loan-To-Value Ratio to 50%, which payment shall be due within thirty (30) days after Bank delivers to Borrowers a written request therefor.

## **SECTION 5. NEGATIVE COVENANTS**

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

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

objects or purpose. Notwithstanding the foregoing, Borrowers may repurchase up to \$1,000,000.00 of the outstanding common stock of Stratus.

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

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

- a. guaranties in favor of and satisfactory to Bank;
- b. endorsements for deposit or collection in the ordinary course of business;
- c. guaranties of carve-outs of non-recourse liabilities in connection with permanent financing of projects owned by Subsidiaries of Borrowers (collectively, the "**Guaranties of Non-Recourse Carve-Out Liabilities**").
- d. Guaranty Agreement dated June 27, 2014 partially guarantying indebtedness in the original principal amount of \$6,000,000.00 for the benefit of PlainsCapital Bank;
- e. Guaranty Agreement dated June 5, 2016 guarantying certain renovation obligations for the benefit of Goldman Sachs Mortgage Company;
- f. Guaranty Agreement dated August 5, 2016 in the original principal amount of \$9,945,272 for the benefit of Southside Bank;
- g. Guaranty of Master Leases Agreement dated February 17, 2017 guarantying certain master lease obligations for the benefit of FHF I Oaks at Lakeway, LLC;
- h. Guaranty Agreement dated April 28, 2017 in the original principal amount of \$26,310.482.00 for the benefit of Southside Bank;
- i. Guaranty Agreement dated September 1, 2017 in the original principal amount of \$36,759,000.00 for the benefit of Southside Bank; and
- j. Guaranty Agreement dated June 19, 2018 in the original principal amount of \$26,000,000.00 and including certain completion obligations for the benefit of Texas Commerce Bank, National Association.

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

- k. Indebtedness and other Debt from time to time outstanding and owing to Bank;

- l. Unsecured trade, utility or non-extraordinary accounts payable arising in the ordinary course of business and other unsecured Debt of Borrower or the Loan Parties on a Consolidated basis at any one time not to exceed \$500,000.00;
- m. Guaranties of Non-Recourse Carve-Out Liabilities and any guaranties for the benefit of Bank with regard to other loans to Subsidiaries of Borrowers or any other Loan Party (except as expressly provided below), contingent liabilities of Borrowers incurred on or after the date hereof, on a consolidated basis at any one time, not to exceed \$20,000,000.00;
- n. Guaranty Agreement dated June 27, 2014 partially guarantying indebtedness in the original principal amount of \$6,000,000.00 for the benefit of PlainsCapital Bank;
- o. Guaranty Agreement dated June 5, 2016 guarantying certain renovation obligations for the benefit of Goldman Sachs Mortgage Company;
- p. Guaranty Agreement dated August 5, 2016 in the original principal amount of \$9,945,272 for the benefit of Southside Bank;
- q. Guaranty of Master Leases Agreement dated February 17, 2017 guarantying certain master lease obligations for the benefit of FHF I Oaks at Lakeway, LLC;
- r. Guaranty Agreement dated April 28, 2017 in the original principal amount of \$26,310.482.00 for the benefit of Southside Bank;
- s. Guaranty Agreement dated September 1, 2017 in the original principal amount of \$36,759,000.00 for the benefit of Southside Bank;
- t. Guaranty Agreement dated June 19, 2018 in the original principal amount of \$26,000,000.00 and including certain completion obligations for the benefit of Texas Commerce Bank, National Association;
- u. Debt of a Related Party but only to the extent of the lesser of seventy-five percent (75%) of the appraised value of the real estate project owned by such Related Party or eighty percent (80%) of the total costs associated with the real estate project owned by such Related Party;
- v. Debt subordinated to the prior payment in full of the Indebtedness upon terms and conditions approved in writing by Bank;
- w. Debt outstanding as of the date hereof that is shown on the Financial Statements previously delivered to Bank; and
- x. Debt of any Loan Party to any other Loan Party.

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

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

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

5.8 Investments. Except as otherwise permitted in Section 2.17 of Addendum 2, make or allow to remain outstanding any investment (whether such investment shall be of the character of investment in shares of stock, evidences of indebtedness or other securities or otherwise) in, or any loans, advances or extensions of credit to, any Person, other than:

(a) Each Borrower's current ownership in its respective Subsidiaries and Related Parties; and

(b) Acquisition of a new Subsidiary in connection with the acquisition of additional land which otherwise qualifies for a Section 2.17 acquisition as provided in Section 2.17 of Addendum 2 hereof; and

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

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

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

5.11 Prepayment of Debt. Use proceeds of the Loan to prepay (or take any actions which impose an obligation to prepay) any Debt, except the Indebtedness, taxes, trade debt of Borrowers incurred in the ordinary course of business and for the other purposes set forth in Section 2.4 of Addendum 2 hereof.

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

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

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

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

5.16 No Transfers to Related Parties. Transfer or permit any transfer of any assets of any Borrower to any Related Party for non-project related purposes.

5.17 Change in Management. Not permit any change in the management of Borrowers, unless such change in management is the result of a replacement for normal attrition, retirement, death or incapacity and within a reasonable period following such change, Borrowers have provided for the replacement of such manager to Bank's reasonable satisfaction; provided, further, Borrowers shall promptly notify Bank in writing of the occurrence of any change in the management of any Borrower.

5.18 Negative Pledge. To convey, transfer or assign any portion of Lots 25 and 26, Block E, R.C. LAMBIE'S SUBDIVISION OF VOSS ADDITION OUTLOT 71, DIVISION O, a subdivision in Travis County, Texas, according to the map or plat thereof, recorded in Volume 3, Page(s) 85 of the Plat Records of Travis County, Texas (the "Flores/Waller Land") or otherwise encumber or grant a deed of trust lien against the Flores/Waller Land. SPOC covenants and agrees that, SPOC has and will maintain throughout the term of the Loan good and indefeasible title to the Flores/Waller Land in fee simple, clear of any liens, charges, encumbrances, security interests, claims, easements, restrictions, options, leases, covenants, and other rights, titles, interests, or estates of any nature whatsoever.



## SECTION 6. EVENTS OF DEFAULT

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

(a) Non-payment of any principal, interest or other sum due under the terms of this Agreement, the Note, or under any other Loan Document when due in accordance with the terms hereof or thereof, which non-payment continues for five (5) days beyond its due date.

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

(c) Any representation or warranty made by any Loan Party in any Loan Document shall be untrue or incorrect in any material respect at the time given; provided that it will not be an Event of Default hereunder if (i) Borrower believed that any such representation or warranty was true when made, (ii) such representation or warranty is susceptible of being cured and made true and correct and (iii) within thirty (30) days after receipt of written notice Borrower takes whatever action is required so that such representation or warranty is made true and correct within such thirty (30) day period.

(d) Any default by any Loan Party, in the payment of any Debt (other than Debt owing to Bank) in an individual amount of \$50,000.00 or greater, or in an aggregate amount exceeding \$100,000.00, or in the material observance or performance of any conditions, covenants or agreements related or given with respect thereto which is not a proper Contested Item, and, in each such case, continuation thereof beyond any applicable grace or cure period.

(e) Intentionally omitted.

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

(g) The failure by any Loan Party, to meet the minimum funding requirements under ERISA with respect to any Pension Plan established or maintained by it; the occurrence of any “reportable event”, as defined in ERISA, which could constitute grounds for termination by the PBGC of any Pension Plan or for the appointment by the appropriate United States District Court of a trustee to administer such Pension Plan, and such reportable event is not corrected and such determination is not revoked within sixty (60) days after

notice thereof has been given to the plan administrator or any Loan Party, as the case may be; or the institution of any proceedings by the PBGC to terminate any such Pension Plan or to appoint a trustee by the appropriate United States District Court to administer any such Pension Plan.

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

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

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

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

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

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

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

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

(p) The failure of Borrowers to deposit with Bank any required Borrower's Deposit within ten (10) days after Bank shall have made demand for such a Borrower's Deposit.

6.2 Remedies Upon Event of Default. Upon the occurrence and at any time during the existence or continuance of any Event of Default, but without impairing or otherwise limiting the Bank's right to demand payment of all or any portion of the Indebtedness which is payable on demand, at Bank's option, Bank may give notice to Borrowers declaring all or any portion of the Indebtedness remaining unpaid and outstanding, whether under the Note or otherwise, to be due and payable in full without presentation, demand, protest, notice of dishonor, notice of intent to accelerate, notice of acceleration or other notice of any kind, all of which are hereby expressly waived, whereupon all such Indebtedness shall immediately become due and payable. Furthermore, upon the occurrence of a Default or Event of Default and at any time during the existence or continuance of any Default or Event of Default, but without impairing or otherwise limiting the right of Bank, if reserved under any Loan Document, to make or withhold financial accommodations at its discretion, to the extent not yet disbursed, any commitment by Bank to make any further Advances to Borrowers or issue any further Letters of Credit for any Borrower's account under this Agreement shall automatically terminate; provided, should such Default or Event of Default be cured to Bank's satisfaction, Bank may, but shall be under no obligation to, reinstate any such commitment by written notice to Borrowers. Notwithstanding the foregoing, in the case of an Event of Default under Section 6.1(i), and notwithstanding the lack of any notice, demand or declaration by Bank, the entire Indebtedness remaining unpaid and outstanding shall become automatically due and payable in full, and any commitment by Bank to make any further Advances to Borrowers or issue any further Letters of Credit for any Borrower's account shall be automatically and immediately terminated, without any requirement of notice or demand by Bank upon Borrowers, each of which are hereby expressly waived by Borrowers. Bank may, without waiving any Default or Event of Default, advance Loan proceeds to correct Borrowers' violation giving rise to the Event of Default. Any Loan proceeds so advanced will either, at Bank's option, be evidenced by the Note or constitute Indebtedness of Borrowers to Bank payable on demand, bearing interest at the Default Rate from the date advanced by Bank. All such demand indebtedness will be a part of the Indebtedness and will be secured by the liens and security interests of the Loan Documents. Each Loan Party that is a partnership agrees that Bank is not required to comply with Section 3.05(d) of the Texas Revised Partnership Act and agrees that Bank may proceed directly against one or more general (but not limited) partners or their property without first seeking satisfaction from partnership property. The foregoing rights and remedies are in addition to any other rights, remedies and privileges Bank may otherwise have or which may be available to it, whether under this Agreement, any other Loan Document, by law, or otherwise.

6.3 Setoff. In addition to any other rights or remedies of Bank under any Loan Document, by law or otherwise, upon the occurrence and during the continuance or existence of any Event of Default, Bank may, at any time and from time to time, without notice to Borrowers (any requirements for such notice being expressly waived by Borrowers), setoff and apply against any or all of the Indebtedness (whether or not then due), any or all deposits (general or special, time or demand,

provisional or final), including, without limitation, any Borrower's Deposit, at any time held by Borrowers and other indebtedness at any time owing by Bank to or for the credit or for the account of Borrowers, and any property of Borrowers, from time to time in possession or control of Bank, irrespective of whether or not Bank shall have made any demand hereunder or for payment of the Indebtedness and although such obligations may be contingent or unmatured, and regardless of whether any Mortgaged Property then held by Bank is adequate to cover the Indebtedness. The rights of Bank under this Section are in addition to any other rights and remedies (including, without limitation, other rights of setoff) which Bank may otherwise have. Borrowers hereby grant Bank a Lien on and security interest in all such deposits, indebtedness and other property as additional collateral for the payment and performance of the Indebtedness.

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

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

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

6.7 Discretionary Credit and Credit Payable Upon Demand. To the extent that any of the Indebtedness shall, at anytime, be payable upon demand, nothing contained in this Agreement, or any other Loan Document, shall be construed to prevent Bank from making demand, without notice and with or without reason, for immediate payment of all or any part of such Indebtedness at any time or times, whether or not a Default or Event of Default has occurred or exists. In the event that such demand is made in accordance with the Loan Documents upon any portion of the Indebtedness and Borrower fails to meet any such demand within any applicable cure periods, the

Bank, at its election, may terminate any commitment by Bank to make any further Advances to Borrowers or issue any further Letters of Credit for any Borrower's account under this Agreement or otherwise. Furthermore, to the extent any Loan Document authorizes the Bank, at its discretion, to make or to decline to make financial accommodations to the Borrowers, nothing contained in this Agreement or any other Loan Document shall be construed to limit or impair such discretion or to commit or otherwise obligate the Bank to make any such financial accommodation.

6.8 Application of Proceeds of Mortgaged Property. Notwithstanding anything to the contrary set forth in any Loan Document, during the existence of any Event of Default, the proceeds of any of the Mortgaged Property, together with any offsets, voluntary payments, and any other sums received or collected in respect of the Indebtedness, may be applied in such order and manner as determined by Bank in its sole and absolute discretion.

## **SECTION 7. BANK'S DISCLAIMERS - BORROWERS' INDEMNITIES**

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

7.2 No Obligation by Bank to Operate. Any term or condition of any of the Loan Documents to the contrary notwithstanding, Bank shall not have, and by its execution and acceptance of this Agreement hereby expressly disclaims, any obligation or responsibility for the management, conduct or operation of the business and affairs of any Loan Party. Any term or condition of the Loan Documents which permits Bank to disburse funds, whether from the proceeds of the Loan or otherwise, or to take or refrain from taking any action with respect to any Loan Party, the Mortgaged Property or any other collateral for repayment of the Loan, shall be deemed to be solely to permit Bank to audit and review the management, operation and conduct of the business and affairs of any Loan Party, and to maintain and preserve the security given by Borrowers to Bank for the Loan, and may not be relied upon by any other person. Further, Bank shall not have, has not assumed and by its execution and acceptance of this Agreement hereby expressly disclaims any liability or responsibility for the payment or performance of any indebtedness or obligation of any Loan Party and no term or condition of the Loan Documents, shall be construed otherwise. Borrowers, jointly and severally, hereby indemnify and agree to hold Bank harmless from and against any cost, expense or liability incurred or suffered by Bank as a result of any assertion or claim of any obligation or responsibility of Bank for the management, operation and conduct of the business and affairs of any Borrower or any other Loan Party, or as a result of any assertion or claim of any liability or responsibility of Bank for the payment or performance of any Indebtedness or obligation of any Borrower or any other Loan Party.

7.3 Indemnity by Borrowers. Borrowers, jointly and severally, hereby indemnify Bank and each affiliate thereof and their respective officers, directors, employees, attorneys and agents from, and holds each of them harmless against, any and all losses, liabilities, claims, damages, costs, and expenses to which any of them may become subject, insofar as such losses, liabilities, claims, damages, costs, and expenses arise from or relate to any of the Loan Documents or any of the transactions contemplated thereby or from any investigation, litigation, or other proceeding,

including, without limitation, any threatened investigation, litigation, or other proceeding related thereto relating to any of the foregoing, **INCLUDING WITHOUT LIMITATION, ANY CLAIMS, LOSSES, COSTS, DAMAGES, LIABILITIES, OBLIGATIONS, AND EXPENSES RESULTING FROM BANK'S OWN NEGLIGENCE, EXCEPT AND TO THE EXTENT, BUT ONLY TO THE EXTENT, CAUSED BY BANK'S GROSS NEGLIGENCE OR WILLFUL MISCONDUCT.** Without intending to limit the remedies available to Bank with respect to the enforcement of its indemnification rights as stated herein or as stated in any Loan Document, in the event any claim or demand is made or any other fact comes to the attention of Bank in connection with, relating or pertaining to, or arising out of the transactions contemplated by this Agreement, which Bank reasonably believes might involve or lead to some liability of Bank, Borrowers shall, immediately upon receipt of written notification of any such claim or demand, assume in full the personal responsibility for and the defense of any such claim or demand and pay in connection therewith any loss, damage, deficiency, liability or obligation, including, without limitation, legal fees and court costs incurred in connection therewith. In the event of court action in connection with any such claim or demand, Borrowers shall assume in full the responsibility for the defense of any such action and shall immediately satisfy and discharge any final decree or judgment rendered therein. Bank may, in its sole but reasonable discretion, make any payments sustained or incurred by reason of any of the foregoing; and Borrowers shall immediately upon receipt of notice repay to Bank, in cash, the amount of such payment, with interest thereon at the Maximum Lawful Rate from the date of such payment. Bank shall have the right to join Borrowers, or any of them, as a party defendant in any legal action brought against Bank, and Borrowers hereby consent to the entry of an order making Borrowers, or any of them, a party defendant to any such action.

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

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

## SECTION 8. MISCELLANEOUS

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

### 8.2 Choice of Law and Venue.

**(a) THE VALIDITY OF THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS (UNLESS EXPRESSLY PROVIDED TO THE CONTRARY IN ANOTHER LOAN DOCUMENT IN RESPECT OF SUCH OTHER LOAN DOCUMENT), THE CONSTRUCTION, INTERPRETATION, AND ENFORCEMENT HEREOF AND THEREOF, AND THE RIGHTS OF THE PARTIES HERETO AND THERETO WITH RESPECT TO ALL MATTERS ARISING HEREUNDER OR THEREUNDER OR RELATED HERETO OR THERETO SHALL BE DETERMINED UNDER, GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS, WITHOUT REGARD TO ITS CONFLICTS OF LAWS PROVISIONS.**

**(b) THE PARTIES EACH HEREBY IRREVOCABLY AND UNCONDITIONALLY (I) CONSENTS AND SUBMITS TO THE SOLE AND EXCLUSIVE JURISDICTION OF ANY STATE OR FEDERAL COURT LOCATED WITHIN THE STATE OF TEXAS, AND ANY APPELLATE COURT THEREOF, (II) AGREES THAT ALL ACTIONS AND PROCEEDINGS BASED UPON, ARISING OUT OF, RELATING TO OR OTHERWISE CONCERNING THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT, INCLUDING ALL CLAIMS FOR RECOGNITION OR ENFORCEMENT OF ANY JUDGMENT, SHALL SOLELY AND EXCLUSIVELY BE BROUGHT, HEARD, AND DETERMINED (LITIGATED) IN SUCH COURTS, (III) ACCEPTS FOR ITSELF AND IN CONNECTION WITH ITS PROPERTIES, THE SOLE AND EXCLUSIVE JURISDICTION OF THE AFORESAID COURTS, (IV) WAIVES ANY OBJECTION, INCLUDING ANY OBJECTION TO THE LAYING OF VENUE OR BASED UPON THE GROUNDS OF FORUM NON CONVENIENS, THAT IT MAY NOW OR HEREAFTER HAVE TO BRINGING OR MAINTAINING ANY SUCH ACTION OR PROCEEDING IN SUCH JURISDICTION, AND (V) AGREES TO BE BOUND BY ANY JUDGMENT RENDERED THEREBY IN CONNECTION WITH THIS AGREEMENT, OR ANY SUCH OTHER LOAN DOCUMENT. NOTHING HEREIN SHALL LIMIT THE RIGHT OF AGENT TO BRING ANY ACTION OR PROCEEDING AGAINST BORROWER OR ITS PROPERTIES IN THE COURTS OF ANY OTHER JURISDICTION IN CONNECTION WITH THE ENFORCEMENT OF ANY LIENS OR SECURITY INTERESTS IN FAVOR OF BANK ON ANY OF BORROWERS' PROPERTIES OR ASSETS.**

8.3 Audits of Mortgaged Property; Fees. Bank shall have the right from time to time to audit the Mortgaged Property, provided that such audits will be conducted no more than one (1) time in any calendar year unless an Event of Default has occurred. Borrowers agree to reimburse Bank, on demand, for customary and reasonable fees and costs incurred by Bank for such audits and financial analysis and examination of Borrowers or any other Loan Party performed from time to time.

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

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

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

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



proposed assignee or participant) any financial or other information in its knowledge or possession regarding any Loan Party or the Indebtedness.

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

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

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

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

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

8.13 Reliance on and Survival of Various Provisions. All terms, covenants, agreements, indemnities, representations and warranties of any Loan Party made in any Loan Document, or in any certificate, report, financial statement or other document furnished by or on behalf of any Loan Party in connection with any Loan Document, shall be deemed to have been relied upon by Bank, notwithstanding any investigation heretofore or hereafter made by Bank or on Bank's behalf, and those covenants and agreements of Borrowers set forth in Sections 4.7, 4.11, 4.18, 7.2 and 7.3 hereof (together with any other indemnities of Borrowers contained elsewhere in any Loan Document) shall survive the termination of this Agreement and the repayment in full of the Indebtedness.

8.14 Effective Upon Execution. This Agreement shall become effective upon the execution hereof by Bank and Borrowers, and shall remain effective until the Indebtedness under this Agreement and the Note and the related Loan Documents shall have been repaid and discharged

in full and no commitment to extend any credit hereunder (whether optional or obligatory) remains outstanding.

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

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

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

Addenda:

- Addendum 1 - Defined Terms Addendum
- Addendum 2 - Loan Terms, Conditions and Procedures Addendum
- Addendum 3 - Release Provisions

Exhibits:

- Exhibit A - Primary Collateral
- Exhibit B - Intentionally Omitted
- Exhibit C - Form of Borrowing Base Certificate
- Exhibit D - MUD Reimbursables
- Exhibit E - Request for Advance
- Exhibit F - Form of Compliance Certificate

Schedules:

- Schedule 3.5 - Subsidiaries
- Schedule 3.10 - Material Litigation
- Schedule 3.14 - Employee Benefit Plans
- Schedule 3.17 - Environmental Disclosures
- Schedule 3.19 - Equity Ownership

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

8.19 Block 21 Pledge. Stratus has agreed to pledge to Bank, and a grant a security interest to Bank in, Stratus’s right to receive any distributions from the Block 21 Entity, pursuant to the Block 21 Security Agreement. Borrower further covenants and agrees that any distributions received by Stratus or any other Borrower from its investment in the Block 21 Entity shall, after repayment of any amounts due to the senior lender having a lien or security interest on the Block 21 project and/or the Block 21 Entity, be paid to Bank and applied as set forth in Section 2.19 of Addendum 2. Notwithstanding anything to the contrary contained herein, Bank acknowledges and agrees that Stratus has pledged its interest in the Block 21 Entity to the senior lender of the Block 21 project and is not required to pledge that interest to Bank.

8.20 Contributions and Waivers.

(a) As a result of the transactions contemplated by this Agreement and the other Loan Documents, each Borrower will benefit, directly and indirectly, from each Borrower’s obligation to pay the Indebtedness and perform its obligations hereunder and under the other Loan Documents (collectively, the “**Obligations**”) and in consideration therefore each Borrower desires to enter into an allocation and contribution agreement among themselves as set forth in this Section to allocate such benefits among themselves and to provide a fair and equitable agreement to make contributions among each of Borrowers in the event any payment is made by any individual Borrower hereunder to Bank (such payment being referred to herein as a “**Contribution,**” and for purposes of this Section, includes any exercise of recourse by Bank against any Property of a Borrower and application of proceeds of such Property in satisfaction of such Borrower’s obligations, to Bank under the Loan Documents).

(b) Each Borrower shall be liable hereunder with respect to the Obligations only for such total maximum amount (if any) that would not render its Obligations hereunder or under any of the Loan Documents subject to avoidance under Section 548 of the Bankruptcy Code or any comparable provisions of applicable Governmental Requirements.

(c) In order to provide for a fair and equitable contribution among Borrowers in the event that any Contribution is made by an individual Borrower (a “**Funding Borrower**”), such Funding Borrower shall be entitled to a reimbursement Contribution (“**Reimbursement Contribution**”) from all other Borrowers for all payments, damages and expenses incurred by that Funding Borrower in discharging any of the Obligations, in the manner and to the extent set forth in this Section.

(d) For purposes hereof, the “**Benefit Amount**” of any individual Borrower as of any date of determination shall be the net value of the benefits to such Borrower and its Affiliates from extensions of credit made by Bank to (i) such Borrower and (ii) to the other Borrowers hereunder and the Loan Documents to the extent such other Borrowers have guaranteed or mortgaged their property to secure the Obligations of such Borrower to Bank.

(e) Each Borrower shall be liable to a Funding Borrower in an amount equal to the greater of (i) the (A) ratio of the Benefit Amount of such Borrower to the total amount of Obligations, multiplied by (B) the amount of Obligations paid by such Funding Borrower, or (ii) ninety-five percent (95%) of the excess of the fair saleable value of the property of such Borrower over the total liabilities of such Borrower (including the maximum amount reasonably expected to become due in respect of contingent liabilities) determined as of the date on which the payment made by a Funding Borrower is deemed made for purposes hereof (giving effect to all payments made by other Funding Borrowers as of such date in a manner to maximize the amount of such Contributions).

(f) In the event that at any time there exists more than one Funding Borrower with respect to any Contribution (in any such case, the “**Applicable Contribution**”), then Reimbursement Contributions from other Borrowers pursuant hereto shall be allocated among such Funding Borrowers in proportion to the total amount of the Contribution made for or on account of the other Borrowers by each such Funding Borrower pursuant to the Applicable Contribution. In the event that at any time any Borrower pays an amount hereunder in excess of the amount calculated pursuant to this Section above, that Borrower shall be deemed to be a Funding Borrower to the extent of such excess and shall be entitled to a Reimbursement Contribution from the other Borrowers in accordance with the provisions of this Section.

(g) Each Borrower acknowledges that the right to Reimbursement Contribution hereunder shall constitute an asset in favor of Borrower to which such Reimbursement Contribution is owing.

(h) No Reimbursement Contribution payments payable by a Borrower pursuant to the terms of this Section shall be paid until all amounts then due and payable by all of Borrowers to Bank, pursuant to the terms of the Loan Documents, are paid in full in cash. Nothing contained in this Section shall limit or affect in any way the Obligations of any Borrower to Bank under the Loan Documents.

(i) To the extent permitted by applicable Governmental Requirements, each Borrower waives:

(i) any right to require Bank to proceed against any other Borrower or any other Person or to proceed against or exhaust any security held by Bank at any time or to pursue any other remedy in Bank's power before proceeding against Borrower;

(ii) any defense based upon any legal disability or other defense of any other Borrower, any guarantor of any other Person or by reason of the cessation or limitation of the liability of any other Borrower or any guarantor from any cause other than full payment of all sums payable under the Loan Documents;

(iii) any defense based upon any lack of authority of the officers, directors, partners or agents acting or purporting to act on behalf of any other Borrower or any principal of any other Borrower or any defect in the formation of any other Borrower or any principal of any other Borrower;

(iv) any defense based upon any statute or rule of law which provides that the obligation of a surety must be neither larger in amount nor in any other respects more burdensome than that of a principal;

(v) any defense based upon any failure by Bank to obtain collateral for the indebtedness or failure by Bank to perfect a lien on any collateral;

(vi) presentment, demand, protest and notice of any kind;

(vii) any defense based upon any failure of Bank to give notice of sale or other disposition of any collateral to any other Borrower or to any other Person or any defect in any notice that may be given in connection with any sale or disposition of any collateral;

(viii) any defense based upon any failure of Bank to comply with applicable laws in connection with the sale or other disposition of any collateral, including any failure of Bank to conduct a commercially reasonable sale or other disposition of any collateral;

(ix) any defense based upon any use of cash collateral under Section 363 of the Bankruptcy Code;

(x) any defense based upon any agreement or stipulation entered into by Bank with respect to the provision of adequate protection in any bankruptcy proceeding;

(xi) any defense based upon any borrowing or any grant of a security interest under Section 364 of the Bankruptcy Code;

(xii) any defense based upon the avoidance of any security interest in favor of Bank for any reason;

(xiii) any defense based upon any bankruptcy, insolvency, reorganization, arrangement, readjustment of debt, liquidation or dissolution proceeding, including any discharge of, or bar or stay against collecting, all or any of the obligations evidenced by the Note or owing under any of the Loan Documents;

(xiv) any defense or benefit based upon Borrower's, or any other party's, resignation of the portion of any obligation secured by the Security Instrument to be satisfied by any payment from any other Borrower or any such party;

(xv) all rights and defenses arising out of an election of remedies by Bank even though the election of remedies, such as non-judicial foreclosure with respect to security for the Loan or any other amounts owing under the Loan Documents, has destroyed Borrower's rights of subrogation and reimbursement against any other Borrower; and

(xvi) all rights and defenses that Borrower may have because any of the Indebtedness is secured by real property. This means, among other things (subject to the other terms and conditions of the Loan Documents): (1) Bank may collect from Borrower without first foreclosing on any real or personal property collateral pledged by any other Borrower, and (2) if Bank forecloses on any real property collateral pledged by any other Borrower, (I) the amount of the Indebtedness may be reduced only by the price for which that collateral is sold at the foreclosure sale, even if the collateral is worth more than the sale price and (II) Bank may collect from Borrower even if any other Borrower, by foreclosing on the real property collateral, has destroyed any right Borrower may have to collect from any other Borrower. This is an unconditional and irrevocable waiver of any rights and defenses Borrower may have because any of the Indebtedness is secured by real property; and except as may be expressly and specifically permitted herein, any claim or other right which Borrower might now have or hereafter acquire against any other Borrower or any other Person that arises from the existence or performance of any obligations under the Loan Documents, including any of the following: (i) any right of subrogation, reimbursement, exoneration, contribution, or indemnification; or (ii) any right to participate in any claim or remedy of Bank against any other Borrower or any collateral security therefor, whether or not such claim, remedy or right arises in equity or under contract, statute or common law.

8.21 **USA PATRIOT ACT NOTIFICATION.** The following notification is provided to Borrower pursuant to Section 326 of the USA Patriot Act of 2001, 31 U.S.C. Section 5318:

IMPORTANT INFORMATION ABOUT PROCEDURES FOR OPENING A NEW ACCOUNT. To help the government fight the funding of terrorism and

money laundering activities, Federal law requires all financial institutions to obtain, verify, and record information that identifies each person or entity that opens an account, including any deposit account, treasury management account, loan, other extension of credit, or other financial services product. What this means for Borrower: When Borrower opens an account, if Borrower is an individual, Bank will ask for Borrower's name, taxpayer identification number, residential address, date of birth and other information that will allow Bank to identify Borrower, and, if Borrower is not an individual, Bank will ask for Borrower's name, tax identification number, business address, and other information that will allow Bank to identify Borrower. Bank may also ask, if Borrower is an individual, to see Borrower's driver's license or other identifying documents, and, if Borrower is not an individual, to see Borrower's legal organizational documents or other identifying documents.

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**Signature Page Follows**

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

**BANK:**

**COMERICA BANK**

By: /s/ Elaine Houston

Name: Elaine Houston

Title: Assistant Vice President

Bank's Address:

300 West 6th Street, Suite 2250

Austin, TX 78701

Attn: Commercial Real Estate

Signature Page  
Loan Agreement



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

**BORROWERS:**

**STRATUS PROPERTIES INC.,**

a Delaware corporation

By: /s/ Erin D. Pickens

Erin D. Pickens, Senior Vice President

**AUSTIN 290 PROPERTIES, INC.,**

a Texas corporation

By: /s/ Erin D. Pickens

Erin D. Pickens, Senior Vice President

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

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

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

By: /s/ Erin D. Pickens

Erin D. Pickens,  
Senior Vice President

**THE VILLAS AT AMARRA DRIVE, L.L.C.,** a Texas limited liability company

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

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

By: /s/ Erin D. Pickens

Erin D. Pickens,  
Senior Vice President

**CIRCLE C LAND, L.P.,**

a Texas limited partnership

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

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

By: /s/ Erin D. Pickens

Erin D. Pickens,  
Senior Vice President

**210 LAVACA HOLDINGS, L.L.C.,**

a Texas limited liability company

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

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

By: /s/ Erin D. Pickens

Erin D. Pickens,  
Senior Vice President

Signature Page  
Loan Agreement

**MAGNOLIA EAST 149, L.L.C.,**  
a Texas limited liability company

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

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

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

**STRATUS LAKEWAY CENTER, L.L.C.,**  
a Texas limited liability company

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

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

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

Borrowers' Address:  
212 Lavaca Street, Suite 300  
Austin, Texas 78701  
Attn: William H. Armstrong, III

With Copy To:  
Armbrust & Brown, PLLC  
100 Congress Ave, Suite 1300  
Austin, Texas 78701  
Attn: Ken Jones

Signature Page  
Loan Agreement

## ADDENDUM 1

### DEFINED TERMS ADDENDUM

#### SECTION 1. DEFINITIONS

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

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

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

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

“**Affiliate Receivables**” shall mean, as of any time of determination, any amounts in respect of loans or advances owing to Borrower or another Loan Party from any of its Subsidiaries or Affiliates at such time.

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

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

“**Assignment of Partnership Interest**” shall mean, collectively, all Assignments of Partnership Interests now or hereafter executed by a Loan Party in favor of Bank, assigning to Bank their respective partnership interests in the joint ventures or partnerships more fully described therein.

“**Assignment of Reimbursables and Other Fees**” shall mean the Assignment of Reimbursables and Other Fees dated as of June 29, 2018, executed by Borrowers and assigning to Bank all reimbursements, credits, receivables and proceeds due to any Borrower including, but not

limited to, the MUD Reimbursables, the Credit Banks, all utility reimbursements, fees for property management, commission fees and other fee income as more specifically set forth therein.

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

“**Block 21 Entity**” shall mean Stratus Block 21, L.L.C.

“**Block 21 Security Agreement**” shall mean the Security Agreement dated as of June 29, 2018, as may have been amended from time to time, executed by Stratus, whereby Stratus has agreed to pledge to Bank, and a grant a security interest to Bank in, Stratus’s right to receive any distributions from the Block 21 Entity.

“**Borrowing Base Limitation**” shall mean the sum of:

(a) thirty-five percent (35%) of the fair market value of the Primary Collateral which is unimproved real property (except for any portions which are covered by other subsections in the definition of Borrowing Base Limitation set forth below), as indicated by Appraisals delivered to and accepted by Bank pursuant to Section 4.19 hereof;

(b) sixty percent (60%) of the fair market value of the Developed Lots, as indicated by Appraisals delivered to and accepted by Bank pursuant to Section 4.19 hereof;

(c) with respect to portions of the Land which are currently being developed into single-family residential lots (but which are not yet fully Developed Lots), the lesser of (x) sixty percent (60%) of the fair market value of such Land (as if improved and developed), as indicated by Appraisals delivered to and accepted by Bank pursuant to Section 4.19 hereof or (y) an amount equal to the sum of (1) the discounted fair market value of the Land plus (2) the hard and soft cost of all improvements made to the Land as of the date of determination of the Borrowing Base Limitation;

(d) fifty percent (50%) of the Credit Bank Value; and

(e) forty-five percent (45%) of the MUD Reimbursables Value.

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

“**Commitment Fee**” shall mean the sum of \$300,000 to be paid by Borrowers to Bank pursuant to the applicable provisions of this Agreement.

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

continuing, or if any Default or Event of Default shall have occurred and be continuing, specifying in detail the nature and period of existence thereof and any action taken or proposed to be taken by the Borrowers with respect thereto, and also certifying as to whether Borrowers are in compliance with the financial covenants contained in Section 4.20 of this Agreement.

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

“**Contested Item**” shall mean any Lien asserted against all or any portion of the Mortgaged Property if, and so long as (i) Borrowers have notified Bank of same within fifteen (15) days of obtaining knowledge thereof, (ii) Borrowers shall diligently and in good faith contest the same by appropriate legal proceedings which shall operate to prevent the enforcement of collection of the same and the sale of the Mortgaged Property or any part thereof, to satisfy the same, (iii) pending resolution of such Contested Item, Borrowers shall have furnished to Bank a cash deposit or an indemnity bond reasonably satisfactory to Bank with a surety reasonably satisfactory to Bank in the amount of such imposition or lien claim, plus a reasonable additional sum to pay all costs, interest and penalties that may be imposed or incurred in connection therewith, to ensure payment of the matters under contest and to prevent any sale or forfeiture of the Mortgaged Property or any part thereof, (iv) Borrowers shall promptly upon final determination thereof pay the amount of any such imposition or lien claim so determined, together with all costs, interest and penalties which may be payable in connection therewith, (v) the failure to pay such imposition or, lien claim does not constitute a default under any other deed of trust, mortgage or security interest covering or affecting any part of the Mortgaged Property, and (vi) notwithstanding the foregoing, Borrowers shall immediately upon request of Bank pay any such imposition or lien claim notwithstanding such contest if, in the reasonable opinion of Bank, the Mortgaged Property shall be in jeopardy or in danger of being forfeited or foreclosed. Bank may pay over any such cash deposit or part thereof to the claimant entitled thereto at any time when, in the reasonable judgment of Bank, the entitlement of such claimant is established.

“**Credit Bank Value**” means the present discounted value of the Credit Banks, using a discount factor of six percent (6%). As of March 31, 2018 it is estimated that the Credit Bank Value is approximately \$2,400,000.00.

“**Credit Banks**” means the credits to which Borrowers are entitled to receive from the City of Austin under Article 12 of the Development Agreement, in the original aggregate face amount of \$15,000,000.

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

**“Debt-to-Gross Asset Value”** shall mean, with respect to any Person, and as of any applicable date of determination thereof, (a) the total outstanding principal amount of notes payable of such Person (calculated as shown in the most recent version of Stratus’s Investor Presentation (the most recent version of which was dated April 16, 2018 and was previously provided to Bank) or if such calculation is not available, a calculation acceptable to Bank), divided by (b) the Gross Asset Value of such Person.

**“Deeds of Trust”** shall mean, collectively, all Deeds of Trust now or hereafter executed for the benefit of Bank pursuant to which the Land (and any Improvements located thereon) is mortgaged to a trustee for the benefit of Bank to secure the Loan. The Deeds of Trust in effect as of the date of this Agreement are described on **Exhibit A** attached hereto and made a part hereof.

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

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

**“Developed Lots”** means (i) that portion of the Land which has been developed into single family residential lots with all necessary streets, utilities and other infrastructure improvements and which are ready for resale to builders, and (ii) that portion of the Land established as single family condominium units in accordance with a declaration of condominium recorded in the Official Public Records of Travis County, Texas and in a form approved by Lender, in Lender’s sole discretion which condominium units have been developed for use as single family residences with all necessary streets, utilities and other infrastructure improvements and which are ready for resale to builders or end users.

**“Development Agreement”** means that certain Development Agreement dated effective as of August 15, 2002 between the City of Austin and Circle C Land Corp., as may be amended from time to time.

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

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

**“Environmental Law(s)”** shall mean all laws, codes, ordinances, rules, regulations, orders, decrees and directives issued by any federal, state, local, foreign or other governmental or quasi governmental authority or body (or any agency, instrumentality or political subdivision thereof) pertaining to Hazardous Materials or otherwise intended to regulate or improve health, safety or the environment, including, without limitation, any hazardous materials or wastes, toxic substances, flammable, explosive or radioactive materials, asbestos, and/or other similar materials; any so-called “superfund” or “superlien” law, pertaining to Hazardous Materials on or about any of the

Mortgaged Property, or any other property at any time owned, leased or otherwise used by any Loan Party, or any portion thereof, including, without limitation, those relating to soil, surface, subsurface ground water conditions and the condition of the ambient air; and any other federal, state, foreign or local statute, law, ordinance, code, rule, regulation, order or decree regulating, relating to, or imposing liability or standards of conduct concerning, any hazardous, toxic, radioactive, flammable or dangerous waste, substance or material, as now or at anytime hereafter in effect.

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

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

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

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

“**GAAP**” shall mean generally accepted accounting principles consistently applied.

“**Good Faith**” or “**good faith**” shall have the meaning ascribed to the term “good faith” in Article 1.201(20) of the UCC on the date of this Agreement.

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

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

“**Gross Asset Value**” shall mean the estimated market value of assets of a Person and shall be calculated in accordance with standards set forth in the “Cautionary Statement and Regulation G Disclosure” section of Stratus’s Investor Presentation dated April 16, 2018 (attached hereto as Exhibit G) except that asset values shall reflect current annual appraised (such appraisals to be conducted in accordance with Uniform Standards of Professional Appraisal Practice) or estimated market value (as verified by Bank in Bank’s reasonable discretion) as of year-end.

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

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

**“Indebtedness”** shall mean all loans, advances, indebtedness, obligations and liabilities of any Loan Party to Bank under any Loan Document, together with all other indebtedness, obligations and liabilities whatsoever of any Borrower to Bank, whether matured or unmatured, liquidated or unliquidated, direct or indirect, absolute or contingent, joint or several, due or to become due, now existing or hereafter arising, voluntary or involuntary, known or unknown, or originally payable to Bank or to a third party and subsequently acquired by Bank including, without limitation, any late charges, loan fees or charges, overdraft indebtedness, costs incurred by Bank in establishing, determining, continuing or defending the validity or priority of any Lien or in pursuing any of its rights or remedies under any Loan Document or in connection with any proceeding involving Bank as a result of any financial accommodation to any Borrower; debts, obligations and liabilities for which any Borrower would otherwise be liable to the Bank were it not for the invalidity or enforceability of them by reason of any bankruptcy, insolvency or other law or for any other reason, and reasonable costs and expenses of attorneys and paralegals, whether any suit or other action is instituted, and to court costs if suit or action is instituted, and whether any such fees, costs or expenses are incurred at the trial court level or on appeal, in bankruptcy, in administrative proceedings, in probate proceedings or otherwise; provided that the term Indebtedness shall not include any consumer loan to the extent treatment of such loan as part of the Indebtedness would violate any Governmental Requirement.

**“Initial Advance”** shall mean the Advance to be made at the time Borrowers satisfy the conditions set forth in Section 2.13 of Addendum 2.

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

**“LC Collateral”** has the meaning ascribed to such term in Section 3.6(a) of Addendum 2 hereof.

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

**“Letter of Credit”** shall mean a letter of credit issued by the Bank for the account of and/or upon the application of any Loan Party in accordance with this Agreement, as such Letter of Credit may be amended, supplemented, extended or confirmed from time to time.

**“Letter of Credit Liabilities”** shall mean, at any time and in respect of all Letters of Credit, the sum of (a) the aggregate amount available to be drawn under all such Letters of Credit plus (b) the aggregate unpaid amount of all Matured L/C Obligations then due and payable in respect of previous drawings under such Letters of Credit.



**“Letter of Credit Sublimit”** shall mean a maximum of \$7,500,000 of the Loan that may be allocated for Letter of Credit Liabilities, subject to the terms and conditions of this Agreement.

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

**“Loan”** shall mean a \$60,000,000 revolving line of credit that is evidenced by the Note, made, or to be made, by Bank to or for the credit of Borrowers in one or more Advances not to exceed at any one time the aggregate Maximum Loan Amount pursuant to the Loan Terms, Conditions and Procedures Addendum, and which is subject to the Letter of Credit Sublimit.

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

**“Loan Party”** shall mean each Borrower and each other Person who or which shall be liable for the payment or performance of all or any portion of the Indebtedness or who or which shall own any property that is subject to (or purported to be subject to) a Lien which secures all or any portion of the Indebtedness.

**“Loan-to-Value Ratio”** means the percentage obtained by dividing (a) the sum of (x) the amount outstanding under the Loan and (y) the Letter of Credit Liabilities, by (b) the fair market value of the Mortgaged Property, as reflected by current Appraisals at the time of such calculation.

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

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

**“Matured L/C Obligations”** shall mean, at any time and in respect of all Letters of Credit, all amounts paid by Bank on drafts or demands for payment drawn or made under as purported to be under any Letter of Credit, and all other amounts due and owing to Bank under any application by any Loan Party for any Letter of Credit to be issued by Bank (a **“LC Application”**), to the extent the same have not been repaid to Bank (with the proceeds of an Advance or otherwise).

**“Maturity Date”** shall mean June 29, 2020, or such earlier date on which the entire unpaid principal amount of the Loan becomes due and payable whether by the lapse of time, acceleration or otherwise; provided, however, if any such date is not a Business Day, then the Maturity Date shall be the next succeeding Business Day.

**“Maximum Lawful Rate”** shall mean the maximum lawful rate of interest which may be contracted for, charged, taken, received or reserved by Bank in accordance with the applicable laws of the State of Texas (or applicable United States federal law to the extent that it permits Bank to contract for, charge, take, receive or reserve a greater amount of interest than under Texas law), taking into account all Charges (defined as all fees, charges and/or any other things of value, if any, contracted for, charged, received, taken or reserved by Bank in connection with the transactions relating to the Note and the other Loan Documents, which are treated as interest under applicable law) made in connection with the transaction evidenced by the Note and the other Loan Documents. To the extent that Bank is relying on Chapter 303 of the Texas Finance Code to determine the Maximum Lawful Rate payable on the Indebtedness, Bank will utilize the weekly ceiling from time to time in effect as provided in such Chapter 303. To the extent United States federal law permits Bank to contract for, charge, take, receive or reserve a greater amount of interest than under Texas law, Bank will rely on United States federal law instead of such Chapter 303 for the purpose of determining the Maximum Lawful Rate. Additionally, to the extent permitted by applicable law, Bank may, at its option and from time to time, utilize any other method of establishing the Maximum Lawful Rate under such Chapter 303 or under other applicable law by giving notice, if required, to Borrowers as provided by applicable law.

**“Maximum Loan Amount”** shall mean the lesser of (a) \$60,000,000.00 or (b) the Borrowing Base Limitation.

**“Mortgaged Property”** shall mean the Land, Improvements, MUD Reimbursables, Credit Banks, Stratus’ ownership interests, direct or indirect, in all Related Parties, and all other property, assets and rights in which a Lien or other encumbrance in favor of or for the benefit of Bank is or has been granted or arises or has arisen, or may hereafter be granted or arise, under or in connection with any Loan Document, or otherwise, including all other property, assets and rights in which any Borrower obtains an ownership interest, directly or indirectly, with proceeds of the Loan.

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

**“MUD Reimbursables Value”** means the present discounted value of the MUD Reimbursables owned by any Borrower, using a discount factor of six percent (6%). As of March 31, 2018, it is estimated that the MUD Reimbursables Value is approximately \$7,400,000.

**“Net Asset Value”** means with respect to a Person, the (i) Gross Asset Value of such Person minus (ii) the book value of such Person’s tangible liabilities determined according to GAAP, except (y) proforma adjustments shall be made to reflect any assets with estimated market values representing more than 10% of the latest Net Asset Value disposed of prior to the date of the certification, and (z) tangible liabilities shall exclude any tangible liabilities representing more than 10% of the latest Net Asset Value paid or otherwise extinguished prior to the date of the certification.

**“Net Proceeds”** means the gross sales proceeds received from the sale of an asset of any Borrower or any Related Party which is collateral for the Loan, less only reasonable closing costs, surveying costs, title insurance premiums, reasonable attorneys’ fees and a broker’s commission not to exceed six percent (6.0%), with aggregate deductions not to exceed eight percent (8%) of the gross sales price of such asset.

**“Note”** shall mean that certain Revolving Promissory Note dated of even date herewith, executed by Borrowers, as the maker therein, and payable to the order of Bank, as the payee therein, in the principal amount of \$60,000,000.00, together with any and all renewals, modifications, rearrangements, reinstatements, enlargements, or extensions of such promissory notes or of any promissory note or notes given in renewal, substitution or replacement therefor.

**“Other Collateral”** shall mean the Section 2.17 Assets which have not be designated as Primary Collateral in accordance with the terms of this Agreement.

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

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

**“Permitted Disposition”** shall mean (i) a transfer of a beneficial interest in any Borrower or any entity holding a direct or indirect interest in any Borrower by any person or entity holding such an interest to any other person or entity holding such an interest as of the date of this Agreement (the **“Interest Holders”**); (ii) any transfer of a legal or beneficial interest in any publicly-traded stock of Stratus; or (iii) a transfer of a legal or beneficial interest in any Borrower or any entity holding a direct or indirect interest in any Borrower for bona fide estate planning purposes to: (A) members of such transferor’s immediate family or (B) a trust, the holders of the beneficial interests of which are a current Interest Holder or a member of the Interest Holder’s immediate family; provided, however, that a Permitted Disposition shall not include any transfer or series of transfers which (1) after taking into account any prior Permitted Disposition shall result in (x) the proposed transferee owning (directly or indirectly) more than 49% of the interests in any Borrower or any entity holding a direct or indirect interest in any Borrower unless such transferee owned more than 49% of such interests as of the date of this Agreement, or (y) a transfer of more than 49% of the

interests in any Borrower or any entity holding a direct or indirect interest in any Borrower; (2) shall result in a change of control of any Borrower or the day to day operations of the Mortgaged Property; (3) notice of which has not been given by Borrower to Bank, together with copies of all instruments effecting such transfer later than seven (7) Business Days prior to the effective date of such transfer (except notice shall not be required with respect to any stock of any Borrower publicly traded on a national stock exchange); or (4) occurs at any time when an Event of Default has occurred and remains uncured (except with respect to any stock of any Borrower publicly traded on a national stock exchange). For the purposes of Permitted Dispositions, a change of control of any Borrower or any entity holding a direct or indirect interest in any Borrower shall be deemed to have occurred if there is any change in the identity of the individual or group of individuals who have the right, by virtue of the articles of incorporation, articles of organization, the by-laws or an agreement, with or without taking any formative action, to cause such Borrower or such entity to take some action or to block such Borrower or such entity from taking some action which, in either case, such Borrower or such entity could take or could refrain from taking were it not for the rights of such stockholders, partners or members of such Borrower or such entity, as the case may be.

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

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

**“Primary Collateral”** shall mean the tracts of Land listed on **Exhibit A**, attached hereto, and no other part or portion of the Mortgaged Property; provided, however, the Primary Collateral may be expanded by adding additional collateral to **Exhibit A** and obtaining an Appraisal, an environmental audit, Title Policy and other documents that may be required by Bank with respect to such additional collateral.

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

**“Related Party Assets”** shall mean the assets owned by the Borrowers which may be transferred to the Related Parties from time to time.

**“Release Provisions”** shall mean the provisions set forth on Addendum 3 attached hereto.

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

**“Section 2.17 Assets”** shall have the meaning given to the term in Section 2.17 of Addendum 2.

**“Security Agreement”** means, collectively, the Block 21 Security Agreement and all other security agreements executed by Borrowers in favor of Bank pursuant to which Borrowers grant a security interest in certain personal property of Borrowers to Bank.

**“Special Account”** means the account styled “Stratus Properties Inc. Controlled Disbursement Account”, Account No. 1880671001, or any successor account.

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

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

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

**“Title Company”** shall mean the Title Company (and its issuing agent, inapplicable) issuing the Title Policy, which shall be acceptable to Bank in its sole and absolute discretion.

**“Title Policy”** shall mean the mortgagee policy of title insurance issued by the Title Company, on a coinsurance or reinsurance basis (with direct access endorsement or rights) if and as required by Bank, in the aggregate maximum amount of \$60,000,000.00 insuring that the Deeds of Trust covering the Primary Collateral constitute valid liens covering the Primary Collateral subject only to those exceptions which Bank may approve and containing such endorsements as Bank may require.

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

## ADDENDUM 2

### LOAN TERMS, CONDITIONS AND PROCEDURES ADDENDUM

#### SECTION 1. THE LOAN

1.1 Agreements to Lend. Bank hereby agrees to lend to Borrowers up to but not in excess of the Maximum Loan Amount, and Borrowers hereby agree to borrow such sums from Bank, all upon and subject to the terms and provisions of this Agreement, such sums to be evidenced by the Note; provided, however, in no event shall the sum of the aggregate outstanding principal balance of the Loan and the amount of any Letter of Credit Liabilities exceed the Maximum Loan Amount. Subject to the terms and provisions of this Agreement and the other Loan Documents, principal repaid on the Loan may be reborrowed by Borrowers. Borrowers' liability for repayment of the interest on account of the Loan shall be limited to and calculated with respect to Loan proceeds actually disbursed to Borrowers pursuant to the terms of this Agreement and the Note and only from the date or dates of such disbursements. Bank may, in Bank's discretion, disburse Loan proceeds by journal entry to pay interest and financing costs and disburse Loan proceeds directly to third parties to pay costs or expenses required to be paid by Borrowers pursuant to this Agreement. Loan proceeds disbursed by Bank by journal entry to pay interest or financing costs, and Loan proceeds disbursed directly by Bank to pay costs or expenses required to be paid by Borrowers pursuant to this Agreement, shall constitute Advances to Borrowers.

1.2 Advances. The proceeds of the Loan shall be disbursed to Borrowers in one or more Advances provided all applicable conditions to Advances for the Loan set forth in this Agreement have been satisfied. Without limiting the foregoing, any Advance requested by Borrowers under the Loans shall be subject to Borrowers' satisfaction of the terms and conditions set forth in this Addendum 2 (including, if applicable, Section 2.17 (Additional Land Acquisitions)) and in particular shall comply with the use of proceeds restrictions set forth in Section 2.4 below. The Initial Advance shall be used to repay all indebtedness outstanding under the Amended and Restated Credit Agreement on the date of this Agreement.

1.3 Limitation on Advances. Under no circumstances shall Bank be required to disburse any proceeds of the Loan that would cause the aggregate outstanding balance of the Loan plus the Letter of Credit Liabilities at any one time to exceed the Maximum Loan Amount.

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

proceeds of the Loan. In such event, Borrowers shall be required to immediately pay all outstanding Indebtedness and shall have no further rights and privileges under this Agreement and the other Loan Documents.

1.5 Repayment of and Interest on Loan. The Indebtedness from time to time outstanding under and evidenced by the Note shall bear interest at the applicable rate per annum set forth in the Note until the occurrence of an Event of Default and thereafter at the Default Rate and shall otherwise be repaid in accordance with the terms of the respective Note. All unpaid principal, accrued and unpaid interest and other amounts owing under the Note shall be due and payable on the Maturity Date. The Bank shall review the Loan each year as of the date which is twelve (12) months prior to the then Maturity Date (the "**Review Date**"), as the Maturity Date may be extended from time to time in order to evaluate whether to offer Borrowers an extension of the Maturity Date. In connection with such review, Bank will notify Borrowers on or about the Review Date of whether the Bank will agree to extend the Maturity Date. The determination of whether to grant a particular 12 month extension option of the Maturity Date hereunder shall be in Bank's sole discretion. In the event that Bank elects to so grant an option to Borrowers to extend the Maturity Date and Borrowers exercise such option, then at Bank's option, Borrowers shall (i) execute an extension agreement in form and substance reasonably acceptable to Bank evidencing such extension, and (ii) provide an endorsement to the Title Policy in connection with such extension.

1.6 Fees.

(a) Commitment Fee. Borrowers shall pay the Commitment Fee to Bank upon the execution of this Agreement and the closing of the Loan as consideration for the issuance of the Loan.

(b) Unused Commitment Fee. Borrowers shall pay to Bank an unused commitment fee in an amount equal to the product of (a) one-eighth of one percent (.125%) per annum multiplied by (b) the difference between (i) the Maximum Loan Amount and (ii) the aggregate outstanding principal balance of the Note. Such fee shall be computed on a daily basis and shall be payable quarterly in arrears as of the end of each of each calendar quarters. Bank shall invoice Borrowers for such fees, which invoice shall be due and payable within fifteen (15) days after receipt.

(c) Administration Fee. Borrowers shall pay an annual upfront administration fee to Bank in the amount of \$15,000, which fee shall be due and payable on September 30 of each year thereafter during the term of the Loan.

(d) Letter of Credit Fee. Borrowers shall pay a fee in connection with the issuance or renewal of each Letter of Credit as set forth in Section 3.4(c) of this Addendum 2.

## SECTION 2. ADVANCES, PAYMENTS, RECOVERIES AND COLLECTIONS

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

(a) each such Request for Advance shall include, without limitation, a report setting forth the then current Borrowing Base Limitation substantially in the format attached hereto as **Exhibit C**, the proposed amount of such Advance and the proposed Disbursement Date, which date must be a Business Day;

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

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

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

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

(iii) the making of such Advance will not cause the aggregate principal amount outstanding on the Note plus the Letter of Credit Liabilities to exceed the Maximum Loan Amount;

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

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

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

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



Advances pursuant to such other written agreements as may be entered into by Bank and Borrowers. Except as set forth in this Agreement, all Advances are to be made by direct deposit into the Special Account.

2.2 Voluntary Prepayment. Borrowers may prepay all or part of the outstanding balance under the Note (subject to the provisions of the Note regarding a prepayment prior to the expiration of the applicable Interest Period [as defined in the Note]) at any time, without premium, penalty or prejudice to the right of Borrowers to reborrow sums of the Loan under the terms of this Agreement, subject to the terms and conditions of the Loan Documents.

2.3 Maximum Loan Amount and Reduction of Indebtedness. Notwithstanding anything contained in this Agreement to the contrary, the principal amount of the Loan at any time outstanding plus any Letter of Credit Liabilities shall not exceed the Maximum Loan Amount. If said limitation is exceeded at anytime, Borrowers shall immediately, without demand by Bank, pay to Bank an amount not less than such excess, or, if Bank, in its sole discretion, shall so agree, Borrowers shall provide Bank cash collateral in an amount not less than such excess, and Borrowers hereby pledge and grant to Bank a security interest in such cash collateral so provided to Bank.

2.4 Use of Proceeds of Loan. The proceeds of the Loan shall be used to fund equity contributions for development ventures of Borrower, for pre-development and development costs for the Land, such as earnest money deposits, and property improvements in connection with the Land and other working capital needs of Borrowers, including corporate and project general, administrative and operating costs, stock repurchase costs (not to exceed \$1,000,000 in the aggregate during the term of the Loan), pursuit costs, entitlement costs, taxes, business endeavors associated with the development of commercial and residential real properties, and for land acquisitions in accordance with the terms of Section 2.17 of this Addendum.

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

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

2.7 Bank's Books and Records. The amount and date of each Advance hereunder, the amount from time to time outstanding under the Note, the interest rate in respect of the Loan, and the amount and date of any repayment hereunder or under the Note, shall be noted on Bank's books and records, which shall be conclusive evidence thereof, absent manifest error; provided, however, any failure by Bank to make any such notation, or any error in any such notation, shall not relieve Borrowers of their obligations to pay to Bank all amounts owing to Bank under or pursuant to the Loan Documents, in each case, when due in accordance with the terms hereof or thereof.

2.8 Payments on Non-Business Day. In the event that any payment of any principal, interest, fees or any other amounts payable by Borrowers under or pursuant to any Loan Document

shall become due on any day which is not a Business Day, such due date shall be extended to the next succeeding Business Day, and, to the extent applicable, interest shall continue to accrue and be payable at the interest rate set forth in the applicable Note for and during any such extension.

2.9 Payment Procedures. Unless otherwise expressly provided in a Loan Document, all sums payable by Borrowers to Bank under or pursuant to any Loan Document, whether principal, interest, or otherwise, shall be paid, when due, directly to Bank at the office of Bank identified on the signature page of this Agreement, or at such other office of Bank as Bank may designate in writing to Borrowers from time to time, in immediately available United States funds, and without setoff, deduction or counterclaim. Bank may, in its discretion, charge any and all deposit or other accounts (including, without limitation, any account evidenced by a certificate of deposit or time deposit) of any Borrower maintained with Bank for all or any part of any Indebtedness which is not paid when due and payable; provided, however, that such authorization shall not affect any Borrower's obligations to pay all Indebtedness, when due, whether or not any such account balances maintained by such Borrower with Bank are insufficient to pay any amounts then due.

2.10 Maximum Interest Rate. It is expressly stipulated and agreed to be the intent of Borrowers and Bank at all times to comply strictly with the applicable Texas law governing the maximum rate or amount of interest payable on the Indebtedness (or applicable United States federal law to the extent that it permits Bank to contract for, charge, take, reserve or receive a greater amount of interest than under Texas law). If the applicable law is ever judicially interpreted so as to render usurious any amount (i) contracted for, charged, taken, reserved or received pursuant to the Note, any of the other Loan Documents or any other communication or writing by or between Borrowers and Bank related to any of the Indebtedness, (ii) contracted for, charged or received by reason of Bank's exercise of the option to accelerate the maturity of the Note and/or any other portion of the Indebtedness, or (iii) Borrowers will have paid or Bank will have received by reason of any voluntary prepayment by Borrowers of the Note and/or any of the other Indebtedness, then it is Borrowers' and Bank's express intent that all amounts charged in excess of the Maximum Lawful Rate shall be automatically canceled, ab initio, and all amounts in excess of the Maximum Lawful Rate theretofore collected by Bank shall be credited on the principal balance of the Note and/or any of the other Indebtedness evidenced by the Loan Documents (or, if the Note and all other Indebtedness evidenced by the Loan Documents have been or would thereby be paid in full, refunded to Borrowers), and the provisions of the Note and the other Loan Documents immediately be deemed reformed and the amounts thereafter collectible hereunder and thereunder reduced, without the necessity of the execution of any new document, so as to comply with the applicable law, but so as to permit the recovery of the fullest amount otherwise called for hereunder and thereunder; provided, however, if the Note has been paid in full before the end of the stated term of the Note, then Borrowers and Bank agree that Bank shall, with reasonable promptness after Bank discovers or is advised by Borrowers that interest was received in an amount in excess of the Maximum Lawful Rate, either refund such excess interest to Borrowers and/or credit such excess interest against any other Indebtedness then owing by Borrowers to Bank. Borrowers hereby agree that as a condition precedent to any claim seeking usury penalties against Bank, Borrowers will provide written notice to Bank, advising Bank in reasonable detail of the nature and amount of the violation, and Bank shall have sixty (60) days after receipt of such notice in

which to correct such usury violation, if any, by either refunding such excess interest to Borrowers or crediting such excess interest against the Note and/or other Indebtedness then owing by Borrowers to Bank. All sums contracted for, charged or received by Bank for the use, forbearance or detention of any of the Indebtedness, including any portion of the debt evidenced by the Note shall, to the extent permitted by applicable law, be amortized or spread, using the actuarial method, throughout the stated term of the Note and/or other Indebtedness (including any and all renewal and extension periods) until payment in full so that the rate or amount of interest on account of the Note and/or other Indebtedness does not exceed the Maximum Lawful Rate from time to time in effect and applicable to the Note and/or the other Indebtedness for so long as any Indebtedness is outstanding.

In no event shall the provisions of Chapter 346 of the Texas Finance Code (which regulates certain revolving credit loan accounts and revolving triparty accounts) apply to the Note and/or any of the other Indebtedness. Notwithstanding anything to the contrary contained herein or in any of the other Loan Document it is not the intention of Bank to accelerate the maturity of any interest that has not accrued at the time of such acceleration or to collect unearned interest at the time of such acceleration.

2.11 Receipt of Payments by Bank. Any payment by Borrowers of any of the Indebtedness made by mail will be deemed tendered and received by Bank only upon actual receipt thereof by Bank at the address designated for such payment, whether or not Bank has authorized payment by mail or in any other manner, and such payment shall not be deemed to have been made in a timely manner unless actually received by Bank on or before the date due for such payment, time being of the essence. Borrowers expressly assume all risks of loss or liability resulting from non-delivery or delay of delivery of any item of payment transmitted by mail or in any other manner. Acceptance by Bank of any payment in an amount less than the amount then due shall be deemed an acceptance on account only, and any failure to pay the entire amount then due shall constitute and continue to be an Event of Default hereunder. Bank shall be entitled to exercise any and all rights and remedies conferred upon and otherwise available to Bank under any Loan Document upon the occurrence and during the continuance of any such Event of Default. Borrowers further agree that after the occurrence and during the continuance of any Default Bank shall have the continuing exclusive right to apply and to reapply any and all payments received by Bank at any time or times, whether as voluntary payments, proceeds from any Mortgaged Property, offsets, or otherwise, against the Indebtedness in such order and in such manner as Bank may, in its sole discretion, deem advisable, notwithstanding any entry by Bank upon any of its books and records. Borrowers hereby expressly agree that, to the extent that Bank receives any payment or benefit of or otherwise upon any of the Indebtedness, and such payment or benefit, or any part thereof, is subsequently invalidated, declared to be fraudulent or preferential, set aside, or required to be repaid to a trustee, receiver, or any other Person under any bankruptcy act, state or federal law, common law, equitable cause or otherwise, then to the extent of such payment or benefit, the Indebtedness, or part thereof, intended to be satisfied shall be revived and continued in full force and effect as if such payment or benefit had not been made or received by Bank, and, further, any such repayment by Bank shall be added to and be deemed to be additional Indebtedness.

2.12 Security. Payment and performance of the Indebtedness shall be secured by Liens on the assets, other collateral and properties of Borrowers and of such other Loan Parties as Bank may require from time to time, except that any projects owned by Subsidiaries of Borrowers which are financed with project-related debt (and not financed with proceeds of the Loan) shall not be security for the Loan, provided that with respect to any of the Mortgaged Property which is collateral for the Loan, the required Partial Release Price is paid to Bank pursuant to Addendum 3 hereof to obtain a release of such Mortgaged Property in connection with the commencement of any such project.

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

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

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

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

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

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

(2) (i) Copies of resolutions of the board of directors, partners or members or managers, as applicable, of each Loan Party evidencing approval of the borrowing hereunder and the transactions contemplated by the Loan Documents, and authorizing the execution, delivery and performance by each Loan

Party of each Loan Document to which it is a party or by which it is otherwise bound, which resolutions shall have been certified by a duly authorized officer, partner or other representative, as applicable, of each Loan Party as of the date of this Agreement as being complete, accurate and in full force and effect; (ii) incumbency certifications of a duly authorized officer, partner or other representative, as applicable, of each Loan Party, in each case, identifying those individuals who are authorized to execute the Loan Documents for and on behalf of such Person(s), respectively, and to otherwise act for and on behalf of such Person(s); (iii) certified copies of each of such Person(s)' articles of incorporation and bylaws, partnership agreement, certificate of limited partnership, articles of organization, regulations or operating agreement, as applicable, and all amendments thereto; and (iv) certificates of existence, good standing and authority to do business, as applicable, certified substantially contemporaneously with the date of this Agreement, from the state or other jurisdiction of each of such Person(s)' organization and from every other state or jurisdiction in which such Person is required, under applicable law, to be qualified to do business.

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

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

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

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

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

(8) If requested by bank, an environmental audit report covering the Primary Collateral, in form and content and conducted and prepared by an environmental consultant reasonably acceptable to Bank. Borrowers agree that

Bank may disclose the contents of such environmental audit report to Governmental Authorities and Borrowers shall deliver to Bank the written consent to such disclosure from the respective environmental consultant.

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

(10) To the extent portions of the Primary Collateral have been platted, full-size, single sheet copies of all recorded subdivision or plat maps of the Primary Collateral approved (to the extent required by Governmental Requirements) by all Governmental Authorities, if applicable, and legible copies of all instruments representing exceptions to the state of title to the Primary Collateral.

(11) Current Financial Statements of Borrowers.

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

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

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

(g) Upon making the Initial Advance on the Loan, the sum of the amount outstanding on the Loan and all Letter of Credit Liabilities shall not exceed the Maximum Loan Amount.

2.14 Conditions to Subsequent Advances and Letters of Credit. Bank has no obligation to make any Advance on the Loan or to issue any Letter of Credit subsequent to the Initial Advance unless the following conditions precedent are satisfied on or before the Disbursement Date for such Advance:

(a) At Bank's request, Borrowers shall furnish to Bank an endorsement to the Title Policy (or if an endorsement is not available, a letter from the Title Company) showing "nothing further" of record affecting the Primary Collateral from the date of recording of the Deeds of Trust, except such matters as Bank specifically approves.

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

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

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

(e) To the extent that any of the proceeds of the Advance are used to acquire assets, Borrowers shall grant a first Lien on such assets, except for office equipment such as computers and phone systems.

(f) Upon making the Advance on the Loan then requested, the sum of the amount outstanding on the Loan and any Letter of Credit Liabilities shall not exceed the Maximum Loan Amount.

(g) Upon the issuance or renewal of a Letter of Credit, the Letter of Credit Liabilities in the aggregate shall not exceed the amount of the Letter of Credit Sublimit.

2.15 Advance Not A Waiver. No Advance of the proceeds of the Loan shall constitute a waiver of any of the conditions of Bank's obligation to make further Advances, nor, in the event Borrowers are unable to satisfy any such condition, shall any such Advance have the effect of precluding Bank from thereafter declaring such inability to be an Event of Default.

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

2.17 Additional Land Acquisitions. Subject to the satisfaction of all conditions precedent to Advances of the Loan, Bank hereby agrees to make one or more Advances of the Loan, which Advances shall reduce the amount available to Borrowers under the Loan in question, in an amount not to exceed, without prior Bank approval, (i) \$3,000,000.00 at any one time, or (ii) \$10,000,000.00 in the aggregate (together with all other outstanding Advances for land acquisitions), for the purpose of the acquisition of fee title to real property, provided that Borrowers (i) provide Bank with information about such real property as Bank may reasonably request, (ii) execute and deliver to Bank for each acquisition a deed of trust covering the real property acquired, substantially in the form of the Deeds of Trust, granting to Bank a deed of trust first lien on such real property, which deed of trust will be cross-defaulted and cross-collateralized with the Deeds of Trust and other Loan Documents, (iii) cause the Title Company to provide Bank with a Title Policy insuring such deed of trust as a first lien on such real property and containing only such exceptions to title acceptable to Bank, and in an amount and otherwise on terms and conditions reasonably satisfactory to Bank, and (iv) execute and deliver to Bank its proposed disposition plan of such real property which must be reasonably satisfactory to Bank. Any and all real estate

assets acquired in whole or part with Advances made under this Section are sometimes referred to as “**Section 2.17 Assets**”. Notwithstanding anything in this Agreement to the contrary, such Section 2.17 Assets shall, for purposes of this Agreement, be deemed to be included as “**Other Collateral**”; provided, however, that such Section 2.17 Assets may be designated as part of the “**Primary Collateral**” by obtaining an Appraisal, an environmental audit, Title Policy and other documents that may be reasonably required by Bank to classify such Section 2.17 Assets as “Primary Collateral”. Advances under the Loan for other than the acquisitions of Section 2.17 Assets are not subject to the terms and provisions of this Section 2.17.

2.18 Mandatory Prepayments. Borrowers shall immediately pay to Bank for application to the Loan in accordance with the terms of this Agreement and in accordance with the Release Provisions set forth in Addendum 3, unless otherwise agreed by Bank in writing, the following sums: (i) one-hundred percent (100%) of the Net Proceeds received by or on behalf of any Borrower from the sale of all or any portion of the Mortgaged Property (except to the extent expressly set forth in Addendum 3 attached hereto) or upon the taking by condemnation of all or any portion of the Mortgaged Property (except to the extent expressly set forth in Addendum 3 attached hereto), (ii) one-hundred percent (100%) of the Net Proceeds of MUD Reimbursables, (iii) one-hundred percent (100%) of the Net Proceeds received upon the sale of any Section 2.17 Asset, (iv) one-hundred percent (100%) of the Net Proceeds received from any sale or transfer of any of the Credit Banks (but not any of the Credit Banks which are drawn on by any Borrower to develop the Land) and (v) and one-hundred percent (100%) of the distributions received by any Borrower from any partnership or joint venture which is a Related Party or Subsidiary of any such Borrower, upon the sale by such Related Party or Subsidiary of any real property interest (“**Partnership Distributions**”).

2.19 Application of Payments. Except as provided in Section 2.20 below, so long as no Event of Default exists, all payments received from any Borrower (including, without limitation, the application of Net Proceeds received from MUD Reimbursables, proceeds received from the sale or transfer of Credit Banks, the application of Net Proceeds from the sale of Section 2.17 Assets, the application of Net Proceeds from the sale of Primary Collateral or Other Collateral or Partnership Distributions, the application of Net Proceeds from the conveyance of Primary Collateral or Other Collateral to a Related Party, and release price proceeds from any other source) shall be applied as follows:

- (a) First, such proceeds shall be applied to pay interest current on the Note;
- (b) Second, such proceeds shall be applied to pay any other sums (other than principal) then due and payable under the Loan (which may include any Letter of Credit Liabilities);
- (c) Third, such proceeds shall be applied to pay the outstanding principal balance then due under the Note; and
- (d) Fourth, any remaining proceeds after application as above set forth shall be distributed to Borrowers at its discretion.



2.20 Maximum Cost for any Individual Project. Subject to the satisfaction of all conditions precedent to Advances of the Loan and the terms and conditions set forth in Section 2.17 of this Addendum 2, Bank shall have no obligation to make an Advance for any individual project or investment of Borrower (or any individual Borrower) (each an “**Applicable Project**”) whether in real property or otherwise if such Advances attributable to the Applicable Project in the aggregate exceed \$10,000,000. Borrower shall provide Bank with information about an Applicable Project as Bank may reasonably request and Bank shall, in its sole discretion, determine whether or not to make such Advance related to such Applicable Project.

### **SECTION 3. LETTERS OF CREDIT**

3.1 Letters of Credit. Subject to the terms and conditions of this Agreement and the other Loan Documents, Borrowers may, prior to the Maturity Date, request Bank to issue one or more Letters of Credit under and as part of the Loan, subject to the Letter of Credit Sublimit, provided that the conditions to the issuance of Letters of Credit herein are satisfied. In no event shall the Letter of Credit Liabilities ever exceed the amount of the Letter of Credit Sublimit; and the sum of (i) the outstanding principal balance of the Note and (ii) any Letter of Credit Liabilities, shall not ever exceed the Maximum Loan Amount. Letters of Credit may be issued for business purposes reasonably approved by Bank. As of the date hereof, four (4) Letters of Credit in the aggregate face amount of \$4,056,315.00 have been issued under and are outstanding pursuant to this Agreement.

3.2 Conditions to Letters of Credit. The issuance of each Letter of Credit shall be subject to the following conditions:

(a) such Letter of Credit and any amounts to be disbursed or advanced under such Letter of Credit shall be used only for the same purposes as allowed for Advances under the Loan, as set forth in Section 2.4 of Addendum 2 of the Loan Agreement;

(b) after taking into account the issuance of any such Letter of Credit, (i) the sum of the Letter of Credit Liabilities does not exceed the Letter of Credit Sublimit and (ii) the sum of (X) the Letter of Credit Liabilities, plus (Y) the then outstanding principal balance of the Note, does not (and shall at no time) exceed the Maximum Loan Amount. Accordingly, the amount of all Letter of Credit Liabilities, if any, shall reduce the amount available for the issuance of Letters of Credit under the Letter of Credit Sublimit;

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

(d) such Letter of Credit shall be classified as a “Standby” Letter of Credit in accordance with applicable laws and regulations applicable to Bank and in accordance with the Bank’s customary practices at such times for reporting to regulatory authorities;

(e) the issuance of such Letter of Credit will be in compliance with all applicable Governmental Requirements and all other applicable restrictions, policies, and

guidelines and will not subject Bank to any cost which is not reimbursable by a Borrower under the Loan Documents;

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

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

(h) immediately before and after the issuance of such Letter of Credit, no Event of Default or Default shall have occurred and be continuing; and

(i) the representations and warranties of Borrowers contained in this Agreement and the other Loan Documents shall be true and correct on and as of the date of issuance of such Letter of Credit.

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

3.3 Requesting Letters of Credit. Borrowers must make written application for any Letter of Credit at least five (5) Business Days before the date on which Borrowers desire for Bank to issue such Letter of Credit. By making any such written application, Borrowers shall be deemed to have represented and warranted that the LC Conditions will be met as of the date of issuance of such Letter of Credit. Two (2) Business Days after the LC Conditions have been met (or if Bank otherwise desires to issue such Letter of Credit), Bank will issue such Letter of Credit at Bank’s office in Dallas, Texas. If any provisions of any LC Application conflict with any provisions of this Agreement, the provisions of this Agreement shall govern and control.

#### 3.4 Reimbursement and Participations.

(a) Reimbursement by Borrowers. Each Matured L/C Obligation shall constitute an Advance under the Loan and the Note. To the extent the same has not been repaid to Bank (with the proceeds of an Advance under the Loan or otherwise), Borrowers promise to pay to Bank, or to Bank’s order, on demand, (i) the full amount of each Matured L/C Obligation, whether such obligation accrues before or after the Maturity Date, together with (ii) interest thereon at a rate per annum equal to the “Applicable Interest Rate” (as such term is defined in the Note) until repaid in full; provided that after the Maturity Date or following a Default or an Event of Default under this Agreement or the other Loan Documents, such interest shall accrue at the Default Rate.

(b) Letter of Credit Advances. If the beneficiary of any Letter of Credit makes a draft or other demand for payment thereunder, then Borrowers may, during the interval

between the making thereof and the honoring thereof by Bank, request Bank to make an Advance under the Revolving Note to Borrowers in the amount of such draft or demand, which Advance shall be made concurrently with Bank's payment of such draft or demand and shall be immediately used by Bank to repay the amount of the resulting Matured L/C Obligation. Such a request by Borrowers shall be made in compliance with all of the provisions hereof.

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

### 3.5 No Duty to Inquire.

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

(b) Extension of Letter of Credit Maturity. If the maturity of any Letter of Credit is extended by its terms or by applicable law or governmental action, if any extension of the maturity or time for presentation of drafts or any other modification of the terms of any Letter of Credit is made at the request of Borrowers, or if the amount of any Letter of Credit is increased at the request of Borrowers, this Agreement shall be binding upon Borrowers with respect to such Letter of Credit as so extended, increased or otherwise modified, with respect to drafts and property covered thereby, and with respect to any action taken by Bank, or Bank's correspondents in accordance with such extension, increase or other modification.

(c) Transferees of Letters of Credit. If any Letter of Credit provides that it is transferable, Bank shall have no duty to determine the proper identity of anyone appearing

as transferee of such Letter of Credit, nor shall Bank be charged with responsibility of any nature or character for the validity or correctness of any transfer or successive transfers, and payment by Bank to any purported transferee or transferees as determined by Bank is hereby authorized and approved, and Borrowers further agree to hold Bank harmless and indemnified against any liability or claim in connection with or arising out of the foregoing, **WHICH INDEMNITY SHALL APPLY WHETHER OR NOT ANY SUCH LIABILITY OR CLAIM IS IN ANY WAY OR TO ANY EXTENT OWED, IN WHOLE OR IN PART, UNDER ANY CLAIM OR THEORY OF STRICT LIABILITY, OR ARE CAUSED, IN WHOLE OR IN PART, BY ANY NEGLIGENT ACT OR OMISSION OF ANY KIND BY BANK**, provided only that Bank shall not be entitled to indemnification for that portion, if any, of any liability or claim which is proximately caused by its own individual gross negligence or willful misconduct, as determined in a final judgment.

### 3.6 LC Collateral.

(a) Acceleration of Letter of Credit Liabilities. On the Maturity Date, or if the Loan becomes immediately due and payable pursuant to the Loan Documents, then, unless Bank otherwise specifically elects to the contrary, all Letter of Credit Liabilities shall become immediately due and payable without regard to whether or not actual drawings or payments on the Letters of Credit have occurred, and Borrowers shall be obligated to return all original Letters of Credit to Bank and pay to Bank immediately an amount equal to the aggregate Letter of Credit Liabilities which are then outstanding (taking into account the actual return to Bank of any original outstanding Letters of Credit). All amounts so paid shall first be applied to Matured L/C Obligations and the remainder will be held by Bank as security for the remaining Letter of Credit Liabilities (all such amounts held as security for Letter of Credit Liabilities being herein collectively called "**LC Collateral**") until such Letter of Credit Liabilities become Matured L/C Obligations, at which time such LC Collateral shall be applied to such Matured L/C Obligations, and any remaining amounts after the repayment of all Matured L/C Obligations and Indebtedness shall be returned to Borrowers.

(b) Investment of LC Collateral. Pending application thereof, all LC Collateral shall be invested by Bank in such investments as Bank may elect. All interest on such investments shall be reinvested or applied to Matured L/C Obligations. When all indebtedness evidenced by the Note and all Letter of Credit Liabilities have been satisfied in full, all Letters of Credit have expired or been terminated, and all of Borrowers' reimbursement obligations in connection therewith have been satisfied in full, Bank shall release any remaining LC Collateral. Borrowers hereby assign and grant to Bank a continuing security interest in all LC Collateral, all investments purchased with such LC Collateral, and all proceeds thereof to secure its Matured L/C Obligations and its obligations under this Agreement, the Note and the other Loan Documents. Borrowers further agree that Bank shall have all of the rights and remedies of a secured party under the Uniform Commercial Code as adopted in the State of Texas with respect to such security

interest and that an Event of Default under this Agreement shall constitute a default for purposes of such security interest.

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

## ADDENDUM 3

### RELEASE PROVISIONS

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

1. Release Prices.

(a) Primary Collateral. The Partial Release Price for Primary Collateral shall be as follows: The payment to Bank of a Partial Release Price equal to one hundred percent (100%) of the Net Proceeds, which Net Proceeds shall in no event be less than (i) eighty-five percent (85%) of the discounted appraised value (hereinafter referred to as "**Appraised Value**") of that portion of the Primary Collateral other than Developed Lots which is being released and (ii) with respect to that portion of the Primary Collateral consisting of Developed Lots, one hundred percent (100%) of the discounted Appraised Value of that portion of the Primary Collateral for each Developed Lot being released.

(b) Other Collateral. The Partial Release Price for Other Collateral shall be as follows: The payment to Bank of a Partial Release Price equal to one hundred percent (100%) of the Net Proceeds, which Net Proceeds shall in no event be less than eighty-five percent (85%) of the assigned value (hereinafter referred to as "**Assigned Value**") established by Bank and Borrowers for each of the Tracts of Other Collateral, which value shall (i) be established based on values for similar properties which have been appraised as part of the Primary Collateral, and (ii) be determined on a per square foot basis. As of the date of this Agreement, Bank and Borrower have not yet established the Assigned Values. Until such time as Bank and Borrower have established the Assigned Values, the "Assigned Values" will be the values reasonably determined by Bank based on prior appraisals approved by Bank.

(c) MUD Reimbursables, Credit Banks, Etc. The Partial Release Price for MUD Reimbursables, Credit Banks, notes receivable, accounts receivable and Partnership Distributions (as defined in Section 2.18 of Addendum 2 hereof) shall be equal to one hundred percent (100%) of the Net Proceeds.

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

(f) Bank Financed Projects. The foregoing notwithstanding, no release price will be required for the release of either Primary Collateral or Other Collateral from the lien of the Deeds of Trust in the event such Primary Collateral or Other Collateral is the subject of additional project financing by Bank pursuant to a separate loan between any Loan Party and Bank, and only so long as (i) in connection with such loan, Bank has a priority lien and security interest in such Primary Collateral or Other Collateral securing repayment of such loan (subject only to Liens in favor of Bank), (ii) such Loan Party owns 100% of the Primary Collateral or Other Collateral which is the subject of such separate loan, and any and all equity in the project is funded solely by Borrowers without any third-parties having any ownership or equity interest therein, (iii) such loan is cross-defaulted and cross collateralized with the Loan to the extent required by Bank; and (iv) any ownership interest of any Borrower in a Related Party into which Primary Collateral or Other Collateral has been transferred will, if required by Bank, be assigned to Bank as security for the Indebtedness, and each Borrower agrees to execute and deliver to Bank an Assignment of Partnership Interest in such form and content as Bank may require. If the Land sought to be released as provided above is Primary Collateral, then such Primary Collateral shall be removed from the borrowing base (i.e., such Primary Collateral shall be removed from the Borrowing Base Limitation calculations for purposes of determining the Maximum Loan Amount allowed hereunder). Except as modified hereby, all of the release provisions (including, without limitation, the provisions requiring payment of a release price) as set forth in the Loan Agreement will continue to apply with respect to any release of Primary Collateral or Other Collateral.

2. Release Conditions. Notwithstanding anything contained herein to the contrary, the location and configuration of the tract or tracts, requested to be released (herein called "Tract" or "Tracts") shall be reasonably satisfactory to Bank and no Partial Release shall result in any remaining Tract being without access to a public street (which may be via a private drive or private street providing perpetual means of access). Any and all Partial Releases shall be in accordance with the following procedures:

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

(b) Within fifteen (15) days after receipt of such request, and in accordance with and pursuant to the terms and conditions of this Addendum 3 and the other applicable provisions of this Agreement, Bank shall execute an instrument effecting such Partial Release (“**Partial Release Instrument**”) and deliver same to the title company so specified; provided that all costs and expenses of Bank associated with such Partial Release (including, but not limited to, reasonable legal fees) shall be paid by Borrowers. Borrowers shall also obtain all title insurance endorsements reasonably required by Bank in connection with such Partial Release.

(c) The execution and delivery of such Partial Release Instrument shall not affect any of Borrowers’ obligations under the Loan Documents, except that the payment of the Partial Release Price must be actually received by Bank. Regardless of the time such Partial Release is executed, delivered and recorded, the payment made by Borrowers to Bank in respect to such Partial Release shall be credited against the Indebtedness in accordance with the terms of this Agreement only upon receipt by Bank of the Partial Release Price. The Partial Release Instrument shall be delivered, in escrow, by Bank to the title company so designated, to be held, released, delivered and recorded in accordance with Bank’s escrow instructions, which shall require payment, in cash, of the Partial Release Price to Bank prior to delivery and recordation of the Partial Release Instrument.

(d) The requested partial release shall not result in the outstanding principal amount of of the Loan plus the Letter of Credit Liabilities exceeding the Maximum Loan Amount.





**Revolving Promissory Note**  
LIBOR-based Rate

<b>AMOUNT</b> <b>\$60,000,000.00</b>	<b>NOTE DATE</b> <b>June 29, 2018</b>	<b>MATURITY DATE</b> <b>June 29, 2020</b>
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ON OR BEFORE THE MATURITY DATE, as stated above, FOR VALUE RECEIVED, the undersigned promise(s) to pay to the order of COMERICA BANK (herein called “**Bank**”), at any office of the Bank in the State of Texas, the principal sum of SIXTY MILLION AND NO/100<sup>THS</sup> DOLLARS (U.S.) (\$60,000,000.00), or so much of said sum as has been advanced and is then outstanding under this Note, together with interest thereon in accordance with the terms and conditions of this Note.

This Note is a note under which Advances, repayments and re-Advances may be made from time to time, subject to the terms and conditions of this Note and the Loan Agreement (as hereinafter defined); provided, however, in no event shall Bank be obligated to make any Advances hereunder (notwithstanding anything expressed or implied herein or elsewhere to the contrary) in the event that any Event of Default (as defined in the Loan Agreement) then exists, or if Bank has sent written notice to the undersigned in accordance with the Loan Documents of any condition or event which, with the passage of time, would constitute an Event of Default, and which has not been cured.

The principal balance outstanding at any time may not exceed the face amount hereof, but amounts repaid may be reborrowed in accordance with the Loan Agreement. The books and records of the Bank shall be the best evidence of the principal amount and the unpaid interest amount owing at any time under this Note and shall be conclusive absent manifest error. No interest shall accrue under this Note until the date of the first Advance made by the Bank; after that interest on all Advances shall accrue at the Applicable Interest Rate and be computed on the principal balance outstanding from time to time under this Note until the same is paid in full.

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

Accrued and unpaid interest on the unpaid principal balance outstanding hereunder shall be payable monthly, in arrears, on the fifth (5<sup>th</sup>) day of each month, commencing on the fifth (5<sup>th</sup>) day after the first (1st) month after the date of this Note and continuing on a like day of each succeeding month thereafter, until the Maturity Date, when the entire unpaid balance of principal and interest under this Note shall be due and payable (unless sooner accelerated in accordance with the terms of this Note).

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

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

The term “**Loan Agreement**” hereunder shall mean that certain Loan Agreement dated of even date with this Note by and between Bank and the undersigned, as the same may be further supplemented, amended or restated from time to time.

From and after the occurrence of any Event of Default (as defined in the Loan Agreement, and also referred to in this Note as a “**Default**”), and so long as any such Default remains unremedied or uncured thereafter, the Indebtedness outstanding under this Note shall bear interest at the Default Rate (as defined in the Loan Agreement), which interest shall be payable upon demand. In addition to the foregoing, a late payment charge equal to five percent (5%) of each late payment hereunder may be charged on any payment not received by Bank within ten (10) calendar days after the payment due date therefor, but acceptance of payment of any such charge shall not constitute a waiver of any Default hereunder; provided, however, the late charge shall not be applicable with respect to the outstanding principal balance of this Note upon the maturity of this Note (whether occurring by virtue of acceleration, on the stated maturity date, or otherwise).

In no event shall the interest payable under this Note at any time exceed the Maximum Lawful Rate (as defined in the Loan Agreement). Reference is made to Section 2.10 of Addendum 2 of the Loan Agreement for the terms related to the application of the Maximum Lawful Rate.

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

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

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

All payments to be made by the undersigned to Bank under or pursuant to this Note shall be in immediately available United States funds, without setoff or counterclaim, and in the event that any payments submitted hereunder are in funds not available until collected, said payments shall continue to bear interest until collected. The undersigned hereby authorize(s) Bank to charge any account(s) of the undersigned (or any of them) with Bank for all sums due hereunder when due in accordance with the terms hereof.

In the event that the LIBOR-based Rate plus the Applicable Margin is the Applicable Interest Rate for the principal Indebtedness outstanding under this Note, and any payment or prepayment of any such Indebtedness shall occur on any day other than the last day of the Interest Period applicable thereto (whether voluntarily, by acceleration, required payment or otherwise), or if the undersigned shall fail to (i) borrow any LIBOR-based Advance after notice has been given by the undersigned (or any of them) to Bank in accordance with the terms of this Note or (ii) make any payment of principal or interest hereunder at any time that the LIBOR-based Rate is the basis for the Applicable Interest Rate hereunder in respect of such Indebtedness, the undersigned shall reimburse Bank, on demand, for any resulting loss,

cost or expense incurred by Bank as a result thereof, including, without limitation, any such loss, cost or expense incurred in obtaining, liquidating, employing or redeploying deposits from third parties (“LIBOR Costs”). Such amount payable by the undersigned to Bank may include, without limitation, an amount equal to the excess, if any, of (a) the amount of interest which would have accrued on the amount so prepaid, or not so borrowed, refunded or, to the extent applicable, converted, for the period from the date of such prepayment or of such failure to borrow, refund or convert, through the last day of the relevant Interest Period, at the applicable rate of interest provided under this Note, over (b) the amount of interest (as reasonably determined by Bank) which would have accrued to Bank on such amount by placing such amount on deposit for a comparable period with leading banks in the interbank eurodollar market. Calculation of any amounts payable to Bank under this paragraph shall be made as though Bank shall have actually funded or committed to fund the relevant Indebtedness hereunder through the purchase of an underlying deposit in an amount equal to the amount of such Indebtedness and having a maturity comparable to the relevant Interest Period; provided, however, that Bank may fund the Indebtedness hereunder in any manner it deems fit and the foregoing assumptions shall be utilized only for the purpose of the calculation of amounts payable under this paragraph. Upon the written request of the undersigned, Bank shall deliver to the undersigned a certificate setting forth the basis for determining such losses, costs and expenses, which certificate shall be conclusively presumed correct, absent manifest error. The undersigned may prepay all or any part of the outstanding balance of any Indebtedness hereunder at any time without premium or penalty, provided, however, that if the undersigned prepays any part of the outstanding balance of any Indebtedness hereunder which is bearing interest at such time based upon the LIBOR-based Rate, the undersigned shall pay to the Bank LIBOR Costs incurred by the Bank due to such prepayment. Any prepayment hereunder shall also be accompanied by the payment of all accrued and unpaid interest on the amount so prepaid. Partial prepayments hereunder shall be applied to the installments hereunder in the inverse order of their maturities.

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

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

If any Change in Law shall make it unlawful or impossible for the Bank (or its LIBOR Lending Office) to make or maintain any of the Indebtedness under this Note with interest based upon the LIBOR-based Rate, Bank shall forthwith give written notice thereof to the undersigned specifying such Change in Law. Thereafter, (a) until Bank notifies the undersigned that such conditions or circumstances no longer exist, any obligation of the Bank to maintain any of the Indebtedness hereunder at an Applicable Interest Rate based upon the LIBOR-based Rate, and thereafter, the

Prime Referenced Rate plus the Applicable Margin shall be the Applicable Interest Rate for the Indebtedness hereunder during such period of time, and (b) if Bank may not lawfully continue to maintain the Indebtedness hereunder at an Applicable Interest Rate based upon the LIBOR-based Rate to the end of the then current Interest Period applicable thereto, the Prime Referenced Rate plus the Applicable Margin shall be the Applicable Interest Rate for the remainder of such Interest Period.

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

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

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

security interest in any of the undersigned's principal dwelling or in any of the undersigned's real property which is not a purchase money security interest as to that portion, unless expressly provided to the contrary in another place, or (ii) if the undersigned (or any of them) has (have) given or give(s) Bank a deed of trust or mortgage covering California real property, that deed of trust or mortgage shall not secure this Note or any other indebtedness of the undersigned (or any of them), unless expressly provided to the contrary in another place, or (iii) if the undersigned (or any of them) has (have) given or give(s) the Bank a deed of trust or mortgage covering real property which, under Texas law, constitutes the homestead of such person, that deed of trust or mortgage shall not secure this Note or any other indebtedness of the undersigned (or any of them) unless expressly provided to the contrary in another place.

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

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

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

Except for notices expressly required under any of the Loan Documents, the undersigned waive(s) presentment, demand, protest, notice of dishonor, notice of demand or intent to demand, notice of acceleration or intent to accelerate, and all other notices, and agree(s) that no extension or indulgence to the undersigned (or any of them) or release, substitution or nonenforcement of any security, or release or substitution of any of the undersigned, any guarantor or any other party, whether with or without notice, shall affect the obligations of any of the undersigned. The undersigned waive(s) all defenses or right to discharge available under Section 3-605 of the Texas Uniform Commercial Code and waive(s) all other suretyship defenses or right to discharge. The undersigned agree(s) that the Bank has the right to sell, assign, or grant participations or any interest in, any or all of the Indebtedness, and that, in connection with this right, but without limiting its ability to make other disclosures to the full extent allowable, the Bank may disclose all documents and information which the Bank now or later has relating to the undersigned or the Indebtedness. The undersigned agree(s) that the Bank may provide information relating to this Note or relating to the undersigned to the Bank's parent, affiliates, subsidiaries and service providers.

The undersigned agree(s) to pay or reimburse to Bank, or any other holder or owner of this Note, on demand, for any and all costs and expenses of Bank (including, without limit, court costs, legal expenses and reasonable attorneys' fees, whether inside or outside counsel is used, whether or not suit is instituted, and, if suit is instituted, whether at

the trial court level, appellate level, in a bankruptcy, probate or administrative proceeding or otherwise) incurred in connection with the preparation, execution, delivery, amendment, administration, and performance of this Note and the related documents, or incurred in collecting or attempting to collect this Note or the Indebtedness, or incurred in any other matter or proceeding relating to this Note or the Indebtedness.

The undersigned acknowledge(s) and agree(s) that there are no contrary agreements, oral or written, establishing a term of this Note and agree(s) that the terms and conditions of this Note may not be amended, waived or modified

except in a writing signed by an officer of the Bank expressly stating that the writing constitutes an amendment, waiver

or modification of the terms of this Note. As used in this Note, the word “undersigned” means, individually and collectively, each maker, accommodation party, endorser and other party signing this Note in a similar capacity. If any provision of this Note is unenforceable in whole or part for any reason, the remaining provisions shall continue to be effective. Chapter 346 of the Texas Finance Code (and as the same may be incorporated by reference in other Texas statutes) shall not apply to the Indebtedness evidenced by this Note. **THIS NOTE INCORPORATES SECTION 8.2 OF THE LOAN AGREEMENT BY THIS REFERENCE AS IF THE SAME WERE INCLUDED HEREIN IN ITS ENTIRETY.**

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

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

**“Advance”** means a borrowing requested by the undersigned and made by Bank under this Note, including any refunding of an outstanding Advance as the same type of Advance or, to the extent applicable, the conversion of any such outstanding Advance to another type of Advance, and shall include an Advance based on a LIBOR-based Rate and (subject to the terms of this Note) a Prime-based Advance.

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

**“Applicable Margin”** means (i) four percent (4.0%) per annum in connection with the LIBOR-based Rate and (ii) one percent (1.0%) per annum in connection with the Prime Referenced Rate.

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

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

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

**“Interest Period”** means, a period of one (1) month, or as otherwise determined pursuant to and in accordance with the terms of this Note, commencing on the date of an Advance, or in the case of successive continuations of the LIBOR-based Rate plus the Applicable Margin as the Applicable Interest Rate hereunder, as herein provided, on the last day of the preceding Interest Period then ending, provided that:

- (a) any Interest Period which would otherwise end on a day which is not a Business Day shall be extended to the next succeeding Business Day, except that if the next succeeding Business Day falls in another

calendar month, the Interest Period shall end on the next preceding Business Day, and when an Interest Period begins on a day which has no numerically corresponding day in the calendar month during which such Interest Period is to end, it shall end on the last Business Day of such calendar month; and

- (b) Interest Period shall not extend beyond the Maturity Date.

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

- (a) the LIBOR Rate;

divided by

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

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

“**LIBOR Rate**” means, with respect to any Indebtedness outstanding under this Note bearing interest on the basis of the LIBOR-based Rate, the per annum rate of interest determined on the basis of the rate for deposits in United States Dollars for a period equal to the relevant Interest Period for such Indebtedness, commencing on the first day of such Interest Period, appearing on Page BBAM of the Bloomberg Financial Markets Information Service as of 11:00 a.m. (Dallas, Texas time) (or as soon thereafter as practical), two (2) Business Days prior to the first day of such Interest Period. In the event that such rate does not appear on Page BBAM of the Bloomberg Financial Markets Information Service (or otherwise on such Service), the “LIBOR Rate” shall be determined by reference to such other publicly available service for displaying eurodollar rates as may be reasonably selected by Bank, or, in the absence of such other service, the “LIBOR Rate” shall, instead, be determined based upon the average of the rates at which Bank is offered dollar deposits at or about 11:00 a.m. (Dallas, Texas time) (or as soon thereafter as practical), two (2) Business Days prior to the first day of such Interest Period in the interbank eurodollar market in an amount comparable to the amount of the outstanding Indebtedness hereunder which is to bear interest on the basis of such LIBOR-based Rate and for a period equal to the relevant Interest Period; provided, however, and notwithstanding anything to the contrary set forth in this Note, if at any time the LIBOR Rate determined as provided above would be less than zero percent (0%), then the LIBOR Rate shall be deemed to be zero percent (0%) per annum for all purposes of this Note (the “**LIBOR 0% Floor**”), except for any portion of any principal Indebtedness outstanding under this Note which, at any such time, is/are subject to any Specified Hedging Agreement, in which case, the

LIBOR Rate for such portion of such Indebtedness shall be determined without giving effect to the LIBOR 0% Floor. Each calculation by Bank of the LIBOR Rate shall be conclusive and binding for all purposes, absent manifest error.

“**Prime Rate**” means the greater of (i) the per annum interest rate established by Bank as its prime rate for its borrowers, as such rate may vary from time to time, which rate is not necessarily the lowest rate on loans made by Bank at any such time or (ii) the rate of interest equal to the sum of (a) one percent (1%), and (b) the rate of interest equal to the average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers (the “Overnight Rates”), as published by the Federal Reserve Bank of New York,



or, if the Overnight Rates are not so published for any day, the average of the quotations for the Overnight Rates received by Bank from three (3) Federal funds brokers of recognized standing selected by Bank, as the same may be changed from time to time.

**“Prime Referenced Rate”** means a per annum interest rate which is equal to the Prime Rate.

**“Specified Hedging Agreement”** means any agreement or other documentation between the undersigned (or any of them) and Bank providing for an interest rate swap that does not provide for a minimum rate of zero percent (0%) with respect to determinations of the LIBOR Rate, for the purposes of such interest rate swap (e.g., determines the floating amount by using the “negative interest rate method” rather than the “zero interest rate method” in the case of any such interest rate swap made under any master agreement or other documentation published by the International Swaps and Derivatives Association, Inc.).

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

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

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

**STRATUS PROPERTIES INC.,**  
a Delaware corporation

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

**AUSTIN 290 PROPERTIES, INC.,**  
a Texas corporation

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

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

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

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

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

**THE VILLAS AT AMARRA DRIVE, L.L.C.,**  
a Texas limited liability company

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

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

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

**CIRCLE C LAND, L.P.,**  
a Texas limited partnership

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

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

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

**210 LAVACA HOLDINGS, L.L.C.,**  
a Texas limited liability company

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

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

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

**MAGNOLIA EAST 149, L.L.C.,**  
a Texas limited liability company

**STRATUS LAKEWAY CENTER, L.L.C.,**  
a Texas limited liability company

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

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

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

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

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

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

212 Lavaca Street, Suite 300      Austin      Texas      78701  
STREET ADDRESS      CITY      STATE      ZIP CODE

For Bank's Use Only				
Officer Initials	Loan Group Name	Obligor Name	Note No.	Amount

## NEWS RELEASE

Stratus Properties Inc.  
212 Lavaca St., Suite 300  
Austin, Texas 78701

NASDAQ Symbol: "STRS"

**Financial and Media Contact:**

William H. Armstrong III  
(512) 478-5788

### STRATUS PROPERTIES INC. ANNOUNCES INCREASE AND EXTENSION OF ITS REVOLVING CREDIT FACILITY

AUSTIN, TX, July 5, 2018 - Stratus Properties Inc. (NASDAQ: STRS) announced that on June 29, 2018, Stratus and certain of its wholly owned subsidiaries entered into a loan agreement with Comerica Bank that increases and extends Stratus' existing revolving credit facility. Under the terms of the loan agreement, the revolving credit facility was modified to increase the aggregate borrowing base from \$52.5 million to \$60.0 million and extended the maturity date from November 30, 2018 to June 29, 2020.

**William H. Armstrong III, Chairman, President and Chief Executive Officer, stated, "We are pleased to announce the successful modification and extension of our credit facility which expands our financial capacity and gives us additional financial flexibility to fund operations and growth as we continue to pursue our active development strategy. We value our longstanding business relationship with Comerica, whose confidence in Stratus is reflected in this enhanced commitment, and we look forward to continuing to work together to ensure that Stratus is well-positioned to create value for its shareholders."**

Proceeds from the revolving credit facility may be used to fund Stratus' working capital needs, including land acquisitions, subject to certain exceptions. Stratus' obligations under the loan agreement are secured by substantially all of Stratus' assets, except for properties that are encumbered by separate loan financing.

Stratus is a diversified real estate company engaged primarily in the acquisition, entitlement, development, management, operation and sale of commercial, hotel, entertainment, and multi- and single-family residential real estate properties, primarily located in the Austin, Texas area, but including projects in certain other select markets in Texas.

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A copy of this release is available on Stratus' website, [www.stratusproperties.com](http://www.stratusproperties.com).

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